



Heylo Housing Secured Bond plc
£750,000,000
Euro Medium Term Note Programme

The Notes described in the Programme specified in this Base Prospectus are debt securities which may be issued under the £750,000,000 Euro Medium Term Note Programme of the Issuer arranged by Bondinvest Capital Limited (trading as BondCap) as dealer under the Programme. The Notes may be "**Inflation Linked Notes**", "**Floating Rate Notes**", "**Fixed Rate Notes**" or "**Zero Coupon Notes**", as specified in this Prospectus.

Heylo Housing Secured Bond plc intends to use the proceeds of the debt securities under the Programme to purchase freehold or leasehold interests in residential properties in the United Kingdom that are capable of being occupied on a part buy - part rent basis by customers. As at the date of this Prospectus, the Issuer does not own any properties nor hold any assets.

The Issuer does not have any direct financial support from the Heylo Group, nor does the Issuer benefit from any guarantee from any member of the Heylo Group or any other party to support its obligations in respect of the Notes.

The Notes will rank *pari passu* without any preference amongst themselves. The Notes will be secured by way of a fixed equitable mortgage over all residential properties owned by the Issuer from time to time, a first fixed charge over certain cash balances, permitted investments and other assets of the Issuer and a floating charge over all assets of the Issuer. The Notes will also have the benefit of a negative pledge. See "*Terms and Conditions of the Notes – Condition 4 (Security and Management) and Condition 5 (Covenants and Restrictions on the Issuer's Activities)*".

Arranger and Dealer

BondCap

AN INVESTMENT IN NOTES ISSUED UNDER THE PROGRAMME INVOLVES CERTAIN RISKS. YOU SHOULD HAVE REGARD TO THE FACTORS DESCRIBED IN PART II (RISK FACTORS) OF THIS DOCUMENT. YOU SHOULD ALSO READ CAREFULLY PART XIV (IMPORTANT LEGAL INFORMATION) OF THIS DOCUMENT.

ABOUT THIS DOCUMENT

What is this document?

This document constitutes a base prospectus prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the "**FCA**") and relates to Heylo Housing Secured Bond plc's £750,000,000 Euro Medium Term Note Programme (the "**Programme**"), under which Heylo Housing Secured Bond plc (the "**Issuer**") may from time to time issue secured notes (the "**Notes**"). The Notes will be secured over the assets and undertaking of the Issuer (which assets are expected to comprise UK real estate and certain cash amounts held by the Issuer from time to time) as described in this document (the "**Security**").

Application has been made to the FCA in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**UK Listing Authority**") for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the UK Listing Authority and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's regulated market and, where relevant, through the electronic order book for fixed income securities (the "**OFIS**") of the London Stock Exchange.

The London Stock Exchange's regulated market is a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**").

This document is valid for one year from the date of this document and may be supplemented or replaced from time to time to reflect any significant new factor, material mistake or inaccuracy relating to the information included in it.

What types of Notes does this document relate to?

This document relates to the issuance of four different types of Notes:- Inflation Linked Notes, on which interest payable and final redemption proceeds of the Notes are adjusted to take account of prevailing inflation (measured by reference to the U.K. retail prices index (RPI)); Fixed Rate Notes, on which the Issuer will pay interest at a fixed rate; Floating Rate Notes, on which the Issuer will pay interest at a variable rate (referred to in this document as a "**floating rate**"); and Zero Coupon Notes, which do not bear interest.

What other documents should I read?

This document contains all information which is necessary to enable investors to make an informed decision regarding the financial position and prospects of the Issuer and the rights attaching to the Notes. Some of this information is completed in the Final Terms. **Before making any investment decision in respect of any Notes, you should read this document as well as the Final Terms which will be prepared in respect of such Notes and will be substantially in the form set out in Part XII of this document (the "Final Terms").**

This document and the completed Final Terms relating to any Notes will be made available on the website of Heylo Housing Secured Bond plc at:- www.heylohousing.com/bonds and will also be published at:- www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

What if I have any questions relating to this document or the Programme?

If you are unclear in relation to any matter, or uncertain if the Notes issued under the Programme are a suitable investment, you should seek professional advice from your broker, solicitor, accountant, tax or other independent financial adviser before deciding whether to invest.

IMPORTANT INFORMATION

The Issuer is responsible for the information contained in this document

The Issuer accepts responsibility for the information contained in this document and, in relation to each specific issuance of Notes (a "**Tranche**"), the applicable Final Terms for such Tranche of Notes. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. Where information has been sourced from a third party, this information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third-party information is identified where used.

Use of defined terms in this document

Certain terms or phrases in this document are defined in double quotation marks and references to those terms elsewhere in this document are designated with initial capital letters.

In this document, references to:-

- (i) the "**Issuer**" are to Heylo Housing Secured Bond plc, which is the issuer of the Notes under the Programme;
- (ii) the "**Group Parent**" and "**Heylo Housing Group Limited**" are to Heylo Housing Group Limited, which is the parent company of and owns 100 per cent. of the issued share capital of the Issuer;
- (iii) the "**Heylo Group**" means the Group Parent, the Issuer and any other present or future, direct or indirect, subsidiaries of the Group Parent from time to time;
- (iv) "**HHRP**" are to Heylo Housing Registered Provider Ltd, a subsidiary of the Group Parent that is registered with the Regulator of Social Housing;
- (v) "**ResiManagement**" are to ResiManagement Limited, which will provide management services to the Issuer;
- (vi) "**sterling**" and "**£**" refer to pounds sterling; and
- (vii) "**Euro**" and "**€**" are to the currency introduced at the start of the European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

No Guarantee

The Notes to be issued by the Issuer under the Programme are not guaranteed by the Group Parent or any other member of the Heylo Group.

No Financial Services Compensation Scheme ("FSCS") Protection

The Notes issued under the Programme are not protected by the FSCS. As a result, neither the FSCS nor anyone else will pay compensation to you upon the failure of the Issuer. If the Issuer goes out of business or becomes insolvent, you may lose all or part of your investment in the Notes.

No offer of Notes

This document alone does not constitute an offer to subscribe for any Notes. Any offer to subscribe for Notes will only occur when the Issuer publishes Final Terms setting out the specific terms of the relevant offer. See Part XIV (*Important Legal Information*) of this document for details on how any public offers of Notes will be made.

The Notes have not been and will not be registered under the United States Securities Act of 1933 (the "**Securities Act**") and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to

certain exceptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as each of those terms is defined in Regulation S under the Securities Act).

EEA Retail Investors

If the Final Terms in respect of any Notes includes a legend entitled "*Prohibition of Sales to EEA Retail Investors*", such Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a "retail investor" means a person who is one (or more) of:-

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**") on markets and financial instruments;
- (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
- (iii) not a qualified investor as defined in the Prospectus Directive.

In respect of any such Notes, no key information document (a "**KID**") required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the European Economic Area will be prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. If a KID has been prepared and made available by the Issuer in respect of any Notes, the relevant Final Terms will specify that a KID has been made available.

HOW DO I USE THIS DOCUMENT?

You should read and understand fully the contents of this document and the applicable Final Terms before making any investment decisions relating to any Notes. This document contains important information about Heylo Housing Secured Bond plc (the "**Issuer**") and the terms of the Notes and the Security, and describes certain risks relevant to the Issuer and its business and also other risks relating to an investment in the Notes generally.

An overview of the various parts comprising this document is set out below:-

Part I (*Summary*) sets out in tabular format standard information which is arranged under standard headings and which the Issuer is required, for regulatory reasons, to include as a summary for a base prospectus of this type. This part also provides the form of the "issue specific summary" information, which will be completed and attached to the Final Terms relating to relevant Notes which are to be offered under the Programme.

Part II (*Risk Factors*) provides a description of the principal risks and uncertainties which may affect the Issuer's abilities to fulfil their obligations under the Notes, as well as certain other risks relating to an investment in the Notes generally.

Part III (*Information About the Programme*) provides a synopsis of the Programme in order to assist the reader.

Part IV (*How the Return on Your Investment is Calculated*) sets out worked examples of how the interest amounts and/or principal redemption amounts are calculated under a variety of scenarios and how the redemption provisions will affect Notes that may be issued under the Programme.

Part V (*Taxation*) provides a brief outline of certain UK taxation implications regarding Notes that may be issued under the Programme.

Part VI (*Business of the Issuer*) describes certain information relating to the Issuer and its business.

Part VII (*Description of the Heylo Group*) describes key information in relation to the Heylo Group and its structure, as well as key functions and services that certain members of the Heylo Group provide to the Issuer.

Part VIII (*Market Overview and the UK Regulatory Framework*) gives an overview of the business sector in which the Heylo Group operates and summarises the key features of the UK regulatory landscape applicable to the Heylo Group's operations.

Part IX (*Security Structure*) gives an overview of the security that will be put in place over the residential properties when owned by the Issuer and other assets of the Issuer that will provide a level of security for repayment of any Notes that may be issued under the Programme.

Part X (*Terms and Conditions of the Notes*) sets out the terms and conditions which apply to any Notes that may be issued under the Programme. The applicable Final Terms relating to any offer of Notes will complete the terms and conditions of those Notes.

Part XI (*Summary of Provisions Relating to the Notes while in Global Form in the Clearing Systems*) is a summary of certain parts of those provisions of the Global Notes and Global Certificates which apply to the Notes while they are held in global form by the clearing systems, some of which include minor and/or technical modifications to the terms and conditions of the Notes as set out in this document.

Part XII (*Form of Final Terms*) sets out the respective forms of Final Terms that the Issuer will publish if it offers any Notes under the Programme. Any such completed Final Terms will detail the relevant information applicable to each respective offer of Notes, adjusted to be relevant only to the specific Notes being offered.

Part XIII (*Clearing and Settlement*) is a summary of clearing and settlement when interests in the Notes are held and settled in CREST.

Part XIV (*Subscription and Sale*) contains a description of the material provisions of the Dealer Agreement entered into between the Issuer and Bondinvest Capital Limited (as may be amended, modified or replaced from time to time), which includes the principal selling restrictions applicable to any Notes that may be offered under the Programme.

Part XV (*Additional Information*) sets out further information on the Issuer and the Programme which the Issuer are required to include under applicable rules. These include the availability of certain relevant documents for inspection, certain confirmations from the Issuer and details relating to the listing of the Notes.

Part XVI (*Important Legal Information*) contains some important legal information regarding the basis on which this document may be used for the purposes of making any public offers of Notes issued under the Programme, forward-looking statements and other important matters.

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PART I

SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A–E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities, issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element might be required to be inserted in the summary because of the type of securities or issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of the words "Not Applicable".

Section A – Introduction and warnings		
A.1	Introduction	This summary must be read as an introduction to this document. Any decision to invest in the securities should be based on consideration of this document as a whole by the investor. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the EU Member States, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary (including any translation thereof), but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in such securities.
A.2	Any consents to and conditions regarding use of this document	<p>Heylo Housing Secured Bond plc (the "Issuer") consents to the use of the Base Prospectus in connection with any offer, resale or final placement of Notes which is not made within an exemption from the requirement to publish a prospectus under the Prospectus Directive (Directive 2003/71/EC, as amended) (a "Public Offer") of the Notes by any financial intermediary which is authorised to make such offers (an "Authorised Offeror") under the Markets in Financial Instruments Directive (Directive 2014/65/EU) on the following basis:-</p> <p>(i) the relevant Public Offer must occur during the period from (and including) [] to (but excluding) [] (the "Offer Period"); and</p> <p>(ii) the relevant Authorised Offeror must satisfy the following conditions:- [].]</p> <p>Authorised Offerors will provide information to any persons ("Investors") on the terms and conditions of the Public Offer of the relevant Notes at the time such Public Offer is made by the Authorised Offeror to the Investor</p> <p>ANY UNNAMED OFFEROR MUST STATE ON ITS WEBSITE THAT IT IS USING THE BASE PROSPECTUS IN ACCORDANCE WITH THIS CONSENT AND THE CONDITIONS ATTACHED HERETO.</p>

Section B - Issuer		
B.1	Legal and commercial name	The Issuer's legal and commercial name is Heylo Housing Secured Bond plc.
B.2	Domicile and legal form	The Issuer is a public limited company, incorporated on 23 February 2018 under the Companies Act 2006 in England and Wales with registered number 11222614 and its registered office situated at 5 th Floor, One New Change, London EC4M 9AF.
B4b	A description of any known trends affecting the Issuer and the industry in which it operates.	The Issuer intends to be active in acquiring residential properties in the United Kingdom. The residential property market is subject to variances from time to time due to a number of factors, including economic activity, geographic demand and affordability. In addition, the Issuer intends to acquire residential properties from housebuilders - the rate at which housebuilders can deliver the number of new housing units into the residential property market will impact on the ability of the Issuer to identify sufficient housing stock to purchase.
B.5	Description of the Group	<p>The Issuer is a wholly owned subsidiary of Heylo Housing Group Limited, a company duly incorporated under the Companies Act 2006 in England and Wales with registered number 11104403 and its registered office situated at 5th Floor, One New Change, London EC4M 9AF.</p> <p>In addition to being the parent of the Issuer, Heylo Housing Group Limited is also the parent company of a number of other investment companies, including Heylo Housing Registered Provider Limited, a registered provider of social housing with the Regulator of Social Housing, to be the landlord under its leases to customers.</p> <p>The Heylo Group is active in the acquisition of residential properties that it then makes available to customers on a part buy – part rent leasehold basis.</p> <p>As it is intended that the Issuer will adopt the business model of the Heylo Group, the Issuer will use the proceeds of the issue of the Notes to acquire residential properties which will then be made available to individual customers on the same part buy – part rent leasehold basis as currently carried out by the wider Heylo Group.</p> <p>While the Issuer may enter into legal agreements for the acquisition of properties shortly after securing funding via the first issuance of the Notes under this Programme, it may take 3 to 12 months for the relevant properties to be completed by the relevant housebuilders. The Issuer will not pay for or assume any risk in relation to the properties until they have been completed by the housebuilders. Upon completion, the properties will be acquired by the Issuer and will at that time be secured in favour of the Security Trustee for the benefit of the Secured Creditors (including the Noteholders) (please see section C8 (<i>Rights attaching to the Securities</i>) for further information).</p> <p>The Issuer will not commit to enter into any legal agreement for the acquisition of residential properties until it has secured funding via the Notes issued under this Programme. As such, the Issuer</p>

	financial information	<p>in respect of the Issuer since the date of its incorporation.</p> <p>There has been no significant change in the financial or trading position of the Issuer, and there has been no material adverse change in the prospects of the Issuer, in either case since the date of its incorporation. The Issuer has no subsidiaries.</p>
B.13	Recent events impacting on the Issuer's solvency	<p>There have been no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.</p>
B.14	Dependence of the Issuer on other entities within the Group	<p>The Issuer is a wholly owned subsidiary of Heylo Housing Group Limited (a company incorporated under the Companies Act 2006 in England and Wales with registered number 11104403 and its registered office situated at 5th Floor, One New Change, London EC4M 9AF).</p> <p>The Heylo Group is active in the residential property market, managing properties that are made available to customers on a part buy – part rent basis.</p> <p>The Issuer does not have any direct financial support from other entities within the Heylo Group, nor will the Issuer benefit from any guarantee from any party to support any obligations in respect of the Notes.</p>
B.15	Description of the Issuer's principal activities	<p>The Issuer is a newly incorporated wholly owned subsidiary of Heylo Housing Group Limited. The Issuer has been incorporated for the purpose of raising investment pursuant to issuing Notes under this Programme.</p> <p>The Issuer intends to invest in residential properties in the United Kingdom that are made available to customers on a part buy – part rent basis (commonly known as shared ownership) by acquiring new build properties in bulk from housebuilders and acquiring second hand properties that have been selected by its customers for conversion to part buy – part rent.</p> <p>The Heylo Group is constantly identifying and evaluating acquisition opportunities and has, as at the date of this Prospectus, identified a number of properties with different housebuilders throughout the UK which would be suitable for the Issuer to acquire with proceeds of the issue of the Notes. The Issuer will however not commit to enter into any legal agreement for the acquisition of residential properties until it has secured finance via the Notes issued under this Programme. The Issuer aims to have the proceeds of the issue of the Notes invested in Eligible Properties within six months of receipt of proceeds of the relevant Notes. The Issuer does not own any such properties on the date of this Base Prospectus.</p> <p>While the Issuer may enter into legal agreements for the future acquisition of properties shortly after securing funding via the first issuance of the Notes under this Programme, in the case of new-build residential properties, it may take 3 to 12 months for properties to be completed by the relevant housebuilders. The Issuer will only legally acquire title upon the completion of all construction activities on the residential properties the Issuer proposed to acquire. During that time, the proceeds of the Notes</p>

that are anticipated to be invested will be held in a bank account over which the Issuer has granted a fixed charge in favour of the Security Trustee. The Issuer will not pay for or assume any risk in relation to the properties until they have been completed by the housebuilders. Upon completion of construction, the properties will be acquired and paid for by the Issuer and these properties will, from the moment of acquisition, be secured in favour of the Security Trustee under the floating charge granted by the Issuer and, on each Quarter Date, by a fixed equitable mortgage over the properties (please see section C8 (*Rights attaching to the Securities*) for further information on the nature of the security rights).

The Issuer's source of income is monies received from customers either as rent or through subsequent sales of equitable ownership interests in the properties in a process known as "Staircasing". "**Staircasing**" is when a customer chooses to pay further premiums to increase their equitable ownership interest in their property (and, accordingly, decrease the portion of the property on which they pay rent). A customer can continue to Staircase until such time as they increase their equitable interest in the property to the full value, at which point they have the right to acquire the freehold (or, if the ownership interest held is leasehold, leasehold) interest in full and therefore pay no further rent.

A customer will be entitled to take out their own mortgage in relation to the equitable ownership interest held by the customer. Legal ownership of the properties remains with the Issuer at all times unless sold or a customer acquires a right to the freehold through Staircasing. The granting of security by the customer over the customer's equitable interest in favour of the customer's security provider does not alter or amend the security granted by the Issuer to the Security Trustee.

The Issuer's activities are limited by the Terms and Conditions of the Notes to (i) issuing Notes under this Programme (and undertaking various related activities to the issuance of Notes), (ii) using the proceeds of Notes to acquire UK residential properties which provide, or which the Issuer expects to provide, long-dated inflation-linked rental income from part buy – part rent customers, (iii) providing long-dated leases to Heylo Housing Registered Provider Limited (who in turn will enter into a long-dated lease with end customers) and (iv) ancillary and complementary activities. In effect, the business model of the Issuer will replicate the approach of the part buy - part rent sector that has been adopted by the Heylo Group.

The Issuer's business includes managing its portfolio of properties, collecting payments under long-dated leases it sells in respect of its properties, and managing and enforcing the terms of such leases as may be required from time to time.

The Issuer itself does not have any employees and instead will outsource all transactional and operational activities to ResiManagement under a long term management agreement. ResiManagement will be paid fees for sourcing and managing properties acquired. Accordingly, rather than the Issuer having fixed overheads and costs while it builds its portfolio, the Issuer's cost base is expected to grow proportionately to its asset base. ResiManagement will also administer the Issuer itself along with

		<p>all reporting and compliance obligations.</p> <p>The ResiManagement team comprises an experienced team of 35 staff drawn from finance, property sales, property management and regulatory engagement and they will provide services to the Issuer along with other organisations within the Heylo Group.</p>
B.16	Control of the Issuer	The Issuer is a wholly-owned subsidiary of Heylo Housing Group Limited.
B.17	Credit ratings	<p>None of the Issuer, its debt securities or the Programme have been assigned a credit rating by any credit rating agency.</p> <p>Programme summary:-</p> <p>A Series of Notes issued under the Programme may be rated by a credit rating agency or may be unrated. Such ratings will not necessarily be the same as the rating assigned to the Issuer or to any other Series of Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p> <p>Issue specific summary:-</p> <p>[The Notes to be issued [are not/have been/are expected to be] rated]/[The following ratings reflect credit ratings assigned to Notes of this type issued under the Programme generally]:-</p> <p>[Name of rating agency:- []]</p>

Section C – Securities

Section C – Securities		
C.1	Type and class of securities	<p>Programme summary:</p> <p>The Notes described in this summary are debt securities which may be issued under the £750,000,000 Euro Medium Term Note Programme of the Issuer arranged by Bondinvest Capital Limited as dealer under the Programme.</p> <p>The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme.</p> <p>The Notes will be issued on a non-syndicated basis (ie sold through one Dealer) or a syndicated basis (ie sold through more than one Dealer). The Notes will be issued in series (each a "Series") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest (if any)), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "Tranche") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, the date and amount of the first payment of interest (if any) and/or nominal amount of the Tranche, will be identical to the terms of</p>

		<p>other Tranches of the same Series) will be completed in the Final Terms (the "Final Terms").</p> <p>The Notes may be "Inflation Linked Notes", "Floating Rate Notes", "Fixed Rate Notes" or "Zero Coupon Notes", as specified below (see Element C.9 for more details). Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. The Issue Price of the relevant Notes will be determined by the Issuer before filing of the applicable Final Terms of each Tranche based on the prevailing market conditions. Notes will be in such denominations as may be specified below.</p> <p>The Notes may be issued in bearer form ("Bearer Notes") (ie where physical possession of the Note is the sole evidence of legal ownership) or in registered form ("Registered Notes") (ie where legal ownership is evidenced by the name of the holder being registered on the register of Noteholders) only.</p> <p>Issue specific summary:</p> <p>Series Number: []</p> <p>Tranche Number: []</p> <p>Aggregate Nominal Amount: []</p> <p>Series: []</p> <p>Tranche: []</p> <p>Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from []]</p> <p>Specified Denomination: [] [and integral multiples thereof, up to and including []]</p> <p>Form of Notes: [Bearer Notes:-] [Temporary Global Note]/[Permanent Global Note]</p> <p>[Registered Notes:-] [Global Certificate]</p> <p>ISIN: XS []</p> <p>Common Code: []</p> <p>LEI: []</p>
C.2	Currency	<p>Programme summary:-</p> <p>Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer or Dealers.</p>

		<p>Issue specific summary:-</p> <p>The Specified Currency or Currencies of the Notes to be issued [is/are] [].</p>
C.5	Restrictions on transfer	<p>Programme summary:-</p> <p>The Notes will be freely transferable. However, the primary offering of any Notes will be subject to offer restrictions in the United States, Japan, the European Economic Area (including the UK), Jersey, Guernsey and the Isle of Man and to any applicable offer restrictions in any other jurisdiction in which such Notes are offered or sold. The Issuer is Category 2 for the purposes of Regulation S under the United States Securities Act 1933.</p> <p>Issue specific summary:-</p> <p>US selling restrictions:- Regulation S Compliance Category 2:- [TEFRA C Rules/TEFRA D Rules/TEFRA not applicable]</p>
C.8	Rights attaching to the securities	<p>Programme summary:-</p> <p><i>Status of the Notes</i></p> <p>The Notes constitute secured debt obligations of the Issuer. The Notes will rank <i>pari passu</i> (ie equally in right of payment), without any preference among themselves.</p> <p><i>Security</i></p> <p>The Issuer will grant security for the Notes on the date of issue of the relevant Notes. The benefit of the security will be held on trust by US Bank Trustees Limited (in its role as Security Trustee) for and behalf of, among others, itself, the Trustee, and the paying agents, the registrar, the transfer agents, the calculation agent(s) for the relevant Notes and the Noteholders (together, the "Secured Creditors").</p> <p>The security package includes (i) an equitable mortgage (explained in more detail below) granted by the Issuer over its title to all of its UK residential real estate assets acquired by it. Semi - annual asset reports will be provided to the Security Trustee which will set out the residential properties over which the Secured Creditors have an equitable mortgage; (ii) fixed charges over any insurance policies and other contractual rights that benefit the Issuer in relation to the Mortgaged Properties, (iii) a fixed charge over cash held in a specific charged account (the Cash Account) or any permitted investment held by the Issuer from time to time in the Custody Account and (iv) a floating charge over all of the other undertaking and assets, both present and future, of the Issuer.</p> <p>When properties are acquired by the Issuer, the properties will be immediately secured by way of a floating charge (see below for a description of a floating charge) that exists over all of the assets of the Issuer from time to time. Additional fixed security by way of equitable mortgage over the properties owned by the Issuer will be granted on the following Quarter Date, all such fixed (and floating) security being charged in favour of the Security Trustee for the benefit of the Secured Creditors (including the</p>

Noteholders). The equitable mortgage affords flexibility to the Issuer that would not otherwise be available if legal mortgages were to be put in place – for example, any staircasing by the residential occupier would not require the consent of the Security Trustee to proceed where only an equitable mortgage exists.

Noteholders will have no direct recourse to Heylo Housing Registered Provider Limited in the event that Heylo Housing Registered Provider Limited fails to make payments under the lease between the Issuer and Heylo Housing Registered Provider Limited. The Issuer will be entitled to enforce its rights against Heylo Housing Registered Provider Limited, including terminating the lease with Heylo Housing Registered Provider Limited (but with no termination of the underlying lease to the residential occupier) if non-payment of rent breaches certain thresholds set out in the relevant lease.

The Issuer and other entities in respect of which Heylo Housing Registered Provider Limited has entered into a headlease (each, a "Pod") have entered into intercreditor arrangements with Heylo Housing Registered Provider Limited whereby it is agreed that recourse for each Pod against Heylo Housing Registered Provider Limited is limited to proceeds received by the Pod pursuant to the specific head lease in place between that Pod and Heylo Housing Registered Provider Limited.

Summary of certain legal terminology:-

A '**legal mortgage**' is a fixed security that provides security over the specified asset(s) and/or other interests of the person giving the security by transferring legal and beneficial title to those assets and/or other interests from the mortgagor (i.e. the Issuer) to the mortgagee (i.e. the Security Trustee acting on behalf of the Noteholders), along with the right to sell those assets and/or other interests if there is a default in obligations due under the terms of the Notes (for example, if the Issuer were to fail to make a payment of interest when due under the Notes).

An '**equitable mortgage**' is also a fixed security but it transfers beneficial interest but not legal title to the mortgagee – equitable mortgages may be used where it is commercially expedient to have unregistered mortgage interests to facilitate ease of carrying out business operations. The legal title to the property remains with the mortgagor unless and until the equitable mortgage is registered with the Land Registry, at which point it is a legal mortgage in favour of the mortgagee. A purchaser of a property secured to a mortgagee by an equitable mortgage may purchase property free of an equitable mortgage if the purchaser is acting in good faith, pays value for the property and has no notice of the equitable mortgage. The Issuer could also grant a legal mortgage to a third party and a legal mortgage would rank ahead of an equitable mortgage - for this reason, the Issuer is contractually restricted from granting any security over its assets which ranks higher than or equal to the Notes issued under the Programme. Under the proposed security structure securing the obligations in respect of the Notes, the equitable mortgage granted by the Issuer may be registered at the Land Registry if an Event of Default occurs and is continuing and at this point in time, a legal mortgage will be created.

A '**fixed charge**' unlike a legal mortgage, does not transfer title,

ownership or possession of the secured assets and/or interests to the Security Trustee (or to anyone else). Instead it allows the person giving the security to continue to own the secured assets and/or interests during the period in which the Notes are outstanding. However, such usage is subject to certain conditions designed to maintain the value of the secured assets or interests and prevent the disposal of these assets or interests without the consent of the mortgagee (ie the Security Trustee acting on behalf of the Noteholders). On the occurrence of any enforcement event (for example, if the Issuer were to fail to make a payment of interest when due under the Notes), the Security Trustee may (if directed to do so by Noteholders and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction) either require the charging company (ie the Issuer granting the security) to sell the secured assets or interests or it may take possession of the secured assets and either sell the assets or interest in it on its own or else appoint a receiver to sell the secured assets. Pursuant to the fixed charges, the Security Trustee, acting on behalf of the Noteholders, would have a claim over the proceeds of the sale of such secured assets in priority to any other creditors of the mortgagor company (i.e the Issuer). The Security Trustee would, in such an event, hold all proceeds of the secured assets on trust for the Secured Creditors.

Each of a legal mortgage, equitable mortgage and fixed charge will, provided that no other competing interests in the asset arise, ensure that the Security Trustee (acting on behalf of the Secured Creditors) receives net sale proceeds from the charged assets in priority to unsecured creditors.

A "**floating charge**" is granted by the Issuer to the Security Trustee acting on behalf of the Noteholders and the other Secured Creditors – this floating charge provides security over all assets of the Issuer from time to time, including any residential properties owned by the Issuer. A floating security allows the Security Trustee to take security over all assets of the Issuer, whilst at the same time enabling the Issuer to continue to operate its business without the restrictions that would follow from granting mortgages or fixed charges over those assets and/or interests in them. The assets subject to a floating charge can generally be dealt with by the Issuer in the ordinary course of its business (including sale of such assets and/or interests in them from time to time as they wish). A floating charge effectively "hovers" over a shifting pool of assets. However, on the occurrence of certain events (notably if a receiver or an administrator is appointed to take enforcement action against the chargor company or if there is a default in the Issuer's obligations in relation to the Notes) the floating charge "crystallises" and will effectively be converted into a fixed charge with respect to the assets and/or interests in them which are at that point in time owned by the Issuer, and will prohibit the Issuer from disposing of any assets and/or interests in them going forwards without the Security Trustee's prior consent.

The Issuer's assets are only expected to be (i) the UK residential property assets that it purchases with the net proceeds from the issuances of Notes issued under the Programme and which will be secured in favour of the Secured Creditors by way of a fixed equitable mortgage and a floating charge, (ii) the Issuer's rights and benefits under long-dated leases in respect of those property assets and (iii) any amounts in respect of cash (or permitted

investments) for the time being not invested in property out of net proceeds of the Notes or else received by the Issuer under the terms of its lease agreements.

Negative pledge and other security covenant

The Terms and Conditions of the Notes contain a negative pledge provision. In general terms, a negative pledge provision provides the Noteholders with assurances that the Issuer will not allow other creditors (ie other than the Noteholders and other Secured Creditors in relation to the Programme and the Notes) preferential treatment in terms of security or ranking of their debt. Under the Terms and Conditions of the Notes, the Issuer has agreed that it will not allow there to be any security over its assets which ranks higher than or equal to the Notes issued under the Programme.

However, and for the avoidance of doubt, the Terms and Conditions of the Notes do not prevent the customers of relevant properties (the freehold of which is owned by the Issuer (or, if the Issuer's interest is a leasehold interest, that leasehold interest owned by the Issuer) from creating a mortgage, fixed charge or other security interest in respect of, and to the extent of, its own leasehold or equitable interest in such property.

Events of Default

An event of default is a breach by the Issuer of certain provisions in the Terms and Conditions of the Notes. Events of default under the Notes include, subject to certain exceptions:- (a) non-payment of principal (for seven days) or interest (for 14 days), (b) breach of the financial covenants described in "— Financial Covenants" below and certain other covenants (which breach is not remedied within 30 days), (c) breach of other obligations under the Notes, the Trust Deed or the Security Deed (which breach is not remedied within 30 days), (d) defaults under other debt agreements for borrowed money of the Issuer subject to an aggregate threshold of £1,000,000, (e) enforcement proceedings against the Issuer, (f) certain events related to insolvency or winding-up of the Issuer; (g) the Issuer ceasing to be wholly-owned and controlled by the Group Parent, (h) the Security Deed not being in full force and effect or not creating the Security which it is expressed to create with the ranking and priority that it is expressed to have created, and (i) it becoming unlawful for the Issuer to comply with its obligations under the Notes. In addition, Trustee certification that certain of the events described above would be materially prejudicial to the interests of the Noteholders is required before such events will be deemed to constitute Events of Default.

Financial Covenants

The Issuer has, pursuant to covenants set out in the Terms and Conditions of the Notes, undertaken to comply with an Asset Cover Covenant and a Debt Service Cover Covenant:-

- **Asset Cover Covenant:-** from and including 30 September 2019 and tested on each 31 March and 30 September thereafter, the Issuer has undertaken to ensure that the ratio of (i) the Value of its Properties; to (ii) the aggregate nominal amount of Notes issued under

the Programme (less cash and permitted investment amounts held by the Issuer) is equal to or greater than 1.20 : 1.

For these purposes, "**Value**" is defined to mean the value of the relevant properties calculated on the basis of the 'existing use value for social housing (EUV-SH)' as defined by UKVS1.13 Valuations for registered social landlords of the RICS Valuation – Professional Standards July 2017 (as revised and published from time to time). This is the commonly used method of valuing shared ownership residential properties in the United Kingdom.

- **Debt Service Cover Covenant:** from and including 30 September 2019 and tested on each 31 March and 30 September thereafter, the Issuer has undertaken to ensure that it maintains a DSCR of at least 110 per cent. in respect of the 12-month period then ending.

For these purposes, a "**DSCR**" means:-

- (i) all income on properties and any interest on investments actually received by the Issuer in the 12-months prior to the relevant testing date (less any amounts received under UK public sector grants); less
- (ii) all expenditure by the Issuer in the 12-months prior to the relevant testing date (other than costs and expenses incurred in the process of acquiring properties);

divided by;

- (iii) the aggregate amount of all interest and principal paid (or accrued excluding in the case of LPI Notes, accrued inflation) by the Issuer in respect of Notes for the 12-month period ending on the relevant testing date.

Withholding tax

All payments of interest and principal in respect of Notes will be made free and clear of withholding taxes of the United Kingdom unless the withholding is required by law. In such event, the Issuer save in certain limited circumstances, may be required to pay additional amounts as shall result in receipt by the Noteholders of such amount as would have been received by them had such withholding or deduction not been required.

Meetings of Noteholders

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting the interests of the Noteholders. These provisions permit certain majorities to bind all Noteholders including Noteholders who did not vote on the relevant resolution and Noteholders who did not vote in the same way as the majority did on the relevant resolution.

		<p><i>Governing law</i></p> <p>The Notes will be governed by, and construed in accordance with, English law.</p>
C.9	<p>Rights attaching to the securities</p>	<p>Interest</p> <p><i>Interest Rates</i></p> <p>Interest-bearing Notes will either bear interest payable at a fixed rate or a floating rate. Interest will be payable on such date or dates as may be specified below.</p> <p><i>Inflation Linked Notes</i></p> <p>Payments of interest and principal in respect of Inflation Linked Notes will be calculated by reference to the UK Retail Prices Index (the "RPI") published by the UK Office of National Statistics (ONS) or any relevant successor rate (as applicable from time to time to the UK Treasury Gilts).</p> <p>Issue specific summary:-</p> <p>[The Notes to be issued are not Inflation Linked Notes.]</p> <p>[The key features of the Inflation Linked Notes are:- [].]</p> <p>The Inflation Linked Notes are "Limited", meaning that the interest amount payable in respect of the Notes will not decrease as a result of deflation and, on redemption of the nominal amount of the Notes on their Maturity Date, not less than 100 per cent. of the original principal value of the Notes will be repayable to Noteholders.</p> <p><i>Fixed Rate Notes</i></p> <p>Fixed interest will be payable in arrear on the date or dates in each year specified below.</p> <p>Issue specific summary:-</p> <p>[The Notes to be issued are not Fixed Rate Notes.]</p> <p>[Rate(s) of Interest: [] per cent. per annum</p> <p>Interest Payment Date(s): [] in each year]</p> <p><i>Floating Rate Notes</i></p> <p>Floating Rate Notes will bear interest determined separately for each Series as follows:-</p> <p>(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or</p> <p>(ii) by reference to the London Interbank Offered Rate</p>

		<p>"LIBOR" as adjusted for any applicable margin, all as specified below. Applicable accrual periods will be as specified below.</p> <p>Issue specific summary:-</p> <p>[The Notes to be issued are not Floating Rate Notes.]</p> <p>[The key features of the Floating Rate Notes are:- []]</p> <p><i>Zero Coupon Notes:-</i></p> <p>Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.</p> <p>Issue specific summary:-</p> <p>[The Notes to be issued are not Zero Coupon Notes.]</p> <p>[Amortisation Yield:- [] per cent. per annum]</p> <p>Redemption</p> <p>Maturity</p> <p>The relevant Maturity Date for a Tranche of Notes is specified below.</p> <p>Unless repaid or purchased and cancelled earlier, the Issuer will repay the Notes on the specified Maturity Date at 100 per cent. of their nominal amount.</p> <p>With respect to Inflation Linked Notes, at their Maturity Date, the terms of the Inflation Linked Notes are such that they will be repayable at not less than 100 per cent. of their nominal amount (even if there has been sustained UK deflation throughout the life of the Notes), and at more than 100 per cent. if there has been UK inflation during the term of the Notes.</p> <p>For example, if, following the issue of 10-year Inflation Linked Notes, the UK were to experience deflation of -1 per cent. per year every year, an investor who invested £100.00 would expect to be repaid £100.00 at maturity. If, however, inflation was three per cent. each year in that 10-year period, the investor would be entitled to be repaid £134.39. This calculation of £134.39 is obtained by multiplying £100.00 by $(1.03)^{10}$.</p> <p>The Notes are "Limited" Inflation Linked Notes, meaning the amount due to be repaid under the Notes is further protected by a provision of the Terms and Conditions of the Notes providing that [].</p> <p>Issue specific summary:-</p> <p>The Maturity Date for the Notes shall be [[]/the Interest Payment Date falling in or nearest to []].</p> <p>Early redemption and optional redemption</p>
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		<p>The Issuer may elect to repay the Notes prior to their maturity date in certain circumstances for tax reasons. In addition, if so specified below, the Notes (or some only of them) may be redeemed prior to their maturity date in certain circumstances, including pursuant to an Issuer call option and/or an investor put option.</p> <p>Issue specific summary:-</p> <p>Call Option [Applicable/Not Applicable]</p> <p>[The details of the call option are: []]</p> <p>Put Option [Applicable/Not Applicable]</p> <p>[The details of the put option are: []]</p> <p>Final Redemption Amount of [] per Calculation Amount</p> <p>each Note:</p> <p>Early Redemption Amount: [[] per Calculation Amount]</p> <p>Indication of yield</p> <p>The yield in respect of each issue of Fixed Rate Notes will be calculated on the basis of the Issue Price and is set out below.</p> <p><i>Issue specific summary:</i></p> <p>Yield: [] per cent. per annum</p> <p>Trustee and Security Trustee</p> <p>The Issuer has appointed US Bank Trustees Limited to act as trustee for the holders of Notes and also as Security Trustee to hold the benefit of the Security in respect of the Notes.</p>
C.10	Description of derivative component interest payments in	Please see C15-C20 below.
C.11	Application for admission to trading	<p>Programme summary:-</p> <p>Application has been made to admit Notes issued during the period of 12 months from the date of this document to the Official List of the UK Listing Authority and to admit them to trading on the London Stock Exchange plc's regulated market, including through its order book for fixed income securities.</p> <p>Issue specific summary:-</p> <p>[Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange plc's regulated market through its order</p>

		book for fixed income securities with effect from [].]
C.15	Description of how the value of investment is affected by the value of the underlying	<p>Payments of interest and principal in respect of Inflation Linked Notes will be calculated by reference to an index, derived from the UK Retail Prices Index (“RPI”).</p> <p>Repayment of Principal:</p> <p>Inflation Linked Notes issued under this Programme are repaid on the maturity date specified in the relevant Final Terms on the basis of an adjusted nominal amount. The nominal amount is effectively adjusted every six-months during the life of the Notes in order to take into account relative movements in the index (RPI) over the relevant 6-month period.</p> <p>The Inflation Linked Notes are “Limited”, meaning that the adjusted nominal goes up during periods of inflation but conversely, does not go down during deflation. This is achieved by the inflation factor always being equal to 1 or greater than 1. Where a negative inflation factor is calculated (for example when there is deflation) the negative inflation factor is changed to equal 1. As such, on redemption, the adjusted nominal amount of the Notes on their Maturity Date will not be less than 100 per cent. of the original principal value of the Notes.</p> <p>To calculate what the adjusted nominal amount will be on the next coupon payment date, the current nominal amount is multiplied by the inflation factor. The inflation factor is calculated by taking (i) the inflation index level for the reference month specified for the interest payment date (called the interest payment reference month and which is the month that is 8 months before the interest payment date); and dividing by, (ii) the relevant historic inflation index level (called the interest payment base month, which is eight months prior the first day of the relevant interest period. In this example, the Base Month for a December interest payment is October of the prior year and the Base Month for a June interest payment is April of the prior year.</p> <p>By way of a hypothetical example: if the Notes have a nominal amount of £100.00 per Note upon issue (as will be specified in the relevant Final Terms), the adjusted nominal value at the end of first six-months following the Issue Date (being the first interest payment on a semi-annual interest paying Note) is calculated as follows:</p> <p>If we assume that the Issue Date and Interest Commencement Date was 30 June 2018 and that the first interest payment date is 31 December 2018 then the interest payment reference month is April 2018 (8 months before the December interest payment date) and the interest payment base month is October 2017 (being eight months prior to the first day of the relevant interest period, the first day of the relevant interest period being 30 June 2018). The RPI levels in April 2018 and October 2017 were 279.7 and 275.3 respectively.</p> <p>Adjusted nominal on the first interest payment date = current nominal x inflation factor</p> <p>= current nominal x (interest payment reference month RPI level)</p>

/ interest payment base month RPI level)

$$= £100.00 \times (279.7/275.3) = £101.60$$

Continuing with the above example, on the second interest payment date – which is assumed to be in June 2019 - the adjusted nominal amount will be equal to £101.60 multiplied by the relevant inflation factor where the inflation factor would be the RPI level for October 2018 (October 2018 being 8 months before the interest payment date) divided by the RPI level for April 2018 (April 2018 being eight months prior to the first day of the relevant interest period, the first day of the relevant interest period being 31 December 2018).

Assuming that the RPI level for April 2018 is 279.7 and the RPI level for October 2018 is 284.0, the inflation factor is 1.01756 and so the adjusted nominal would increase (because the index level in October 2018 is higher than the index level in April 2018). The adjusted nominal on the June 2019 interest payment date would be:

$$= £101.60 \times (\text{inflation factor, always 1 or greater})$$
$$= £101.60 \times (284.0/279.7) = £103.16$$

Alternatively, assuming that the RPI level for April 2018 is 279.7 but the RPI level for October 2018 is instead 276.0, the inflation factor would be 0.9868. However, under the terms of the Notes, the inflation factor cannot ever be less than 1. As such, the inflation factor used in the calculation is set equal to 1 and the adjusted nominal would not be reduced, but would instead remain constant at the prior period's adjusted nominal. The terms of the Notes protect the adjusted nominal from falling during periods of deflation or no inflation.

As such, on the June 2019 interest payment date, the adjusted nominal would be:

$$= £101.60 \times (\text{inflation factor, always 1 or greater})$$
$$= £101.60 \times 1 = £101.60$$

Hypothetical Example 1 below relates to the full term of a hypothetical 10 year bond issued under this Programme with constant annual 3 per cent. inflation:

Example 1:

- Assuming 3 per cent. inflation in the UK per year every year during the life of the Notes, the adjusted nominal value of a £100.00 ten-year Inflation Linked Note will be approximately £134.39 at maturity.

Hypothetical Example 2 below relates to the full term of a hypothetical 10 year bond issued under this Programme under constant deflation or zero inflation:

Example 2:

- Assuming 0 per cent. inflation per year (or deflation) every year throughout the life of the Notes, the adjusted nominal value of a £100.00 ten-year Inflation Linked Note will be £100.00 at maturity.

Hypothetical Example 3 below relates to the full term of a

hypothetical 10 year bond issued under this Programme under initial inflation and then constant deflation (or no inflation):

Example 3:

- Assuming initial inflation resulted in an adjusted nominal of £115.00 and thereafter, deflation or zero inflation occurred until maturity. The adjusted nominal value of a £100.00 ten-year Inflation Linked Note will be £115.00 at maturity.
- The terms of the Notes protect the adjusted nominal during periods of deflation or no inflation
- This “Limited” feature of the Inflation Linked Notes aims to protect investors’ principal against the effects of deflation

Interest payments:

The semi-annual interest payable on Inflation Linked Notes issued under this Programme is calculated by multiplying the annual interest rate (divided by two, because of semi-annual payments) by the adjusted nominal amount on the interest payment date.

For example:

An investor buys £100.00 in nominal amount of Notes at issue in June 2018, with a rate of interest of 1.0 per cent., payable semi-annually with the first interest payment date falling in December 2018.

In order to calculate the interest payable, the adjusted nominal amount of the Notes on the December interest payment date needs to be calculated.

The £100.00 of Notes held will be calculated to increase by the greater of (A) one and (B) the RPI Index for April 2018 divided by the RPI Index October 2017. If, hypothetically, the RPI Index in October 2017 is 275.3, and if the RPI Index in April 2018 is 279.7, then the effective adjusted nominal value would be calculated by multiplying £100.00 by the greater of (A) one and (B) 1.015983 (*being 279.7 divided by 275.3*).

Using the hypothetical information above, at the interest payment date falling in December 2018, the adjusted nominal value is £101.60 (being £100.00 multiplied by 1.05983).

To calculate the first semi-annual interest payment due in December 2018 therefore, the adjusted nominal value of £101.60 is multiplied by the annual fixed interest rate of 1.0 per cent. divided by 2 (1.0 per cent. / 2 = 0.0050 in decimals). The interest payable on the December interest payment date would therefore be £101.60 x 0.0050 = £0.5080 = £0.51 rounded to the nearest penny.

On the second interest payment date, falling in June 2019, the effective adjusted nominal value of the Note would be £101.60 multiplied by the greater of (A) one and (B) the RPI Index in October 2018 (assumed: 284.0) divided by the RPI Index in April 2018 (assumes: 279.7).

		<p>The adjusted nominal value of the Note on the June 2019 interest payment date would be $£101.60 \times (284.0/279.7) = £103.16$.</p> <p>The interest payable in June 2019 using the above assumptions would be $£103.16 \times 0.0050 = £0.5158 = £0.52$ rounded to the nearest penny.</p> <p>If the RPI level in October 2018 is instead 276.0 the inflation factor would be set equal to 1 because of the implied deflation (because the October RPI level of 276.0 is lower than the April 2018 level of 279.7). The interest payable would equal the adjusted nominal of the note on the June 2019 interest payment date multiplied by 0.0050. The calculations would be as follows:</p> <p>Adjusted nominal on June 2019 interest payment date = $£101.60 \times$ (inflation factor, always 1 or greater)</p> <p>= $£101.60 \times 1.0 = £101.60$</p> <p>Therefore interest payable on the June 2019 interest payment date would be = $£101.60 \times 0.0050 = £0.5080 = £0.51$ rounded to the nearest penny.</p>
C.16	Maturity date of derivative instruments	<p>Subject to compliance with all relevant laws, regulations and directives, Inflation Linked Notes may have any maturity from one month to one hundred years.</p> <p><i>Issue specific summary:-</i></p> <p>[The Maturity Date of the Notes is [].]</p>
C.17	Description of the settlement procedure of the derivative instruments	<p>Inflation Linked Notes issued under the Programme will be represented initially upon issue by either a Bearer Note (ie where physical possession of the Note is the sole evidence of legal ownership) or a Registered Note (ie where legal ownership is evidenced by the name of the holder being registered on the register of Noteholders) and settled through Euroclear and Clearstream, Luxembourg. Where Inflation Linked Notes will be held through CREST, they will be represented by Crest Depository Interests.</p> <p><i>Issue specific summary:-</i></p> <p>Clearing of the Notes:- Euroclear and Clearstream, Luxembourg [and CREST]</p>
C.18	Return on derivative instruments	<p>Payments of interest and principal in respect of any Inflation Linked Notes issued under the Programme shall be determined by multiplying the applicable interest amount or nominal amount (as the case may be) by the relevant Index Ratio or Limited Index Ratio as applicable to the date on which such payment falls to be made, subject to certain customary rounding conventions.</p>
C.19	Exercise price/ final reference price of the underlying	<p>[The exercise price or final reference price of the RPI is [].] [Not Applicable.]</p>

C.20	Description of underlying and where the information on underlying can be found	<p>The Retail Prices Index ("RPI") is the most familiar general purpose domestic measure of inflation in the UK. The RPI has been used as a measure of inflation since 1947 and measures the average change from month-to-month in the prices of goods and services purchased by most households in the UK. The spending pattern on which the RPI is based is revised each year, mainly using information from official expenditure and food surveys. The RPI is compiled by the UK Office of National Statistics (the "ONS") using a large and representative selection of approximately 650 separate goods and services for which price movements are regularly measured in approximately 150 areas throughout the UK. Approximately 120,000 separate price quotations are used each month in compiling the RPI.</p> <p>The UK Government currently uses the RPI for its own existing inflation-linked bonds. If the prices rise compared to the previous month, the RPI goes up and if prices fall compared to the previous month, the RPI goes down. It takes two or three weeks for the ONS to compile the RPI, so they publish each month's RPI figure during the following month (eg the figure relating to March will be published in April). The RPI figures used in the calculation of interest payments on the Notes and the redemption amount of the Notes are numerical representations of where prices on a list of items bought by an average family stand at a point in time, in relation to their past values.</p> <p>More information on the RPI, including past and current levels and its volatility, can be found at the following website:-</p> <p>https://www.ons.gov.uk/economy/inflationandpriceindices</p> <p>Movements in the RPI are used to measure the effect of inflation on both the interest on, and the redemption amount of, the Notes as described herein. The change in inflation between one period and another creates (pursuant to the Terms and Conditions of the Notes) an indexation factor which is then used to calculate interest payments and the redemption value of the Notes (as illustrated by way of examples in C.15 above). In particular, an aggregate increase in RPI over the reference period applicable to a particular interest payment would increase the amount of such interest payment, and an aggregate increase in RPI over the reference period applicable to repayment of the nominal amount of the Notes at maturity would increase the redemption amount payable.</p> <p>Under the terms of this Programme, a decrease in RPI over the reference period applicable to a particular interest payment will not decrease the amount of such interest payment when compared to the prior period's interest payment. This is because the terms of the Notes do not enable deflation to decrease the effective interest rate.</p>
C.21	Market where the securities will be traded	<p>Programme summary:-</p> <p>Application has been made to admit Notes issued during the period of 12 months from the date of this document to the Official List of the UK Listing Authority and to admit them to trading on the London Stock Exchange plc's regulated market, including through its order book for fixed income securities.</p>

		<p>Issue specific summary:-</p> <p>[Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange plc's regulated market through its order book for fixed income securities with effect from [].]</p>
<p>Section D – Risks</p>		
<p>D.2</p>	<p>Key information on the key risks that are specific to the Issuer</p>	<p>Factors that may affect the Issuer's ability to fulfil its obligations under or in connection with the Notes, include the following key risks:-</p> <ul style="list-style-type: none"> • The Issuer has been established to raise money and to directly acquire interests in residential properties, providing long-dated leases to customers in respect of such residential properties that the Issuer has acquired and business ancillary or complementary thereto. The Issuer's only source of repayment of the Notes is from investments in residential properties and associated income. No other entity or person will provide a guarantee or meet the obligations of the Issuer. • The Issuer intends to use the proceeds of the Notes to acquire new residential properties. The Issuer will not therefore own any such properties on the date of this Base Prospectus. • Final repayment dates in respect of any Notes issued under the Programme may fall on a date when the Issuer is not able to replace the outstanding debt with new debt arrangements, which will mean that the Issuer will be required to sell residential properties to meet its liabilities and the amount realised from the sale of residential properties is not certain. • The Issuer is exposed to downturns in the residential property market that may affect the value of the portfolio of properties and lead to the Issuer being in breach of asset cover tests. • The ability of the Issuer to grow is dependent on the availability of sufficient housing stock that can be used for part buy - part rent occupancy. • The ability of the Issuer to generate returns on investment in residential property will be determined in part by the Issuer's ability to put in place occupation arrangements for any residential property held by the Issuer. • Higher than expected staircasing rates may impact on the long-term RPI linked revenue stream that the Issuer is able to generate. • If there is difficulty in obtaining mortgages for part buy - part rent properties, then this will impact on the ability of the Issuer to generate income from any properties that the Issuer owns that are not subject to an occupational lease. • If a commercial mortgage provider enforces its security over a residential property, then the commercial mortgage provider's security will be in priority to the security granted to

		<p>the Issuer. However, the commercial mortgage provider will require to "Staircase" to 100 per cent. of the residential property in order to facilitate the disposal and the Issuer would be entitled to receive the Staircasing payments.</p> <ul style="list-style-type: none"> • The existence of a regulated corporate vehicle within the transactional structure for the Issuer means that any breach of regulatory requirements by that regulated entity or insolvency of the regulated entity could impact on the ability of the Issuer to generate sufficient income to repay any amounts due under Notes. • The security granted by the Issuer will include (i) an equitable mortgage over all residential property from time to time owned by the Issuer, which will be entered into on each Quarter Date and which is required under the Terms and Conditions of the Notes to be converted into a legal mortgage following an event of default in relation to any Note, (ii) certain first fixed charges over cash, permitted investments and contracts relating to Mortgaged Properties and (iii) a floating charge over all the assets of the Issuer. Any limitation on the value of the security granted by the Issuer to Noteholders could have a material adverse impact on the ability of the security to provide sufficient asset security to meet repayments due in respect of the Notes. • Noteholders will have no direct recourse to Heylo Housing Registered Provider Limited in the event that Heylo Housing Registered Provider Limited fails to make payments under the lease between the Issuer and Heylo Housing Registered Provider Limited – the Issuer will enforce its rights against Heylo Housing Registered Provider Limited, including terminating the lease with Heylo Housing Registered Provider Limited (but with no termination of the underlying lease to the residential occupier) if non-payment of rent breaches certain thresholds set out in the relevant lease. • The valuation methodology for the residential properties that takes into account the future cashflows from a property may not equate to the vacant possession value of a property, which in turn may affect the ability of the properties to meet any liabilities under the Notes.
D.3	<p>Key information on the key risks that are specific to the Notes</p>	<p>Programme summary:-</p> <ul style="list-style-type: none"> • The Notes are not protected by the Financial Services Compensation Scheme (the "FSCS"). As a result, neither the FSCS nor anyone else will pay compensation to you upon the failure of the Issuer. If the Issuer goes out of business or becomes insolvent, you may lose all or part of your investment in the Notes. • Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, you may not be able to sell your Notes easily or at prices that will provide you with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or

		<p>strategies or have been structured to meet the investment requirements of limited categories of investors.</p> <ul style="list-style-type: none"> • If Noteholders hold Notes through CREST depository interests, then these arrangements are governed by the rules and arrangements in place for CREST and the Issuer will have no responsibility for performance of any intermediaries under the rules and procedures governing the operations of CREST. <p>Issue specific summary:-</p> <ul style="list-style-type: none"> • [The Notes are subject to optional redemption by the Issuer. The Issuer may be expected to repay Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, you generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being repaid and may only be able to do so at a significantly lower rate.] • [Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.] • [The market price of Notes issued at a substantial [discount/premium] may experience greater fluctuations in certain circumstances.] • [Reference rates and indices, including interest rate benchmarks such as [LIBOR], which is used to determine the amounts payable under the Notes, have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing [LIBOR], with further changes anticipated. These reforms and changes may cause [LIBOR] to perform differently than it has done in the past or to be discontinued. Any change in the performance of [LIBOR] or its discontinuation, could have a material adverse effect on the Notes.] • [If the Issuer converts from a fixed rate to a floating rate, the difference between the interest rates on the Fixed/Floating Rate Notes may be less favourable than then prevailing interest rates on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.] • [Investment in Notes which are linked to the Retail Prices Index are exposed to the performance of the inflation index and there will be, amongst other things, a greater degree of volatility in the amounts payable in respect of such Notes]
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Section E – Offer		
E.2b	Reasons for the offer and use of proceeds	<p>Programme summary:-</p> <p>The net proceeds from each issue of Notes will be applied by the Issuer for the purposes described in B.15 above.</p> <p>If, in respect of any particular issue there is a particular identified use of proceeds, this will be stated below.</p> <p>Issue specific summary:-</p> <p>Reasons for the offer: []</p> <p>Use of proceeds: []</p> <p>Estimate of expenses: []</p>
E.3	Terms and conditions of the offer	<p>Programme summary:-</p> <p>The terms and conditions of each offer of Notes will be determined by agreement between the Issuer and the relevant Dealer(s) at the time of issue and specified in the applicable Final Terms. If you intend to acquire or acquiring any Notes in a Public Offer from an offeror other than the Issuer, you will do so and offers and sales of such Notes to you by such offeror will be made in accordance with any terms and other arrangements in place between such offeror and you including as to price, allocations, expenses, payment and delivery arrangements. You must look to the relevant Authorised Offeror for the provision of such information and the Authorised Offeror will be responsible for such information. The Issuer has no responsibility or liability to you in respect of such information.</p> <p>Issue specific summary:-</p> <p>(a) [[Offer Price: []];</p> <p>(b) Conditions to which the offer is subject: [];</p> <p>(c) Description of the application process: [];</p> <p>(d) Details of the minimum and/or maximum amount of application: [];</p> <p>(e) Description of the possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [];</p> <p>(f) Details of the method and time limits for paying up and delivering the Notes: [];</p> <p>(g) Manner in and date on which results of the offer are to be made public: [];</p> <p>(h) Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [];</p> <p>(i) Categories of potential investors to which the Notes are offered and whether tranches(s) have been reserved for</p>

		<p>certain countries: [];</p> <p>(j) Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [];</p> <p>(k) Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [];</p> <p>(l) Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: []; and</p> <p>(m) Name(s) and address(es) of the entities which have a firm commitment to act as intermediaries in the secondary market trading, providing liquidity through bid and offer rates and description of the main terms of its/their commitment: [].]</p>
E.4	Material interests	<p>Programme summary:-</p> <p>The relevant Dealer(s) may be paid fees in relation to any issue of Notes under the Programme. Certain of the Dealer(s) and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business.</p> <p>Issue specific summary:-</p> <p>[Save for [],] so far as the Issuer are aware, no person involved in the offer of the Notes has an interest material to the offer. [There are no conflicts of interest which are material to the offer of the Notes.]</p>
E.7	Estimated expenses charged to investor	<p>Programme summary:-</p> <p>It is not anticipated that the Issuer will charge any expenses in connection with the Notes. If you intend to acquire any Notes in a Public Offer from an offeror other than the Issuer or a Dealer in its capacity as an Authorised Offeror, you will do so (and offers and sales of such Notes to you by such offeror will be made) in accordance with any terms and other arrangements in place between such offeror and you including as to price, allocations, expenses, payment and delivery arrangements. None of the Issuer or any of the Dealer(s) are party to such terms or other arrangements.</p> <p>Issue specific summary:-</p> <p>[The Issuer will not charge you any expenses relating to an application for or purchase of any Notes./The following expenses are to be charged to you by the Issuer: []]</p>

PART II

RISK FACTORS

You should carefully consider the risks described below and all other information contained in this document and reach your own view before making an investment decision. Heylo Housing Secured Bond plc (the "Issuer") believes that the factors described below represent the principal risks and uncertainties which may affect its ability to fulfil its obligations under the Notes. The Issuer may face other risks that may not be considered significant risks by the Issuer based upon information available to it at the date of this document or that it may not be able to anticipate. Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes are also described below. If any of the following risks, as well as other risks and uncertainties that are not yet identified or that the Issuer think are immaterial at the date of this document, actually occur, then these could have a material adverse effect on the Issuer's ability to fulfil its obligations to pay interest, principal or other amounts in connection with the Notes.

You should note that the risks relating to the Issuer, its business, its assets and the security granted by it and the Notes summarised in Part I (Summary) of this document are the risks that the Issuer believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Notes. However, as the risks which the Issuer and its business face relate to events and depend on circumstances that may or may not occur in the future, you should consider not only the information on the key risks summarised in Part I (Summary) of this document but also, among other things, the risks and uncertainties described below.

1. FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER OR IN CONNECTION WITH ANY NOTES

- 1.1 **The Issuer has limited sources of income:** The Issuer has been established for the purpose of raising finance for (i) the acquisition of interests in residential properties, (ii) providing long-dated leases to customers in respect of residential properties that the Issuer has acquired and (iii) business ancillary or complementary thereto. The Issuer's only source of income is, therefore, monies received from customers either as rent or through subsequent sales of further equitable ownership interests in the property in a process known as "staircasing" in respect of each property on payment of the relevant amount linked to the value of the residential property – a right that each customer will have in terms of the lease arrangements in place with each customer. Consequently, the Issuer, and therefore payments by the Issuer in respect of the Notes, will be subject to the credit risk of customers. For a description of "**Staircasing**", please see Part VIII (*Market Overview and the UK Regulatory Framework*). In the Heylo Group's experience, Staircasing revenues are less than 20 per cent. of total revenues from the part buy – part rent portfolios it manages, with rental receipts making up the majority of revenues. The Issuer's business plan is not reliant on any Staircasing receipts to make payments in relation to the Notes as it expects rental receipts to be sufficient.

The Issuer, and therefore payments by the Issuer in respect of any Notes, are subject to the risk of delays in the receipt, or risk of defaults, of such rental and other payments. There can be no assurance that the levels or timeliness of payments received from the customers will be adequate to ensure fulfilment of the Issuer's obligations in respect of any Notes on the date when any amounts are payable in respect of any Notes.

The Issuer currently has systems in place which would identify any non-payment by customers in a timely manner. If customers were to fail to pay rent in full on a timely basis, the Issuer would take action to recover the debt.

In order to ensure customers have wide access to mortgages and to maximise the availability of housing stock for purchase by the Issuer, the Issuer will lease each residential property to Heylo Housing Registered Provider Limited ("**HHRP**"), a subsidiary of the Group Parent that is registered with a regulator of social housing. HHRP will be the direct landlord of each customer (and, in turn, the Issuer will be the direct landlord of HHRP). The Issuer will enter into contractual arrangements with HHRP that contractually limit the ability of HHRP to have any material third party creditors that are capable of taking enforcement action against HHRP.

- 1.2 **The Company can give no assurance as to how long it will take to invest the proceeds of any Notes or put in place part buy - part rent leases:** Until such time as the properties have been identified and acquired and those properties are occupied under part buy - part rent leases, cash will be held by the Issuer in anticipation of future acquisitions and to meet the running costs of the Issuer or will be invested in properties that are not yet occupied under a part buy - part rent lease. Such cash is very likely to yield lower returns than the expected returns from investment in a property occupied on part buy - part rent terms. While the Issuer currently expects to enter into legal agreements for the acquisition of properties shortly after securing funding via the Notes and to be able to deploy the proceeds of any Notes within six months of the relevant Notes being issued, the Issuer can give no assurance as to how long it will take it to invest any or all of the proceeds from issuance of any Notes or how long it will take for properties purchased by the Issuer to be sold and occupied on a part buy - part rent basis, if at all, and the longer the period the greater the likely adverse effect on the Issuer's ability to meet payments (capital or interest) due under any Notes. The Heylo Group is constantly identifying and evaluating acquisition opportunities, however until such time as the Issuer secures funding via the issue of the Notes under the Programme, the Issuer will not commit to or enter into any agreement for the acquisition of properties.
- 1.3 **Acquisition of properties:** As described above, the Issuer intends to use the proceeds of the Notes to acquire new residential properties. The Issuer will not therefore own any such properties on the date of this Base Prospectus.
- 1.4 **Notes are obligations of the Issuer only:** Any Notes will be solely the obligations of the Issuer and will not be obligations or responsibilities of, or guaranteed by, any other entity. Furthermore, no person other than the Issuer will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amount due under the Notes.
- 1.5 **Notes are corporate obligations of the Issuer:** No recourse under any obligation, covenant or agreement of the Issuer under any Notes shall be made against any current or previous director or member of the Issuer as such, it being understood that the obligations of the Issuer under any Notes are corporate obligations of the Issuer, and no personal liability shall attach to, or be incurred by, the directors or members of the Issuer as such, under or by reason of any such obligations, covenants and agreements of the Issuer.
- 1.6 **Financing of the Issuer:** The expectation is that the Issuer will be funded through a combination of government grant under the Homes England's Shared Ownership and Affordable Homes Programme 2016 to 2021 ("**SOAHP**") and the Notes. If either of these sources of financing were to become unavailable in the future without being replaced with an alternative, this might limit the Issuer's options grow the business and its ability to refinance amounts due under the Notes. In the event that grant funding from Homes England were to be unavailable, the Issuer would use the proceeds of the Notes to acquire properties via its non grant funded HomeReach and YourHome initiatives to grow its business.
- 1.7 **Refinancing Risk:** Final repayment dates in respect of any Notes may be due to be made at a time when the ability to refinance the amounts due under any Notes with replacement indebtedness or other sources of funds is uncertain and this may impact on the ability of the Issuer to make payments due under any Notes without selling its properties. In addition, the terms of any refinancing may impact on the Issuer's cash flow and its ability to repay in full the amounts due in respect of any Notes.
- 1.8 **Part Buy – Part Rent and Outright Sales Risk:** Part buy - part rent income may also be generated on subsequent sales of further equitable ownership interests in the residential property in a process known as "Staircasing" (see Part VII (*Market Overview and the UK Regulatory Framework*) for a description of Staircasing). There is also a risk that if a customer of a part buy - part rent property borrows monies through a mortgage from a commercial lender then that lender's mortgage may take priority ahead of the security arrangements in place under the security deed in place to provide security for any Notes issued. However, if that commercial lender were to enforce its security following a customer defaulting on its mortgage, such lender could staircase (i.e. purchase a portion of the freehold property) up to 100 per cent. in order to be able to sell the whole leasehold interest in which case the Issuer as ultimate landlord could receive such staircasing payments from the commercial lender. If the price for the full 100 per cent. receivable on sale is not sufficient to meet the principal outstanding (plus 12 months interest and other statutorily permitted

costs) then the shortfall will remain as a debt due to the landlord from the defaulting leaseholder.

- 1.9 **Housing Market Downturn Risk:** the valuation of the properties to be acquired by the Issuer is assessed by considering the expected rental income from each property and the expected receipts from any "Staircasings" that can reasonable be expected to occur during the term of the lease, each element being discounted by a discount factor to reflect the expected timing of receipt of the relevant income stream arising from the property leases. Falls in house prices may therefore affect both the income arising from the properties as well as the portfolio valuation over time, either of which could affect the ability of the Issuer to meet its payment obligations on a timely basis or its ability to satisfy any asset cover covenants which it is required to maintain pursuant to the terms of any Notes.
- 1.10 **Availability of Housing Stock:** The availability of acquisition opportunities will depend, in part, upon conditions in the part buy - part rent home sector (including, in the case of new part buy - part rent homes, such homes continuing to be affordable for their target part buy - part rent owners) and the level of competition for assets in the market. Returns from the Issuer's investments will be affected by the price at which they are acquired and the availability of housing stock. In the case that the Issuer is unable to acquire sufficient investments or is unable to acquire sufficient investments that offer the potential for satisfactory returns, the Issuer may not have sufficient income available to meet payments (capital or interest) due under any Notes.
- 1.11 **Liquidating Investments:** The value of the Issuer's investments will be (amongst other considerations) a function of the discounted value of their expected future cash flows and an assumed terminal value, and as such will vary with, among other things, inflation, the liquidity of the market for such assets and prevailing economic conditions in the United Kingdom. There is no guarantee that the Issuer's assets will be readily sellable and the value of any properties owned by the Issuer should not be assumed to represent the value at which any properties could be sold. If the Issuer were required to undertake accelerated sales of its properties, it may not be able to realise the full potential value of its homes.
- Any sale of a home beneath its market value may adversely affect the Issuer's ability to meet payments (capital or interest) due under any Notes.
- 1.12 **Management of Staircasing:** The Issuer's intention is for the proceeds of Staircasing to be reinvested such that the net effect on the portfolio of properties is minimised, through reinvesting the proceeds of Staircasing to acquire additional properties. To the extent that more Staircasing occurs and the Issuer is not able to reduce the level of Staircasing or reinvest the proceeds of Staircasing in acquiring additional properties, the long term RPI linked contractual income stream from the Issuer's properties may not be sustained and the returns derived from the cash balances held by the Issuer from the Staircasing proceeds may not be as much as the rental income forgone.
- 1.13 **Mortgage Market Disruption:** The majority of customers in respect of the properties take out some level of mortgage to finance the purchase of their initial share and as such, a reduction in mortgage lender appetite to provide this type of product could lead to a reduction in the volume of Staircasing and/or resales of the properties. Although the Issuer does not rely on Staircasing receipts to service its obligations where rent is being paid when due, if there is a disruption in the mortgage market in circumstances where rent is not being paid and Staircasing proceeds are required to ensure the Issuer can meet payments under any Notes, then the mortgage market disruption may impact on the ability of the Issuer to meet payments due under any Notes.
- 1.14 **Regulatory Risk:** The Issuer will put in place leases with HHRP, a regulated entity under the Housing and Regeneration Act 2008 (as amended) and HHRP will have the direct landlord-tenant relationship with the customers of the Issuer. The regulation of registered providers of housing has undergone significant and recent change. The Housing and Regeneration Act 2008, as amended by the Localism Act 2011 (the "**Act**") makes provision for the regulation of social housing provision in England. Pursuant to the Act, the Homes and Communities Agency ("**HCA**") acts as the regulator of registered providers of social housing in England (the "**Regulator**"), including HHRP. The HCA exercises its functions as Regulator acting through a separate committee established to undertake this regulatory role (the "**Regulation Committee**"). The Homes and Communities

Agency is an executive non-departmental public body. On 11 January 2018, the HCA's non-regulation arm adopted its new trading name Homes England. From that point, the HCA's regulation directorate, which undertakes the functions of the Regulation Committee, refers to itself as the Regulator of Social Housing ("**RSH**"). Until legislation is enacted, Homes England and RSH continue to be constituted as one body – the HCA – but operate with two distinct corporate identities.

The Regulator continues to provide economic regulation for registered providers of social housing in order to ensure they are financially viable and well governed and to support the confidence of private lenders to provide funds at competitive rates.

The Regulator regulates registered providers of social housing in accordance with a regulatory framework, which sets out the standards that apply to registered providers of social housing. Registered providers of social housing are expected to comply with the standards and to establish arrangements to ensure that they are accountable to their customer, the Regulator and relevant stakeholders. The enforcement by the Regulator of the standards are those relating to governance and financial viability and are restricted to cases in which there is, or there is a risk of, serious detriment to customers (including future customers). The regulatory framework includes guidance as to how the Regulator will assess whether serious detriment may arise.

Any breach of regulations could lead to the exercise of the Regulator's statutory powers. In addition, the Regulator has wide discretionary powers in respect of the regulation and management of registered providers. The Regulator publishes guidance on how it regulates. It adopts a proportionate approach with an emphasis on self-regulation and co-regulation. In practice, use of statutory powers is rare. Serious non-compliance with the economic standard is more likely to lead to a downgrade of the Regulator's published regulatory judgement and agreement with the Regulator of the corrective action to be taken.

Any such intervention by the Regulator in respect of HHRP may affect the ability of the Issuer to meet its payment obligations to Noteholders in respect of the Notes.

- 1.15 **HHRP Insolvency Risk:** If there is an insolvency or similar event of HHRP as the direct tenant of the Issuer, then an insolvency practitioner may seek to disclaim contracts that HHRP has entered into or challenge contracts with the Issuer under insolvency rules relating to, for example, avoidance of deprivation of assets, transactions at an undervalue or lack of corporate benefit. Whilst HHRP is not expected to carry out wider business other than activities associated with holding residential property interests, if such a challenge by an insolvency practitioner is successful, this may restrict the ability of the Issuer to enforce any contracts it has with HHRP and the Issuer may choose to enforce any rights under contracts in place with HHRP if any rent due to the Issuer remains unpaid for a certain period – this would include any leases between HHRP and the Issuer. If the lease between HHRP and the Issuer were terminated, then the Issuer would become the direct landlord to the residents of properties owned by the Issuer and the residents would pay rent directly to the Issuer. If the obligations in contracts between the Issuer and HHRP continue to be performed, the continuing existence of the lease between the Issuer and HHRP may enhance or diminish the value of properties owned by the Issuer if there is any action taken to enforce security given to the holders of any Notes.
- 1.16 **Investment Partner Status:** The Issuer intends to apply to Homes England for Investment Partner status under the Shared Ownership and Affordable Homes Programme 2016-21. As an 'Investment Partner', the Issuer will be able to apply for grant funding to facilitate greater levels of investment in part buy - part rent property. Due to the nature of grant funding, there is a risk that the amount of funding available and the terms of grants will vary. Following approval of a grant there is a risk that Homes England may revise the terms of a grant and reduce entitlement or suspend or cancel any instalment of such a grant. In certain circumstances, set out in the "*Capital Funding Guide and the Recovery of Capital Grants General Determination*" of Homes England, including, but not limited to, failure to comply with conditions associated with the grant or a disposal of the property funded by a grant, the grant may be required to be repaid or reused. If the Issuer obtains Investment Partner status and is awarded grant funding that is subsequently withdrawn or reduced, any such reduction in or withdrawal, repayment or re-use of grant funding could adversely impact the future development of the Issuer and therefore the ability of the Issuer

to meet its payment obligations to holders of any Notes.

- 1.17 **Risks relating to management of and collection of rent in respect of a property or failure of a Counterparty:** In the case of any property, the Issuer may engage a third party to provide the day-to-day management of that property and collection of underlying rent from customers. While the Issuer and HHRP will look to enter into rent collection and management agreements with reputable counterparties, there is always the potential risk that the relevant rent collector/manager or counterparty defaults, becomes insolvent or otherwise breaches its management or rent collection obligations. This could, in turn, impact on the Issuer's cash flow and its ability to meet its payment obligations on a timely basis under any Notes.
- 1.18 **Termination of Management Arrangements:** The Issuer will enter into management contracts in respect of the management of certain properties and also the provision of financial and accounting services with ResiManagement. It is possible that performance issues under the management arrangements mean that either the service providers or the Issuer would be entitled to terminate the management agreements, which would require the Issuer to source alternative providers or bring the services in-house. The Issuer would need to recruit personnel to manage the services in-house, which would have a cost associated with it which may not be offset by the savings in payment of management services fees. This could, in turn, impact on the Issuer's cash flow and its ability to meet its payment obligations on a timely basis under any Notes.
- 1.19 **Litigation Risk:** There can be no assurance that the Issuer will not, in the future, be subject to a claim which may have a material impact upon its revenue or business. To date, no claims have been made against the Issuer or HHRP of any nature. The Issuer and HHRP have the benefit of insurance at a level which the management of the Issuer and HHRP considers to be prudent for the type of business in which the Issuer is engaged.
- 1.20 **Operational Risk:** Residential property investment is subject to varying degrees of market and operational risk. Under the leases that apply in respect of part buy - part rent properties, responsibility for maintenance of part buy - part rent property lies with the relevant customer with the landlord being responsible for management and maintenance of the shared estate.
- Among other things, market risks may impact upon the Issuer's ability to sell part buy - part rent properties and its ability to acquire additional properties. This could, in turn, impact upon the Issuer's cash flow and its ability to satisfy any asset cover covenants which it is required to maintain pursuant to the terms of any Notes.
- 1.21 **Operational risk - Issuer may be subject to privacy or data protection failures and cyber-theft:** The Issuer is subject to regulation regarding the use of personal customer data. The Issuer processes personal customer data as part of its business and therefore must comply with strict data protection and privacy laws. The Issuer seeks to ensure that procedures are in place to ensure compliance with the relevant data protection regulations by its employees and any third party service providers and also implements security measures to help prevent cyber-theft. Notwithstanding such efforts, the Issuer is exposed to the risk that data could be wrongfully appropriated, lost or disclosed, stolen or processed in breach of data protection regulations. If the Issuer or any of the third party service providers on which it relies fails to store or transmit customer information in a secure manner, or if any loss of personal customer data were otherwise to occur, the Issuer could face liability under data protection laws. Any of these events could also result in the loss of the goodwill of its customers and deter new customers, which could have a material adverse effect on the Issuer's business, financial conditions and results of operations.
- 1.22 **Any failure to comply with anti-money laundering and anti-bribery regulations could have a material adverse effect on the Issuer:** The Issuer is subject to laws regarding money laundering and the financing of terrorism, as well as laws that prohibit the Issuer, its employees and suppliers from making improper payments or offers of payment to foreign governments and political parties for the purpose of obtaining or retaining business, including the Bribery Act 2010. Monitoring compliance with anti-money laundering and anti-bribery rules can put a significant financial burden on companies and requires significant technical capabilities. The Issuer cannot predict the nature, scope or effect of future regulatory requirements to which it might be subject or the manner in which existing laws might be administered or interpreted. Although the directors of the Issuer

believe that its current policies and procedures are sufficient to comply with applicable anti-money laundering, anti-bribery and sanctions rules and regulations (which policies are audited and reviewed regularly), it cannot guarantee that such policies completely prevent situations of money laundering or bribery, including for which the Issuer might be held responsible. Any such event may have severe consequences, including sanctions, fines and reputational consequences, which could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

- 1.23 **Limited resources of funds to pay expenses of the Issuer:** The funds available to the Issuer to pay its expenses on any interest payment date are limited by the amount of income the Issuer has received. In the event that such funds are not sufficient to pay the expenses incurred by the Issuer once any other payments then due have been paid, the ability of the Issuer to operate effectively may be impaired, and it may not be able to defend or prosecute legal proceedings brought against it or which it might otherwise bring to protect its interests or be able to pay the expenses of legal proceedings against persons it has indemnified.
- 1.24 **Change in Law:** The Conditions of any Notes are based on English law, regulatory and administrative practice in effect as at the issue date of the relevant Notes, and have due regard to the expected tax treatment of all relevant entities under United Kingdom tax law and the published practice of HM Revenue & Customs in force or applied in the United Kingdom as at such issue date. Any change in the Issuer's tax status, or in taxation legislation or in the interpretation or application of tax legislation in the UK, or in any other tax jurisdiction affecting an Investor, could affect the value of the investments held by an Investor, the amount paid to the Issuer under the leases, the amount of stamp duty land tax that the Issuer is liable to pay, the Issuer's ability to achieve the stated investment objective of the Programme and/or the ability of the Issuer to make payments under any Notes issued under the Programme. No assurance can be given as to the impact of any possible change to English law, regulatory or administrative practice in the United Kingdom, or to United Kingdom tax law, or the interpretation or administration thereof, or to the published practice of HM Revenue & Customs as applied in the United Kingdom after the issue date of any Notes under the Programme.
- 1.25 **Taxation of Issuer:** Under the Conditions of any Notes (see Condition 11 (*Taxation*)), the Issuer is not entitled to make any deduction or withholding on account of tax from payments in respect of the Notes unless such withholding or deduction is required by law. In the event that any deduction or withholding on account of tax is required by law, the Issuer shall be required (except in the limited circumstances set out in Condition 11 (*Taxation*)) to pay such additional amounts as will result in the receipt by the holders of Notes of such amounts as would have been received by them if no such withholding or deduction had been required. Where the deduction or withholding is required as a result of a change in applicable law or regulations, the Issuer may exercise its option to redeem any Notes in full on the next interest payment date pursuant to Condition 9(c) (*Redemption for Taxation Reasons*). In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes.
- For a description of the current United Kingdom law and practice relating to withholding tax treatment of the Notes, see "*Taxation*" below.
- 1.26 **Taxation of HHRP:** It is not currently anticipated HHRP will be required to make any deduction or withholding for or on account of tax from payments made under the leases, on the basis that the Issuer is a company which is resident in the United Kingdom for tax purposes. If, however, there is a change in tax legislation at any time which requires HHRP to deduct or withhold for on account of tax from payments to the Issuer under the leases, the amount payable by HHRP may be reduced by the amount of such deduction or withholding. This may affect the ability of the Issuer to pay amounts due under any Notes issued under the Programme.
- 1.27 **Potential Conflicts of Interest:** The Trustee, the Security Trustee, the Issuing and Paying Agent, the Paying Agent, the Transfer Agent, the Registrar and the Calculation Agent, (together with the Issuer the **Relevant Parties**) and their affiliates in the course of each of their respective businesses may provide services to other Relevant Parties and to third parties and in the course of the provision of such services it is possible that conflicts of interest may arise between such Relevant Parties and their affiliates or between such Relevant Parties and their affiliates and such third

parties. Each of the Relevant Parties (other than the Issuer) and their affiliates may provide such services and enter into arrangements with any person without regard to or constraint as a result of any such conflicts of interest arising as a result of it being a Relevant Party.

- 1.28 **Considerations relating to the Security:** The Notes are secured by the Security granted, pursuant to the Security Deed and (where applicable) the other Security Documents, in favour of the Security Trustee for the benefit of the Noteholders and such security includes fixed equitable mortgages over the freehold interests in all residential properties owned by the Issuer (the "**Mortgaged Properties**").

The validity of any security given by the Issuer in connection with additions and substitutions of Mortgaged Properties may depend on the solvency of the Issuer at the time of the grant.

- 1.29 **Equitable Mortgage Interests require registration to create a legal mortgage:** The Notes will be secured by fixed equitable mortgages over the Mortgaged Properties and the Issuer shall, on each Quarter Date, enter into and deliver a Security Agreement in respect of all Properties (if any) for the time being owned by the Issuer and not previously charged. Until such Quarter Date as the relevant Properties are specifically charged pursuant to the Security Agreement, the relevant recently acquired Properties (if any) will be secured only by way of the floating charge and the Issuer will be entitled to dispose of any such recently acquired properties without the consent of the Security Trustee, the Trustee or any other Secured Creditor. An equitable mortgage does not transfer legal title (i.e. create a legal mortgage) to the mortgagee (i.e. the Security Trustee acting on behalf of the Secured Parties) unless and until the mortgage is registered with the Land Registry. Until that point in time, a purchaser may purchase property from the Issuer free of security if the purchaser is acting in good faith and has no notice of the equitable mortgage. Under the proposed security structure securing the obligations in respect of the Notes, the equitable mortgage granted by the Issuer may be registered at the Land Registry if an Event of Default occurs and is continuing and at this point in time, a legal mortgage will be created. There is a risk that the Issuer is entitled to dispose of Mortgaged Properties in breach of the provisions of the Security granted, requiring investors to rely on the remaining security granted by the Issuer (including a floating charge) to recover amounts due in respect of the Notes. If the floating charge is relied upon to recover amounts due to investors, then the claims of the Trustee or the Security Trustee, as the case may be, will be subject to claims which are given priority over a floating charge by law, including, amongst other things, prior charges, certain subsequent charges, the expenses of any winding up or administration and the claims of preferential creditors. In addition, any administrative receiver, administrator or liquidator appointed in respect of the Issuer will be required to set aside the prescribed percentage or percentages of the floating charge realisations.

- 1.30 **Fixed charges over bank accounts may take effect under English law as floating charges:** Pursuant to the Security Deed, the Issuer has purported to grant a fixed charge over, amongst other things, all their respective rights and benefits under certain bank accounts held by the Issuer. The laws of England and Wales relating to the characterisation of fixed charges in relation to bank accounts are unsettled. The fixed charges purported to be granted by the Issuer (other than assignment of security) may take effect under English law only as floating charges if, for example, it is determined that the Security Trustee does not exert sufficient control over the charged assets for the security to be said to "fix" over those assets. If the charges take effect as floating charges instead of fixed charges, then the claims of the Security Trustee will be subject to claims which are given priority over a floating charge by law, including, amongst other things, prior charges, certain subsequent charges, the expenses of any winding up or administration and the claims of preferential creditors. In addition, any administrative receiver, administrator or liquidator appointed in respect of the Issuer will be required to set aside the prescribed percentage or percentages of the floating charge realisations.

- 1.31 **Claims of Creditors of the Issuer other than Secured Parties:** Under English law, any creditor (who has not entered into non-petition clauses) would (save where an administrator has been appointed, where applicable) be able to commence insolvency or winding up proceedings against the Issuer in respect of any unpaid debt.

- 1.32 **Environmental Considerations:** Under relevant UK environmental legislation, liability for environmental matters can be imposed on the "owner" or "person in control" of land. The term "owner" is not specifically defined and could include anyone with a proprietary interest in a

property, which could include a representative of a trustee as a mortgagee in possession (in respect of which see the risk factor entitled "**Mortgagee in Possession Liability**" below). Environmental laws may impose liability on the owner for clean-up costs if a property is or becomes contaminated. The Issuer may therefore be liable for the entire amount of the clean-up and redemption costs for a contaminated site regardless of whether the contamination was caused by it or not. These costs may be significant.

In addition, the presence of hazardous or toxic substances, or the failure to adequately remedy adverse environmental conditions at a Mortgaged Property, may adversely affect the market value of the Mortgaged Property, as well as the Issuer's ability to sell, lease or refinance the Mortgaged Property. Any environmental liability imposed on the Issuer could also affect its ability to meet its payment obligations under any Notes issued under the Programme.

- 1.33 **Mortgagee in Possession Liability:** There is a risk that the Security Trustee may be deemed to be a mortgagee in possession if it physically enters into possession of a Mortgaged Property or performs an act of control or influence which may amount to possession, such as submitting a demand direct to customers requiring them to pay rents to the Security Trustee. The consequence of being a mortgagee in possession would be that the Security Trustee may be obliged to account to the Issuer for the income obtained from the Mortgaged Property, be liable for any damage to the Mortgaged Property, have a limited liability to repair the Mortgaged Property and, in certain circumstances, may be obliged to make improvements or incur financial liabilities in respect of the Mortgaged Property. A mortgagee in possession may also be liable to a customer for any mismanagement of the relevant property and may incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), the liabilities of a property owner. Pursuant to the Security Deed, the Issuer is required to indemnify the Security Trustee against all liabilities and expenses suffered or incurred by it. The obligation to indemnify the Security Trustee may mean that there is a shortfall in funds available to pay all amounts due and owing under any Notes issued under the Programme.
- 1.34 **Noteholders will have no direct recourse to HHRP in the event that HHRP fails to make payments under the lease between the Issuer and HHRP:** The Issuer will assign by way of security its rights, title and interest in the leases in favour of the Security Trustee for the benefit of the Noteholders and the Security Trustee may enforce the security over the interests in the Mortgaged Properties including taking action against HHRP for any breach of the leases. However, the Noteholders will not have any direct recourse against HHRP in respect of any failure by the Issuer to make payments in respect of the Notes.
- 1.35 **Sufficiency of Insurance:** Although each Mortgaged Property is required to be insured at appropriate levels and against customary risks, there can be no assurance that any loss incurred will be of a type covered by such insurance, nor can there be any assurance that the loss will not exceed the limits of such insurance. No assurance can be given that the Issuer will always receive the benefit of any claims made under any applicable buildings insurance policy. Any reduction in income or any loss or damage caused to a Mortgaged Property not adequately covered by insurance could result in a shortfall in funds available to meet the Issuer's payment obligations under any Notes issued under the Programme.
- 1.36 **Valuation Risk:** The Royal Institution of Chartered Surveyors "Red Book" methodology for valuation of affordable housing is a discounted cashflow of the expected future rental income and capital receipts from the properties. Such discounted cashflow takes into account an assumption for future retail price indexation, house price indexation, Staircasing and discount rates linked to prevailing interest rates. As a result, the valuation of affordable housing can vary significantly from the vacant possession value of the same property, both positively and negatively.
- 1.37 **Type of Valuations:** The Properties will have the benefit of a valuation updated from time to time. A valuation will refresh the financial and key assumptions driving the portfolio valuation and is not likely to include a physical inspection of the exterior or interior of the property. There is a risk that the values may be adversely impacted due to the interior and/or exterior of the properties not being inspected. However, the Issuer believes that the risk of this is minimal due to a combination of the nature of part buy - part rent property leases where repair and insurance are customer obligations and the customer having an ownership stake in the property.

- 1.38 **Investment of Charged Cash in Permitted Investments:** The Issuer may invest cash held in accounts charged to the Security Trustee in certain investments. Although the permitted investments are limited to highly rated securities which satisfy certain specified criteria, following the enforcement of the Security, the Trustee may be required to liquidate such permitted investments to make payments in accordance with Condition 9 (*Redemption, Purchase and Options*) at a time when the disposal proceeds of such permitted investments is less than the price paid by the Issuer upon the acquisition thereof.

Any losses in respect of the permitted investments will reduce the amounts available to satisfy the payment obligations in respect of any Notes issued under the Programme. In addition, for the purpose of calculating the Issuer's compliance with certain financial ratios set out in the Terms and Conditions of the Notes, the value of such permitted investments will be the purchase price thereof and the Issuer shall not be required to monitor the market value of such permitted investments. Consequently, the value attributed to the permitted investments for this purpose may be more than the realisable value from time to time.

In the event that the enforcement of the Security takes place at a time when the permitted investments have been acquired with the cash charged by the Issuer as security, the value of the proceeds of enforcement of the Mortgaged Property, together with such amounts, may be insufficient to enable the Issuer to pay its obligations under any Notes issued under the Programme in full.

2. **RISKS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES**

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:-

- 2.1 **Priority of claims of the Security Trustee, Trustee and the Paying Agents:** Upon an enforcement of the Security by the Security Trustee pursuant to the Terms and Conditions of the Notes, the Noteholders will have the right to be paid amounts due to them only after payment of, firstly, the remuneration, costs, expenses, indemnity payments and liabilities due and payable to the Security Trustee and the Trustee, including costs incurred by them (or any receiver or other appointee appointed by them) in the enforcement of the Security and, secondly, remuneration, costs, expenses, indemnity payments and liabilities due and payable to the paying agents in respect of the Notes. Any such payments may result in Noteholders not receiving all amounts outstanding under the Notes, in the event that the Issuer has insufficient remaining cash and assets to satisfy their claims.

In certain circumstances, the Noteholders may be dependent on the Trustee to take certain actions in respect of the Notes. Prior to taking such action, pursuant to the Terms and Conditions of the Notes the Trustee may request to be indemnified and/or secured and or pre-funded by the Noteholders to its satisfaction. If so, and the Trustee is not indemnified and/or secured and/or pre-funded to its satisfaction, it may decide not to take such action and such inaction will not constitute a breach by it of its obligations under the Trust Deed. Consequently, the Noteholders would have to either provide such indemnity and/or security and/or pre-funding or accept the consequences of such inaction by the Trustee. Noteholders should be prepared to bear the costs associated with any such indemnity and/or security and/or pre-funding and/or the consequences of any potential inaction by the Trustee. Such inaction by the Trustee will not necessarily entitle Noteholders to take action directly against the Issuer to pursue remedies for any breach by any of them of terms of the Trust Deed or the Terms and Conditions of the Notes.

Nothing contained in the Trust Deed requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties under the Trust Deed if it has grounds for believing the repayment of the funds or the provision of an indemnity and/or security and/or pre-funding satisfactory to it against such risk or liability is not assured to it, and shall be entitled to evaluate its risk in any given circumstance by considering the worst-case scenario.

- 2.2 **The Notes may be subject to optional repayment by the Issuer:** The Final Terms applicable to a Series of Notes may permit the Issuer to redeem the Notes at its option prior to the relevant

maturity date. An optional repayment feature is likely to limit the market value of Notes. During any period when the Issuer may elect to repay Notes, the market value of those Notes generally will not rise substantially above the price at which they can be repaid. This also may be true prior to any repayment period.

The Issuer may be expected to repay Notes when its cost of borrowing is lower than the interest rate on the Notes. Upon repayment of the Notes, you may not be able to reinvest the repayment proceeds at an effective interest rate as high as the interest rate on the Notes being repaid and may only be able to do so at a significantly lower rate. You should consider investment risk in light of other investments available at that time.

- 2.3 **Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate or from a floating rate to a fixed rate:** Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the difference in the interest rates on the Fixed/Floating Rate Notes may be less favourable than then prevailing interest rates on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Amounts payable under the Notes may be calculated by reference to the London Interbank Offered Rate ("**LIBOR**") which is provided by the ICE Benchmark Administration Limited ("**ICE**"). ICE appears on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the "**BMR**").

Reference rates and indices, including interest rate benchmarks such as LIBOR, which are used to determine the amounts payable under floating rate financial instruments or the value of such financial instruments ("**Benchmarks**") have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated. These reforms and changes may cause a Benchmark to perform differently than it has done in the past or to be discontinued. Any change in the performance of a Benchmark or its discontinuation, could have a material adverse effect on the Notes.

- 2.4 **The market price of Notes issued at a substantial discount or premium may experience greater fluctuations in certain circumstances:** The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.
- 2.5 **Specific risks relating to Notes which are linked to RPI ("Inflation Linked Notes"):** Where Notes reference an inflation index, the Notes will be exposed to the performance of such inflation index which may be subject to fluctuations that may not correlate with changes in interest rates, currencies or other indices and may not correlate with the rate of inflation experienced in the jurisdiction of the Noteholders. Any payments made under the Notes may be based on a calculation made by reference to an inflation index for a month which is several months prior to the date of payment and therefore could be substantially different from the level of inflation at the time of payment on the Notes.

Inflation Linked Notes may be issued on terms that the amount of interest payable on each interest payment date and/or the amount to be repaid upon redemption of the Notes will be calculated by reference to movements in RPI during a reference period. In respect of such Inflation Linked Notes, potential investors should be aware that:-

- the market price may be volatile;

- an index may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices; and the timing of changes in an index may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the relevant index, the greater the effect on yield. The methodology used by the Office for National Statistics (ONS) for calculating RPI may change over time which may affect the actual RPI figure. Consequently, the amounts payable in respect of any Notes may increase, or decrease, as a result of such a change to the RPI figure.
- If the Index ceases to be published or where there is a fundamental change in the rules governing the Index, adjustments to such Index may be made, or a substitute index may be agreed. If an adjustment to the Index cannot be made or any substitute for the Index found then, in specified circumstances, the Issuer may redeem any Notes linked to limited price indexation early. See Condition 8(f) (*Redemption for Index Reasons*) for further detail.
- The application of Condition 8(f) (*Redemption for Index Reasons*) may have a positive or negative impact on the amount of interest payable on each interest payment date and/or the amount to be repaid upon, or the timing of, any redemption of any Notes linked to limited price indexation.

2.6 **General:** If investors choose to sell the Notes issued under the Programme at any time prior to their maturity, the price they receive from a purchaser could mean that they get back less than their original investment when they sell them. Factors that will influence the price include, but are not limited to, market appetite, inflation, the time of redemption, interest rates and financial position of the Issuer at the relevant time.

3. RISKS RELATED TO NOTES GENERALLY

Set out below is a brief description of certain risks relating to the Notes generally:-

- 3.1 **The Notes are not protected by the Financial Services Compensation Scheme ("FSCS"):** Unlike a bank deposit, Notes issued under the Programme are not protected by the FSCS. As a result, neither the FSCS nor anyone else will pay compensation to you upon the failure of the Issuer. If the Issuer goes out of business or becomes insolvent, you may lose all or part of your investment in Notes issued under the Programme.
- 3.2 **Defined voting majorities bind all Noteholders:** The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted contrary to the decision of the deciding group. As a result, decisions may be taken by the holders of such defined percentages of the Notes that are contrary to the preferences of any particular Noteholder.
- 3.3 **Conflict between classes of Noteholders:** If, in opinion of Trustee, there is or may be a conflict between the interests of the holders of different series of Notes, the Trustee is not required to have regard to the interests of the combined Noteholders of the different series (which interests may differ as between different series of Noteholders); nor is the Trustee required to have regard to interests of individual Noteholders or Couponholders. This is the case notwithstanding the fact that the holders of all series of Notes issued by the Issuer (regardless of which series of Notes they hold) share in the same security (in each case by way of the same floating charge over all assets and undertaking from time to time of the Issuer). In the event of such a conflict or potential conflict, the Trustee shall be required to have regard only to the interests as a class of the Noteholders of each individual series.

Furthermore, if an Acceleration Notice (as defined in the Terms and Conditions of the Notes) is given in respect of any one or more series of Notes outstanding or any steps are taken to enforce the Security (as defined in the Terms and Conditions of the Notes) pursuant to any individual series of Notes, this may trigger enforcement action in respect of all assets and undertaking of the Issuer at the relevant time, with the likely effect of forcing an acceleration of all of the Issuer's obligations

at such time. In such a scenario, holders who may otherwise have preferred to delay enforcement action for any reason (for example, because they were of the view that recoveries would be maximised by delaying enforcement action) may be compelled to seek acceleration of their Notes earlier than they might have otherwise preferred. There can be no assurance that any acceleration of the Notes and/or enforcement of the Security will result in all Noteholders receiving repayment in full of all amounts payable in respect of the Notes in a timely manner, or at all.

- 3.4 **If definitive Notes are issued, such Notes may be illiquid and difficult to trade:** In relation to any issue of Notes in bearer form which have denominations consisting of a minimum Specified Denomination (as defined in the Terms and Conditions of the Notes) plus one or more higher integral multiples of another smaller amount, it is possible that the Notes may be traded in amounts that are not integral multiples of such minimum Specified Denominations. In such a case, if you, as a result of trading such amounts, hold a nominal amount of less than the minimum Specified Denomination in your account with the relevant clearing system at the relevant time, you will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and you would need to purchase a nominal amount of Notes such that you hold an amount equal to one or more Specified Denominations.

If definitive Notes are issued, you should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

- 3.5 **Issuer reliance on other third parties:** The Issuer is, and may in the future be, party to contracts with one or more third parties in relation to the performance of services in relation to the Notes that may be issued under the Programme. For example, the Issuing and Paying Agent and the Registrar have agreed to provide services with respect to the Notes pursuant to the Agency Agreement. If any third-party service provider were to fail to perform its obligations under the respective agreements to which it is a party and/or is removed or if such a party resigns without a sufficiently experienced substitute or any substitute being appointed in their place promptly thereafter, this could have a material adverse effect on the ability of the Issuer to fulfil their respective obligations in respect of the Notes.

- 3.6 **Holding CREST depository interests:** You may hold interests in the Notes through Euroclear UK & Ireland Limited (formerly known as CREST Co Limited) ("**CREST**") through the issuance of dematerialised depository interests (i.e. securities without any physical document of title which are distinct from the Notes), held, settled and transferred through CREST ("**CDIs**"), representing the interests in the relevant Notes underlying the CDIs (the "**Underlying Notes**"). Holders of CDIs (the "**CDI Holders**") will hold or have an interest in a separate legal instrument and not be the legal owners of the Underlying Notes. The rights of CDI Holders to the Underlying Notes are represented by the relevant entitlements against CREST Depository Limited (the "**CREST Depository**") which through CREST International Nominees Limited (the "**CREST Nominee**") holds interests in the Underlying Notes. Accordingly, rights under the Underlying Notes cannot be enforced by CDI Holders except indirectly through the intermediary depositories and custodians. The enforcement of rights under the Underlying Notes will be subject to the local law of the relevant intermediaries. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Notes in the event of any insolvency or liquidation of any of the relevant intermediaries, in particular where the Underlying Notes held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.

The rights of the CDI Holders will be governed by the arrangements between CREST, Clearstream, Luxembourg, Euroclear and the Issuer, including the global deed poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated) (the "**CREST Deed Poll**"). You should note that the provisions of the CREST Deed Poll, the CREST International Manual dated 14 April 2008 as amended, modified, varied or supplemented from time to time (the "**CREST Manual**") and the CREST Rules contained in the CREST Manual applicable to the CREST International Settlement Links Service (the "**CREST Rules**") contain indemnities, warranties, representations and undertakings to be given by CDI Holders and limitations on the liability of the CREST Depository. CDI Holders are bound by such provisions and may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the amounts originally

invested by them. As a result, the rights of and returns received by CDI Holders may differ from those of holders of Notes which are not represented by CDIs.

In addition, CDI Holders may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service (the "**CREST International Settlement Links Service**"). These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the Notes through the CREST International Settlement Links Service.

You should note that none of the Issuer, the Arranger or Dealer(s), the Trustee, the Paying Agents or the Transfer Agents will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

You should note that the CDIs are the result of the CREST settlement mechanics and are not the subject of this document.

3.7 **Suitability - Investors' capital is at risk:** An investment in the Notes is only suitable for investors experienced in financial matters who are in a position to fully assess the risks relating to such an investment and who have sufficient financial means to suffer any potential loss stemming therefrom. Prospective purchasers of the Notes should ensure that they understand the nature of such Notes and the extent of their exposure to risk, that they have sufficient knowledge, experience and access to professional advisers to make their own legal, tax, regulatory, accounting and financial evaluation of the merits and risks of investment in such Notes and that they consider the suitability of such Notes as an investment in light of their own circumstances and financial condition. Investors may lose all or part of their investment in the Notes if the Issuer or goes out of business or becomes insolvent.

3.8 **Taxation Generally:** Prospective investors and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are issued or transferred and/or other jurisdictions. Prospective investors are advised not to rely upon the description contained in the general description section of this Base Prospectus but to ask for their own tax adviser's advice on their individual tax position with respect to the acquisition, sale and redemption of the Notes. Only these advisers are in a position to duly consider the specific situation of the prospective investor. This investment consideration has to be read in connection with the taxation sections of this Base Prospectus.

4. **RISKS RELATED TO THE MARKET GENERALLY**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

4.1 **There may not be a liquid secondary market for the Notes and their market price may be volatile:** The Notes may have no established trading market when issued, and one may never develop. If a market does develop, neither the Dealer(s) nor any other person is under an obligation to maintain such a market for the life of the Notes and the market may not be liquid. Therefore, you may not be able to sell your Notes easily or at prices that will provide you with a yield comparable to similar investments that have a developed secondary (i.e. after the Issue Date) market. The Notes are sensitive to interest rate, currency or market risks and are designed to meet the investment requirements of limited categories of investors. For these reasons, the Notes generally will have a limited secondary market. This lack of liquidity may have a severely adverse effect on the market value of Notes.

Where Notes are tradable on the London Stock Exchange plc's order book for fixed income securities (OFIS), a registered market-maker on the order book for fixed income securities will be appointed in respect of the relevant Notes from the date of admission of those Notes to trading. Market-making means that a person will quote prices for buying and selling securities during

trading hours. However, the market-maker may not continue to act as a market-maker for the life of the relevant Notes. If a replacement market-maker was not appointed in such circumstances, this could have an adverse impact on your ability to sell the relevant Notes.

- 4.2 **Exchange rate fluctuations and exchange controls may adversely affect your return on your investments in the Notes and/or the market value of the Notes:** The Issuer will pay principal and interest on the Notes in the currency specified as the "**Specified Currency**" in the applicable Final Terms. This presents certain risks relating to currency conversions if your financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (a) the Investor's Currency-equivalent yield on the Notes, (b) the Investor's Currency equivalent value of the interest and principal payable on the Notes and (c) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, you may receive less interest or principal than expected, or no interest or principal.

- 4.3 **Changes in interest rates or inflation rates may adversely affect the value of Fixed Rate Notes:** Fixed Rate Notes bear interest at a fixed rate rather than by reference to an underlying index. Accordingly, you should note that if interest rates rise, then the income payable on the Fixed Rate Notes might become less attractive and the price that you could realise on a sale of the Fixed Rate Notes may fall. However, the market price of Notes issued under the Programme from time to time has no effect on the total income you receive on maturity of the Notes if you hold the Notes until the relevant maturity date.

Further, inflation will reduce the real value of the Fixed Rate Notes over time, which may affect what you could buy with your investment in the future and may make the fixed rate payable on the Fixed Rate Notes less attractive in the future, again affecting the price that you could realise on a sale of the Fixed Rate Notes.

- 4.4 **Yield:** Any indication of yield (i.e. the income return on the Notes) stated within the applicable Final Terms applies only to investments made at (as opposed to above or below) the issue price of the relevant Notes (as specified in the applicable Final Terms). If you invest in the Notes at a price other than the issue price of the Notes, the yield on the investment will be different from any indication of yield on the Notes as set out in the applicable Final Terms.

- 4.5 **Realisation from sale of Notes:** If you choose to sell Notes at any time prior to their maturity, the price received from such sale could be less than the original investment you made. Factors that will influence the price may include, but are not limited to, market appetite, inflation, the time of redemption, interest rates and the current financial position and an assessment of the future prospects of the Issuer.

- 4.6 **The clearing systems:** Because the Global Note or Global Certificate, as the case may be, relating to each Series may be held by or on behalf of Euroclear and Clearstream, Luxembourg, you will have to rely on their procedures for transfer, payment and communication with the Issuer.

The Notes in each Series will be represented by a temporary or permanent Global Note, or a Global Certificate. Such Global Note or Global Certificate may be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Note or Global Certificate, you will not be entitled to receive Definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the interests in the relevant Global Note or Global Certificate. While any Notes issued under the Programme are represented by a Global Note or Global Certificate, you will be able to trade their interests only through Euroclear or Clearstream, Luxembourg.

While Notes are represented by a Global Note or Global Certificate, the Issuer will discharge its payment obligations under such Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of an interest in the Global Note or Global Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, interests in any Global Note or Global Certificate.

Holders of interests in a Global Note or Global Certificate will not have a direct right to vote in respect of the Notes represented by such Global Note or Global Certificate. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear or Clearstream, Luxembourg.

4.7 **Lower than expected volumes of issuance:** No assurance is provided that investors will subscribe for the full amount of Notes which are made available for subscription during a particular offer period. The volume of issuance of a particular Tranche of Notes will depend on a number of factors including, without limitation, prevailing market conditions and the availability of alternative investment opportunities. To the extent that the volumes of issuance of the Notes are lower than expected, the liquidity of the Notes in the secondary market will be limited.

4.8 **Realisation from sale of Notes:** In the case of Notes issued under the Programme which are tradable on the London Stock Exchange plc's OFIS or, as the case may be, ORB, a registered market-maker will be appointed in respect of the relevant Notes from the date of admission of those Notes to trading. Market-making means that a person will quote prices for buying and selling securities during trading hours. However, the market-maker may not continue to act as a market-maker for the life of the relevant Notes. If a replacement market-maker was not appointed in such circumstances, this could have an adverse impact on an Investor's ability to sell the relevant Notes.

If an Investor chooses to sell its Notes in the open market at any time prior to maturity of the Notes, the price the Investor will receive from a purchaser may be less than its original investment, and may be less than the amount due to be repaid at maturity of the Notes if the Investor were to hold onto the Notes until then. Factors that will influence the price received by Investors who choose to sell their Notes in the open market may include, but are not limited to, market appetite, inflation, the period remaining to maturity of the Notes, prevailing interest rates and the financial position of the Issuer.

4.9 **Credit ratings may not reflect all risks:** Any Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Such rating(s) will not necessarily be the same as the rating assigned to Notes already issued. There are no guarantees that such ratings will be assigned or maintained. Any credit rating agency may lower its ratings or withdraw the rating if, in the sole judgement of the credit rating agency, the credit quality of any Notes has declined or is in question. In addition, at any time a credit rating agency may revise its relevant rating methodology with the result that, among other things, any rating assigned to any Notes issued under the Programme may be lowered. If any of the ratings assigned to any Notes issued under the Programme is lowered or withdrawn, the market value of the Notes may be reduced. Furthermore, the ratings may not reflect the potential impact of all risks discussed above, and other factors that may affect the value of Notes. Accordingly, a credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Any credit ratings assigned to any Notes issued under the Programme may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes.

PART III

INFORMATION ABOUT THE PROGRAMME

		Refer to
What is the Programme?	<p>The Programme is a debt issuance programme under which Heylo Housing Secured Bond plc as the issuer (the "Issuer") may, from time to time, issue debt instruments which are referred to in this document as the Notes. Notes are also commonly referred to as bonds.</p> <p>The Programme is constituted by a set of master documents containing standard terms and conditions and other contractual provisions that can be used by the Issuer to undertake any number of issues of Notes from time to time in the future, subject to a maximum limit of £750,000,000 outstanding under the Programme at any time. These terms and conditions are set out in Part X (<i>Terms and Conditions of the Notes</i>) of this document. The Programme was established on the date of this document.</p>	<i>Part X (Terms and Conditions of the Notes)</i>
How are Notes issued under the Programme?	<p>Whenever the Issuer decides to issue Notes, it undertakes what is commonly referred to as a "drawdown". On a drawdown, documents which are supplementary to the Programme master documents are produced, indicating which provisions in the master documents are relevant to that particular drawdown and setting out the terms of the Notes to be issued under the drawdown. The key supplementary documents which you will need to be aware when deciding whether to invest in Notes issued as part of a drawdown over the 12-month period from the date of this document are: (a) any supplement to this document and (b) the applicable Final Terms.</p> <p>In the event of any significant new factor, material mistake or inaccuracy relating to information included in this document which is capable of affecting the assessment of any Notes and whose inclusion or removal from this document is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, and the rights attaching to the Notes, the Issuer will prepare and publish a supplement to this document or prepare and publish a new base prospectus, in each case, for use in connection with such Notes and any subsequent issue of Notes.</p> <p>Each Final Terms is a pricing supplement to this document (as supplemented or replaced from time to time) which sets out the specific terms of each issue of Notes under the Programme. Each Final Terms is intended to be read alongside the Terms and Conditions of the Notes set out in Part X (<i>Terms and Conditions of the Notes</i>) of this document, and the two together provide the specific terms of the Notes relevant to a specific drawdown.</p>	<i>Part X (Terms and Conditions of the Notes) and Part XII (Form of Final Terms)</i>
What types of Notes may be issued under the	Three types of Notes may be issued under the Programme: Inflation Linked Notes, Floating Rate Notes, Fixed Rate Notes and Zero Coupon Notes.	<i>Part IV (How the Return on Your Investment is</i>

<p>Programme?</p>	<p>Inflation Linked Notes are Notes where payments made under the Notes are adjusted by reference to a fluctuating rate of inflation in the UK. Payments of interest and principal in respect of Inflation Linked Notes will be calculated by reference to the U.K. Retail Prices Index (the "RPI") published by the UK Office of National Statistics (ONS) or any relevant successor rate (as applicable from time to time to the UK Treasury Gilts). The Terms and Conditions of the Notes provide for a 'floor' in relation to any deflation; thereby limiting the effects of deflation on any interest payment amounts and principal repayment amounts.</p> <p>Accordingly, the price at which the Inflation Linked Notes become repayable to the investors on the maturity date of such Notes cannot be less than 100 per cent. of the nominal amount of the Notes (even if there has been sustained deflation, as opposed to inflation, during the life of the Notes).</p> <p>Floating Rate Notes are Notes where the interest rate is calculated by reference to a fluctuating benchmark rate. Under the Programme, that benchmark rate will be the London Interbank Offered Rate (LIBOR). The floating interest rate is calculated on or about the start of each new interest period and applies for the length of that interest period. Therefore, Floating Rate Notes in effect have a succession of fixed interest rates which are recalculated on or about the start of each new interest period. Although the floating interest rate will be based on the benchmark rate, it will typically also include a fixed percentage margin which is added to the benchmark rate.</p> <p>Fixed Rate Notes are Notes where the interest rate payable by the Issuer on the notes is fixed as a set percentage at the time of issue.</p> <p>Zero Coupon Notes are Notes which do not carry any interest but are generally issued at a deep discount to their nominal amount. Zero Coupon Notes are repaid at their full amount. Therefore, if you purchase Zero Coupon Notes on their issue date and hold them to maturity, your return will be the difference between the issue price and the nominal amount of the Zero-Coupon Notes paid on maturity. Alternatively, you might realise a return on Zero Coupon Notes through a sale prior to their maturity.</p> <p>The specific details of each Note issued will be specified in the applicable Final Terms</p>	<p><i>Calculated</i></p> <p><i>Part X (Terms and Conditions of the Notes) and Part XII (Form of Final Terms)</i></p>
<p>How will the Notes be secured?</p>	<p>The Issuer will grant security for the Notes on the date of issue of the relevant Notes. The benefit of the security will be held on trust by US Bank Trustees Limited (in its role as Security Trustee) for and behalf of, among others, itself, the Trustee, and the paying agents, the registrar, the transfer agents, the calculation agent(s) for the relevant Notes and the Noteholders (together, the "Secured Creditors"). The security includes (i) a fixed equitable mortgage (explained in more detail below) granted by the Issuer on each Quarter Date over its title to UK residential real estate assets acquired by it during the life of the Notes, (ii) fixed charges over any insurance policies and other contracts or rights benefitting the</p>	<p><i>Part X (Terms and Conditions of the Notes)</i></p>

	Issuer in relation to the Mortgaged Properties, (iii) a fixed charge over cash held in a specific bank account (the Cash Account) or permitted investments from such charged accounts held by the Issuer in the Custody Account from time to time and (iv) a floating charge over all of the other undertaking and assets, both present and future, of the Issuer.	
Are the Notes Guaranteed?	The Notes are not guaranteed by any member of the Heylo Group or any other person or entity.	<i>Part X (Terms and Conditions of the Notes)</i>
Why has the Programme been established? What will the proceeds be used for?	<p>The Programme has been established to provide an alternative funding source for the Heylo Group.</p> <p>The net proceeds from each issuance of Notes will be applied by the Issuer for the purpose of acquiring eligible properties.</p> <p>Capacity to produce funds</p> <p>The Issuer's objective is to provide a return to investors in Notes issued under the Programme. Such return is to include (i) an interest payment on each and any interest payment date and/or (ii) a final payment on the redemption date, in each case in respect of and calculated as provided for in the terms and conditions of the relevant Notes.</p> <p>To generate the amounts necessary to pay all such interest (the "Interest Amounts") on each and any interest payment date and to repay all and any principal (the "Redemption Amounts") on the relevant repayment date of the relevant Notes, the Issuer will carry on the business of acquiring full ownership of residential properties which are then sold on a part buy - part rent tenure to customers, a tenure commonly known as shared ownership.</p> <p>New build properties acquired from housebuilders typically have a starting rent of 2.75 per cent. of the market value of the portion of the property the customer did not buy, which thereafter increases annually via inflation linked rent reviews. By acquiring these properties at a discount, the Issuer intends to achieve a higher initial yield.</p> <p>Second hand properties are typically acquired at market value and the Issuer intends to charge a higher starting rent, which again thereafter increases annually via inflation linked rent reviews.</p> <p>As has been achieved in other portfolios managed by ResiManagement, the Issuer (with the guidance and management support of the Group Parent and ResiManagement) intends to manage these discounts, initial yields and start rents to ensure that amounts necessary to pay all amounts under the Notes and maintain cover ratios.</p> <p>Where the Issuer has acquired vacant properties, it will receive sales receipts when selling properties to customers, who will then pay rent on the portion of the property they did not buy. Customers have the right to buy additional shares of their property over time by paying the then market value of their property to the Issuer, generating additional cashflows for</p>	<i>Part VI (Business of Issuer)</i>

the Issuer.

Security

The security (the "**Security**") includes (i) a fixed equitable mortgage (explained in more detail below) granted by the Issuer on each Quarter Date over its title to UK residential real estate assets acquired by it during the life of the Notes, (ii) fixed charges over any insurance policies benefitting the Issuer in relation to the property assets, (iii) a fixed charge over cash held in a specific bank account (the Cash Account) or permitted investments held by the Issuer in the Custody Agreement from time to time and (iv) a floating charge over all of the other undertaking and assets, both present and future, of the Issuer.

Semi-Annual asset reports will be provided to the Security Trustee which will set out the residential properties over which the Secured Creditors have an equitable mortgage.

All security is granted in favour of the Security Trustee, acting on behalf of the Noteholders, pursuant to a Security Deed dated 28 September 2018 and will from time to time create and grant further security to the Security Trustee on the same terms to be held on trust for the holders of all Notes issued under the Programme from time to time.

Legal nature and key features of the assets

Following the issue of any Notes under the Programme, the Issuer intends to apply the net proceeds of such Notes for the purposes of acquiring residential properties which are then sold on a part buy - part rent tenure to customers, a tenure commonly known as shared ownership.

Valuation of Properties

There is no valuation report included in this Base Prospectus because, until such time as the Issuer issues its first series of Notes under the Programme and applies those proceeds for the purposes of acquiring eligible assets, the Issuer will not own any properties.

As at the date of this Base Prospectus, the Issuer's only assets are its share capital.

Once the Issuer has applied the proceeds of Notes to the purchase of eligible assets, the Issuer has undertaken under the terms and conditions of the Notes to procure, pay for and publish a Valuation prepared by a firm of Valuers at least once in every period of 12 months starting on 30 September 2019 in respect of Eligible Properties owned by the Issuer. Unless the Trustee agrees otherwise, such Valuations must be delivered in the period between 30 September and the date falling 60 days thereafter.

Eligible Properties are defined in the Terms and Conditions of the Notes as being properties which meet the Eligibility Criteria.

	<p>For these purposes, "Valuation" means in relation to the Value of the Properties or Mortgaged Properties, a valuation (or valuations, taken together) of those properties provided by a Valuer showing the Properties or Mortgaged Properties, on the Applicable Valuation Basis or, a letter from the relevant Valuer confirming that there have been no material changes in respect of a previous Valuation given by such Valuer in respect of such properties and "Valuers" means Montagu Evans or such other independent firm or firms of surveyors which is or are members of the Royal Institute of Chartered Surveyors as may be appointed by the Issuer at the Issuer's expense with the prior approval of the Trustee from time to time.</p>	
<p>What financial covenants apply to the Issuer?</p>	<p>The Issuer has, pursuant to covenants set out in the Terms and Conditions of the Notes, undertaken to ensure that it maintains certain ratios and complies with certain limitations in respect of its business.</p> <p>These covenants include:</p> <ul style="list-style-type: none"> • Asset Cover Covenant:- from and including 30 September 2019 and tested on each 31 March and 30 September thereafter, the Issuer has undertaken to ensure that the ratio of (i) the Value of the Properties; to (ii) the aggregate nominal amount of Notes issued under the Programme (less cash and amounts in respect of permitted investments held by the Issuer) is equal to or greater than 1.20 : 1. <p>For these purposes, "Value" is defined to mean the value of the relevant properties calculated on the basis of the 'existing use value for social housing (EUV-SH)' as defined by UKVS1.13 Valuations for registered social landlords of the RICS Valuation – Professional Standards July 2017 (as revised and published from time to time). This is the commonly used method of valuing shared ownership residential properties in the United Kingdom.</p> <ul style="list-style-type: none"> • Debt Service Cover Covenant: from and including 30 September 2019 and tested on each 31 March and 30 September thereafter, the Issuer has undertaken to ensure that its maintains a DSCR of at least 110 per cent. in respect of the 12-month period then ending. <p>For these purposes, a "DSCR" means:-</p> <ul style="list-style-type: none"> (i) all income on properties and any interest on investments actually received by the Issuer in the 12-months prior to the relevant testing date (less any amounts received under UK public sector grants); less (ii) all expenditure by the Issuer in the 12-months prior to the relevant testing date (other than costs and expenses incurred in 	<p><i>Part X (Terms and Conditions of the Notes)</i></p>

	<p>the process of acquiring properties);</p> <p>divided by;</p> <p>(iii) the aggregate amount of all interest and principal paid (or accrued excluding in the case of LPI Notes, accrued inflation) by the Issuer in respect of Notes for the 12-month period ending on the relevant testing date.</p>	
Have any Notes been issued under the Programme to date?	As of the date of this document, the Programme has been established but there have been no Notes issued by the Issuer under the Programme.	N/A
How will the price of the Notes be determined?	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of "pricing" of the Notes in accordance with prevailing market conditions. The issue price for each Tranche will be specified in the applicable Final Terms	N/A
What is the yield on Fixed Rate Notes and Zero Coupon Notes?	The yield in respect of each issue of Fixed Rate Notes and Zero Coupon Notes will be calculated on the basis of the Issue Price and specified in the applicable Final Terms. Yield is not an indication of future price. The Final Terms in respect of any Floating Rate Notes or Inflation Linked Notes will not include any indication of yield	N/A
Will the Notes issued under the Programme have a credit rating?	A Series of Notes issued under the Programme may be rated by a credit rating agency or may be unrated. Such credit ratings will not necessarily be the same as the rating assigned to the Issuer or to any other Series of Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.	N/A
Will the Notes issued under the Programme have voting rights?	Holder of Notes issued under the Programme have certain rights to vote at meetings of Noteholders, but are not entitled to vote at any meeting of shareholders of the Issuer or of any other member of the Heylo Group.	<i>Part X (Terms and Conditions of the Notes – Meetings of Noteholders, modification, waiver and substitution)</i>
Will I be able to trade the Notes issued under the Programme?	<p>Application has been made to admit Notes issued during the period of 12 months from the date of this document to the Official List of the UK Listing Authority and to admit them to trading on the London Stock Exchange plc's regulated market (including through its order book for fixed income securities).</p> <p>Once listed, the Notes may be purchased or sold through a broker. The market price of the Notes may be higher or lower than their issue price depending on, among other things, the level of supply and demand for the Notes, movements in interest rates and the financial performance of the Issuer and,</p>	<i>Part XV (Additional Information – Listing and admission to trading of the Notes)</i>

	<p>potentially, Heylo Group as a whole. See Part II (Risk Factors – Risks related to the market generally – There may not be a liquid secondary market for the Notes and their market price may be volatile) of this document.</p>	
<p>What will Noteholders receive in a winding-up of the Issuer?</p>	<p>In the event of the Issuer’s insolvency, the Noteholders, acting through the Security Trustee, will have recourse to the secured assets, which are secured for the benefit of the Security Trustee as described above.</p> <p>The security granted over the secured assets shall become enforceable by the Security Trustee for and on behalf of itself, the Paying Agents, the Registrar, Transfer Agents and Calculation Agents under the Notes and the Noteholders, at the Security Trustee’s discretion and in respect of all costs, claims and liabilities to or for which it may, in its opinion, thereby become liable upon an event of default occurring. As described above next to the heading, "How will the Notes be secured?", if the security becomes enforceable, the Security Trustee would typically be entitled to take possession of the relevant assets or interest and/or procure their sale (or else the Security Trustee could appoint a receiver to do these things on its behalf). Any proceeds would be held on trust for distribution to the Security Trustee, the Paying Agents, the Registrar, Transfer Agents and Calculation Agents appointed with respect to the Notes and the Noteholders (in priority to claims of any other creditors of the Issuer). Any cash remaining, after Noteholders had been paid in full, would be available to other unsecured creditors of the Issuer (if any) and, after any unsecured creditors had been paid in full, to the Group Parent (in its capacity as shareholder of the Issuer).</p> <p>In the case of equitable mortgages, the equitable mortgage would need to be converted to a legal mortgage to allow the Security Trustee to take possession of the relevant assets or interest and/or procure their sale (or else the Security Trustee could appoint a receiver to do these things on its behalf). Under the terms of the security granted by the Issuer, each equitable mortgage is capable of being converted to a legal mortgage if the Issuer becomes insolvent. As highlighted in Part II (<i>Risk Factors</i>) above, property secured by an equitable mortgage can still be sold to a third party acting in good faith and does not provide the same level of legal protection as a legal mortgage.</p> <p>The Terms and Conditions of the Notes prohibit the Issuer from granting any further security, other than the security which secures the Notes. As such, although the Issuer is a recently incorporated company with no other assets, the restrictions on its activities contained in the Terms and Conditions of the Notes (including this limitation on the granting of further security, and the requirement that the net proceeds of issuance of any Notes are solely used to acquire eligible properties, mean that there should not be any other competing interests from other parties if the security granted to Noteholders over the Issuer’s assets is enforced.</p> <p>The ability of the Security Trustee (on behalf of the Noteholders and the other Secured Creditors) to recover sufficient sums to satisfy payments to Noteholders upon</p>	

enforcement of the Security will depend, among other things, on the quality of the Issuer's assets and any claims from preferential creditors. The Issuer's assets are only expected to include eligible residential properties in the UK from time to time together with any cash amounts or permitted investments not invested in eligible properties for the time being.

A simplified diagram illustrating the expected ranking of the Notes compared to the Issuer's other creditors is set out below (**Noteholders claims in respect of the Notes will fall within the area shaded grey in this diagram**):



	Type of obligation	Examples of obligations
Higher ranking	Proceeds of all assets secured in favour of the Security Trustee on behalf of the Secured Creditors (including the Noteholders) pursuant to the grant by the Issuer of (i) equitable mortgages granted over all properties from time to time owned by the Issuer (the " Mortgaged Properties "); (ii) fixed charge over contractual rights, consents, licences and other rights that relate to the Mortgaged Properties; (iii) fixed charge over certain bank accounts held by the Issuer, in particular the bank accounts that hold any cash required to ensure the Issuer meets its financial covenants as required by the Terms and Conditions of the Notes.	Issuer's obligations to make payment to the Security Trustee and the Noteholders in relation to the Notes
	Expenses of the liquidation/administration	Remuneration due to administrator, administrative receiver or liquidator, together with fees and expenses (currently none)
	Preferential creditors	Currently none
	Proceeds of assets charged in favour of the Security Trustee pursuant to the grant of a floating charge.	Issuer's obligations to make payment to the Security Trustee and the Noteholders in relation to the Notes

		Unsecured obligations, including guarantees in respect of them	It is anticipated that the Issuer will apply for a grant from Homes England as a contribution towards the purchase price of properties and which will be repayable on the disposal of properties.	
	Lowest ranking	Shareholders	Ordinary shareholders (i.e. Heylo Housing Group Limited	
Who will represent the interests of the Noteholders?	<p>The Trustee is appointed to act on behalf of the Noteholders as trustee appointed pursuant to the terms of the Trust Deed throughout the life of any Notes issued under the Programme. The main obligations of the Issuer (such as the obligation to pay and observe the various covenants in the Terms and Conditions of the Notes) owed to the Trustee. These obligations are, in the normal course, enforceable by the Trustee only, not the Noteholders themselves. Although the entity chosen to act as Trustee is chosen and appointed by the Issuer, the Trustee's role is to protect the interests of the Noteholders as a class.</p>			<i>Part X (Terms and Conditions of the Notes)</i>
Can the Terms and Conditions of the Notes be amended?	<p>The Terms and Conditions of the Notes provide that the Trustee may, without the consent of Noteholders or Couponholders, agree to: (a) any modification of any of the provisions of the Trust Deed or the Security Deed that is, in the opinion of the Trustee in each following case, of a formal, minor or technical nature or is made to correct a manifest error or is made to comply with mandatory requirements of law; or (b) waive, modify or authorise any other modification of the Trust Deed or the Security Deed or any proposed breach or breach of a provision of the Trust Deed or the Security Deed if, in the opinion of the Trustee, such modification, proposed breach or breach is not materially prejudicial to the interests of the Noteholders. Noteholders may also sanction a modification of the Terms and Conditions of the Notes by passing an Extraordinary Resolution. An "Extraordinary Resolution" is a resolution passed (a) at a duly convened and held meeting of Noteholders with a majority of at least 75 per cent. of the votes cast, (b) in writing signed by the holders of not less than 75 per cent. in nominal amount of the Notes outstanding or (c) by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) to the Issuing and Paying Agent or another specified agent and/or the Trustee in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding.</p>			<i>Part X (Terms and Conditions of the Notes – Meetings of Noteholders, modification, waiver and substitution)</i>
What if I have further queries?	<p>If you are unclear in relation to any matter, or uncertain if the Notes issued under the Programme are a suitable investment, you should seek professional advice from your broker, solicitor, accountant or other independent financial adviser</p>			N/A

	before deciding whether to invest.	
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PART IV

HOW THE RETURN ON YOUR INVESTMENT IS CALCULATED

THE WORKED EXAMPLES PRESENTED BELOW ARE FOR ILLUSTRATIVE PURPOSES ONLY AND ARE IN NO WAY REPRESENTATIVE OF ACTUAL PRICING. THE WORKED EXAMPLES ARE INTENDED TO DEMONSTRATE HOW AMOUNTS PAYABLE UNDER NOTES IN DEFINITIVE FORM ARE CALCULATED UNDER A VARIETY OF SCENARIOS. THE ACTUAL AMOUNTS PAYABLE (IF ANY) WILL BE CALCULATED IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF YOUR NOTES AS SET OUT IN PART X (TERMS AND CONDITIONS OF THE NOTES) OF THIS DOCUMENT AND THE FINAL TERMS RELATING TO THE NOTES.

Types of Notes

Four types of Notes may be issued pursuant to this document: Inflation Linked Notes which adjust returns based on changes to the prevailing UK Retail Prices Index (RPI); Floating Rate Notes which bear periodic floating rate interest; Fixed Rate Notes which bear periodic fixed rate interest; and Zero Coupon Notes, which do not bear interest (or any combination of these). Upon maturity, unless the Notes are Inflation Linked Redemption Notes, the Notes will pay a fixed redemption amount.

Any Inflation Linked Notes issued under the Programme contain a "floor" meaning that, at a minimum, the Notes will not be repaid at less than 100 per cent. of their original nominal amount.

For the purposes of the scenarios below, unless otherwise specified, it is assumed that (i) the nominal amount per Note is £100.00, (ii) the issue price is 100 per cent. of the aggregate nominal amount and (iii) the Notes will be redeemed at 100 per cent. of the aggregate nominal amount.

The examples below are intended to demonstrate how the return on your investment will be calculated.

Inflation Linked Notes

If "Inflation Linked Interest" is specified in the relevant Final Terms, the interest payable in respect of the Notes and/or the redemption amount payable in respect of the Notes is linked to the performance of an inflation index, being the U.K. Retail Prices Index (for all items) as calculated and published by the Office for National Statistics (ONS) (Bloomberg ticker: UKRPI), by way of a specified formula. The source where further statistical information about this inflation index may be obtained will be specified in the relevant Final Terms.

The Inflation Linked Notes will bear interest at a Rate of Interest expressed as a fixed amount. In the hypothetical example given below the Rate of Interest payable on the Notes is 1 per cent. per annum.

In respect of each Note and on each interest payment date, the amount of interest payable will be calculated by applying the fixed interest rate, for that interest payment date, to the adjusted nominal amount Notes on that interest payment date, and then multiplying such amount by a fraction reflecting the numbers of days for which interest has accrued (the "**Day Count Fraction**"). The Day Count Fraction reflects the number of days in the period for which interest is being calculated (the "**Relevant Interest Period**").

Under the terms of these Notes, the adjusted nominal value of the Notes may effectively increase due to inflation (but, conversely, the adjusted nominal amount (and accordingly the amount due to be paid) will not decrease as a result of deflation).

The inflation factor used to adjust the nominal value of the Notes for calculation purposes will be calculated by taking (i) the inflation index for the reference month specified for the interest payment date (the "**interest payment reference month**"); and dividing by, (ii) the relevant historic inflation index (the "**interest payment base month**").

Worked Example: Limited Inflation Linked Interest Notes issued under this Programme

Assumptions

- the Notes are issued on 30 June 2018;
- the inflation index is the U.K. Retail Prices Index (for all items) as calculated and published by the Office for National Statistics;
- the Interest Commencement Date is 30 June 2018;
- the Interest Payment Dates are 31 December and 30 June in each year, with the first Interest Payment Date falling on 31 December 2018;
- the Interest Payment Reference month is the month that falls 8 months before the Interest Payment Dates of December and June. As such for any December Interest Payment Date, the Interest Payment Reference month is the prior April and for any June Interest Payment Date, the Interest Payment Reference month is the prior October;
- At every Interest Payment Date the Interest Payment Base Month is the month that is eight months prior to first day of the relevant interest period. In this example, the Base Month for a December interest payment is October of the prior year and the Base Month for a June interest payment is April of the prior year;
- The day count fraction is the actual/actual being the actual number of days of interest accrued divided by the actual number of days in the current six monthly coupon period. Hence, for a full semi-annual period this figure will equal 1.0.

Interest Amount Payable

(A) In order to calculate the Rate of Interest that applies to the Relevant Interest Period ending on such Interest Payment Date (say, 31 December 2018):

- a. The Calculation Agent determines that the Interest Payment Reference Month is April 2018. The Calculation Agent then identifies the level of the Index Ratio published or announced for the Interest Payment Reference Month of April 2018,

Let us assume that the Calculation Agent determines such level to be 279.7.

- b. The Calculation Agent then determines the Interest Payment Base Month. For the 31 December 2018 coupon payment date, the first day of the relevant interest period is 30 June 2018 and eight months prior is therefore October 2017.

Let us assume the Calculation Agent determines the index level for October 2017 to be 275.3.

- c. The Calculation Agent determines the inflation factor by dividing 279.7 by 275.3; which equals 1.0160.

Therefore the inflation factor for these purposes is 1.5983 per cent. (or 1.015983 in decimals).

(B) Thereafter, the Calculation Agent calculates the semi-annual Interest Amount payable due per £100.00 face value of the relevant Notes in respect of such Relevant Interest Period by multiplying together:

W) the inflation factor of 1.015983;

X) the face value of £100.00;

Y) the Day Count Fraction of 1.0; and

Z) the Rate of Interest of 1.0 per cent. divided by 2 (expressed as 0.005),

giving an interest amount payable of: $W \times X \times Y \times Z = \text{£}0.51$ per Note on such Interest Payment Date.

Accordingly, interest amounts payable under the Notes will depend on how the RPI changes in the relevant period prior to the relevant payment date.

If, however, there has been deflation, the Terms and Conditions of the Notes provide that the 'inflation factor' given in W above cannot fall below one. Accordingly, the interest amount payable per Note on each Interest Payment Date does not fall below £0.50.

Change in the nominal value of the Notes

Using the above information, the effective adjusted nominal value of the relevant Note will be effectively increased to the adjusted nominal value by the inflation factor in the manner illustrated in (A) and (B) above. Accordingly, the adjusted nominal value = prior nominal value *multiplied by* the inflation factor:

The adjusted nominal value on the first coupon payment date = £100.00 x 1.015983 = £101.60.

If, however, there had been deflation, the 'inflation factor' would not fall below one. Accordingly, the nominal value would not adjust. The nominal value in this example would remain at the prior nominal value (i.e. £100.00).

Accordingly, interest amounts payable under the Notes and the final principal payable under the Notes will depend on how the RPI changes in the relevant periods prior to the payment date.

Floating Rate Notes

Floating Rate Notes pay interest that is calculated by reference to a fluctuating benchmark rate, either (i) an interest rate benchmark, such as the London Interbank Offered Rate ("**LIBOR**"), or (ii) a rate of interest determined in accordance with market standard definitions, published by the International Swaps and Derivatives Association, Inc ("**ISDA Definitions**"), plus or minus, in each case, a margin and subject, in certain cases, to a maximum or minimum rate of interest. Interest rate benchmarks reflect the rate at which banks are willing to lend funds to each other in a particular market (for LIBOR this is the London interbank market). Interest rates determined in accordance with the ISDA Definitions reference hypothetical derivative contracts to determine a rate of interest.

If the benchmark rate is, for example, LIBOR, this will commonly be taken as the rate appearing at the relevant time on a specified screen service. This is referred to in the Terms and Conditions of the Notes and the Final Terms as "**Screen Rate Determination**" and, in the case of such an issue of Floating Rate Notes, the Final Terms will specify the relevant benchmark (referred to in the Final Terms as the "**Reference Rate**"), the date and time on which the benchmark rate will be determined for each interest period (the "**Interest Determination Date**") and the screen from which the rate will be taken (the "**Relevant Screen Page**"). If the screen rate is not available, the Terms and Conditions of the Notes contain fallback provisions which allow the rate to be determined on the basis of the arithmetic mean of rates quoted by reference banks in the relevant market.

If the interest rate is to be determined using the ISDA Definitions, this is referred to in the Terms and Conditions of the Notes and the Final Terms as "**ISDA Determination**". In such a case, the interest rate will be equivalent to the floating rate which would be determined in a hypothetical interest rate swap transaction for which the Floating Rate Option, the Designated Maturity and the relevant Reset Date are specified in the Final Terms. In an interest rate swap, each counterparty agrees to pay either a fixed or floating rate of interest denominated in a particular currency to the other counterparty. The relevant ISDA Definitions on which the hypothetical swap transaction will be based will also be specified in the Final Terms.

Unless your Notes are redeemed early, in respect of each Note and on each interest payment date you will receive an amount calculated by applying the rate of interest for that interest period to each Calculation Amount, and then multiplying the resultant amount by the applicable Day Count Fraction as described above. The rate of interest for any interest period will be determined by adding the relevant margin to the level of the interest rate benchmark or rate determined using the ISDA Definitions, as applicable, for such interest period (or subtracting the relevant margin, if the margin is a negative number). The result may be subject to a maximum or minimum rate if so specified in the Final Terms.

Worked Example: Floating Rate Notes – Screen Rate Determination

Assumptions

- the Reference Rate is 6 month GBP LIBOR;
- the margin is "plus 2.00 per cent.";
- the rate of interest is subject to a maximum rate of 7.00 per cent. per annum;
- the day count fraction is "Actual/365 (Fixed)", being the actual number of calendar days in the interest period, divided by a year (assumed under this convention to be 365 days); and
- the actual number of calendar days in the interest period is 181.

Interest amount payable

- (i) If the Reference Rate on the relevant Interest Determination Date is shown on the Relevant Screen Page as 2.10 per cent. (2.10 per cent.), the interest amount payable on the corresponding interest payment date will be equal to £2.03 (rounded to two decimal places). This figure is calculated as $£100.00 \times$ rate of interest of 4.10 per cent. (or 0.041) \times day count fraction of 181/365. The rate of interest (4.10 per cent.) is calculated as the Reference Rate of 2.10 per cent. (or 0.021) plus 2.00 per cent. (or 0.02) margin, and, given the level of the rate, is not affected by the maximum rate of interest; and
- (ii) If the Reference Rate on the relevant Interest Determination Date is shown on the Relevant Screen Page as 6.16 per cent. (6.16 per cent.), the interest amount payable on the corresponding interest payment date will be equal to £3.47 (rounded to two decimal places). This figure is calculated as $£100.00 \times$ rate of interest of 7.00 per cent. (or 0.07) \times day count fraction of 181/365. The rate of interest (7.00 per cent.) is set as the maximum rate of interest because the Reference Rate of 6.16 per cent. (or 0.0616) plus 2.00 per cent. (or 0.02) margin, results in a rate of 8.16 per cent. In this scenario, the rate of interest is capped at 7.00 per cent.

Worked Example: Floating Rate Notes – ISDA Determination

Assuming, for the purpose of this worked example only, that:

- the Floating Rate Option is GBP-LIBOR-BBA;
- the Designated Maturity is 6 months;
- the margin is "plus 1.50 per cent.";
- the rate of interest is subject to a maximum rate of 6.00 per cent. per annum;
- the ISDA Definitions on which the hypothetical swap transaction will be based are the 2006 ISDA Definitions;
- the day count fraction is "Actual/365 (Fixed)", being the actual number of calendar days in the interest period, divided by a year (assumed under this convention to be 365 days); and
- the actual number of calendar days in the interest period is 181.

Interest amount payable

- (i) If the floating rate for the hypothetical swap transaction would be determined on the relevant Reset Date as 2.40 per cent. (2.40 per cent.) on the basis of GBP-LIBOR-BBA (as

defined in the 2006 ISDA Definitions) for the Designated Maturity, the interest amount payable on the corresponding interest payment date will be equal to £1.93 (rounded to two decimal places). This figure is calculated as $£100.00 \times \text{rate of interest of } 3.90 \text{ per cent. (or } 0.039) \times \text{day count fraction of } 181/365$. The rate of interest (3.90 per cent.) is calculated as the floating rate of 2.40 per cent. (or 0.024) plus 1.50 per cent. (or 0.015) margin, and, given the level of the rate, is not affected by the maximum rate of interest; and

- (ii) If the floating rate for the hypothetical swap transaction would be determined on the relevant Reset Date as 5.40 per cent. (5.40 per cent.) on the basis of GBP-LIBOR-BBA (as defined in the 2006 ISDA Definitions) for the Designated Maturity, the interest amount payable on the corresponding interest payment date will be equal to £2.98 (rounded to two decimal places). This figure is calculated as $£100.00 \times \text{rate of interest of } 6.00 \text{ per cent. (or } 0.06) \times \text{day count fraction of } 181/365$. The rate of interest (6.00 per cent.) is set as the maximum rate of interest because the floating rate of 5.40 per cent. (or 0.054) plus 1.50 per cent. (or 0.015) margin, results in a rate of 6.90 per cent. In this scenario, the rate of interest is capped at 6.00 per cent.

Fixed Rate Notes

Fixed Rate Notes pay a periodic and predetermined fixed rate of interest over the life of the Note.

Unless your Notes are redeemed early, you will receive an amount in respect of a Note on each interest payment date calculated by applying the relevant fixed rate of interest to each Calculation Amount in relation to the Note, and then multiplying the resultant amount by the applicable Day Count Fraction described above.

Worked Example: Fixed Rate Notes

Assumptions

- the fixed rate is 3 per cent. per annum;
- the day count fraction is "Actual/365 (Fixed)", being the actual number of calendar days in the interest period, divided by a year (assumed under this convention to be 365 days); and
- the actual number of calendar days in the interest period is 183.

Interest amount payable

The interest amount payable on the interest payment date will be £1.50 (rounded to two decimal places). This figure is calculated as fixed interest of 3 per cent., or $0.03 \times £100.00 \times \text{day count fraction of } 183/365$, or 0.5013699.

Zero Coupon Notes

No amount of interest will accrue or become payable on Zero Coupon Notes. In the case of Zero Coupon Notes, the Final Terms will specify the 'Interest Basis' to be 'Zero Coupon'. Zero Coupon Notes are generally issued at a discounted issue price (such as 95 per cent.) to their nominal amount and then repaid at their full amount (100 per cent.). Therefore, if you purchase Zero Coupon Notes on their issue date and hold them to maturity, your return will be the difference between the issue price and the nominal amount of the Zero Coupon Notes paid on maturity.

Worked Example: Zero Coupon Notes

Assumptions

- the nominal amount of the Note is £100.00;
- the Issue Price is 80 per cent. of the nominal amount of the Note;
- the Notes were due to mature five years after they were issued; and
- the Redemption Basis is 100 per cent. of the nominal amount of the Note.

Issue price

The amount payable per Note is 80 per cent. of the nominal amount = £80.00.

Interest amount payable

No interest will be payable.

Amount payable on redemption

The amount payable per Note will be 100 per cent. of the nominal amount = £100.00. This amount is 125 per cent. of the price per Note originally paid by the investor.

PART V

TAXATION

The following comments are a general summary of Heylo Housing Secured Bond plc's (the "Issuer's") understanding of current United Kingdom tax law as applied in England and Wales and HM Revenue & Customs ("HMRC") published practice (which may not be binding on HMRC) in the United Kingdom relating only to United Kingdom withholding tax on payments of principal and interest in respect of Notes as of the date of this document. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. They assume that there will be no substitution of the Issuer and does not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the terms and conditions of the Notes). The comments apply only to persons who are the absolute beneficial owners of the Notes and hold their Notes as investments (regardless of whether the Noteholder also carries on a trade, profession or vocation through a permanent establishment, branch or agency to which the Notes are attributable). They do not necessarily apply where the income is deemed for tax purposes to be the income of any other person and may not apply to certain classes of persons such as dealers, certain professional investors or persons connected with the Issuer, who may be subject to special rules. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders should be aware that the particular terms of issue of any Series of Notes may affect the tax treatment.

The following is a general guide and is not intended to be exhaustive. Any prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Interest on the Notes

Payments of interest on the Notes by the Issuer may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of Section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Notes will be treated as listed on the London Stock Exchange if they are listed on the Official List of the United Kingdom Listing Authority and admitted to trading on the London Stock Exchange. Notes traded on a recognised stock exchange outside the United Kingdom will be treated as listed on a recognised stock exchange if they are both admitted to trading on that exchange and they are officially listed in that jurisdiction in accordance with provisions corresponding to those generally applicable in European Economic Area states (assuming that the relevant exchange is a "recognised stock exchange" within the meaning of 1005 of the Income Tax Act 2007). Provided that the Notes are and remain listed on a recognised stock exchange, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom income tax where interest on the Notes is paid by the Issuer and, at the time the payment is made, the Issuer reasonably believes that the person beneficially entitled to the interest is (i) a company resident in the United Kingdom (ii) a company which carries on a trade in the United Kingdom through a permanent establishment and brings into account the interest in computing its United Kingdom taxable profits; or (iii) a partnership where each member is a company referred to in (i) or (ii) above or a combination of companies referred to in (i) or (ii); provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the Notes is less than 365 days from the date of issue and where the Notes are not issued under arrangements the intention or effect of which is to render such Notes part of a borrowing intended to be capable of remaining outstanding for more than 364 days.

If Notes are issued at a discount to their nominal amount, any such discount element should not constitute interest and so should not be subject to any United Kingdom withholding tax. If Notes are repaid at a premium to their nominal amount (as opposed to being issued at a discount) then, depending on the circumstances, such a premium may constitute a payment of interest for United Kingdom tax purposes and hence, subject to the exemptions described above, may be subject to United Kingdom withholding tax as set out below.

Where no exemption applies, an amount must generally be withheld from any payments of United Kingdom source interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to the availability of other reliefs under domestic law.

Other rules relating to United Kingdom withholding tax

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty. In such circumstances, HMRC can issue a direction to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the Terms and Conditions of the Notes or any related documentation.

The above description of the United Kingdom withholding tax position does not consider the tax consequences of any substitution of the Issuer as provided for by Condition 14(c).

Transfer of Notes

Notes that are issued at a discount to their principal amount, or that fall or may fall to be redeemed at a premium (including but not limited to Notes whose redemption value is linked to the retail prices index) may constitute "deeply discounted securities" for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005. In such circumstances, this may alter the expected tax treatment of the Notes on transfer (including redemption). Prospective holders of Notes are advised to seek their own professional advice in relation to their individual tax positions.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes.

A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change.

In the event that any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of such withholding.

PART VI

BUSINESS OF THE ISSUER

Incorporation and Status of the Issuer

Heylo Housing Secured Bond plc (the "**Issuer**") was incorporated and registered in England and Wales on 23 February 2018 under the name of Heylo Housing Investments 4 plc under the Companies Act 2006 as a public limited company with registered number 11222614 and changed its name to Heylo Housing Secured Bond plc on 21 August 2018. The principal legislation under which the Issuer operates is the Companies Act 2006.

The Issuer's registered address is 5th Floor, One New Change, London EC4M 9AF and its telephone number is +44 203 744 0415.

The total allotted, issued share capital of the Issuer is £50,000 divided into 50,000 shares of nominal value of £1.00 each, and which are one quarter paid up. All of the Issuer's shares are held by Heylo Housing Group Limited (the "**Group Parent**"). The Issuer's shares are not admitted to trading on any stock exchange or otherwise publicly traded.

Principal Activities

The Issuer has been incorporated for the purpose of raising investment pursuant to issuing Notes under this Programme.

Since its incorporation, the Issuer has therefore not engaged in material activities other than those incidental to its registration as a public limited company under the Companies Act 2006 and those related to the establishment of the Programme. The Issuer's objects and purposes are unrestricted.

The Issuer has no subsidiaries and no employees and instead will procure services under contract from ResiManagement to enable it to deliver its business plan. As part of the Heylo Group, the Issuer intends to invest in residential properties that are made available to customers on a part buy – part rent basis in the United Kingdom in a similar way to other portfolios in the Heylo Group, and will benefit from Heylo Group's relationships with national and regional housebuilders and market profile (see Part VI (*Description of the Heylo Group*) and Part VIII (*Market Overview and the UK Regulatory Framework*)).

Since the date of its incorporation, the Issuer has not made any investments and, as at the date of this Base Prospectus, has made no firm legal commitment regarding any principal future investments. The acquisition of residential properties will be financed solely by the proceeds of the issue of the Notes and, if the Issuer is successful in applying for Investment Partner status, through the receipt of grant funding from Homes England.

The Heylo Group is constantly identifying and evaluating acquisition opportunities and has, as at the date of this Prospectus, identified a number of properties with different housebuilders throughout the UK which would be suitable for the Issuer to acquire with proceeds of the issue of the Notes. The Issuer will however not commit to enter into any legal agreement for the acquisition of residential properties until it has secured finance via the Notes issued under this Programme. The Issuer aims to have the proceeds of the issue of the Notes invested in Eligible Properties within six months of receipt of proceeds of the relevant Notes. The Issuer does not own any such properties on the date of this Base Prospectus.

While the Issuer may enter into legal agreements for the future acquisition of properties shortly after securing funding via the first issuance of the Notes under this Programme, in the case of new-build residential properties, it may take 3 to 12 months for properties to be completed by the relevant housebuilders. The Issuer will only legally acquire title upon the completion of all construction activities on the residential properties the Issuer proposed to acquire. During that time, any proceeds of the Notes will be held in a bank account over which the Issuer has granted a fixed charge in favour of the Security Trustee. The Issuer will not pay for or assume any risk in relation to the properties until they have been completed by the housebuilders. Upon completion of construction, the properties will be acquired and paid for by the Issuer and these properties will, from the moment of acquisition, be secured in favour of the Security Trustee under

the floating charge granted by the Issuer and, on each Quarter Date, by a fixed equitable mortgage over the properties (please see section C8 (*Rights attaching to the Securities*) for further information on the nature of the security rights).

The Issuer does not have any direct financial support from the Heylo Group, nor does the Issuer benefit from any guarantee from any member of the Heylo Group or any other party to support its obligations in respect of the Notes.

ResiManagement has entered into a management agreement with the Issuer for the purposes of providing certain management functions to the Issuer (subject to the overall supervision and control of the Issuer and the Issuer's directors) (the "**Management Agreement**"). The duties of ResiManagement include, among other things, to use reasonable endeavours to (i) arrange for the negotiation and purchase of Properties (as defined in Part X (*Terms and Conditions of the Notes*)) at the option of the Issuer; (ii) arrange for the entry into, performance of and exercise of rights under Letting Documents from time to time; (iii) monitor compliance by the Issuer with the terms of the Notes and, in the case of non-compliance, provide recommendations to the Issuer and assist in the implementation of recommendations, if applicable; and (iv) monitoring and assisting in the implementation of corporate governance and regulatory compliance.

Under the terms of the Management Agreement, ResiManagement is required to monitor the Portfolio (as defined in Part X (*Terms and Conditions of the Notes*)); *provided that*, if it fails to do so, it will not have any liability to the Issuer except by reason of acts constituting fraud, wilful misconduct or gross negligence in the performance of its obligations.

Business Activities

As described in Part X (*Terms and Conditions of the Notes*), following the Issue Date of any series of Notes, the Issuer shall apply the net proceeds of such Notes for the purpose of acquiring Eligible Properties (as described below) and thereafter the Issuer's business further includes managing its portfolio of properties, collecting payments under long-dated leases it sells in respect of its properties, and managing and enforcing the terms of such leases as may be required from time to time to ensure it has sufficient resources to meet interest and repayments under the terms of the Notes.

"**Eligible Property**" means Property that meet the following criteria which are required to be satisfied in respect of each Property purchased by the Issuer at the time of entering into a binding commitment to acquire such Property: (i) residential Property in England or Wales which is being acquired by the Issuer with the intention of being sold or occupied on a shared ownership basis; (ii) has or is expected to have long-dated inflation-linked income; (iii) has a certificate of title dated not more than three months prior to the date on which the Property is to be acquired by the Issuer or has title insurance in favour of the Issuer and (iv) has Land Registry searches in favour of the Issuer against all the titles comprising such Property, showing no third party security entry to evidence that any existing third party security over such Property has been discharged or will be discharged on or prior to the date on which such Property is to be charged pursuant to any Security Agreement.

"**Fixtures**" means, in relation to any Property, all fixtures and fittings (including trade fixtures and fittings) and fixed plant and machinery from time to time thereon owned by the Issuer.

"**Property**" means any estates or interests in any freehold, heritable or leasehold property wheresoever situate now or in future and any buildings and any Fixtures from time to time thereon and all Related Rights.

"**Related Rights**" means, in relation to any asset:

- (a) all rights under any licence, agreement for sale or agreement for lease or other use in respect of all or any part of that asset;
- (b) all rights, powers, benefits, claims, contracts, warranties, remedies, covenants for title, security, guarantees or indemnities in respect of any part of that asset;
- (c) the proceeds of sale, transfer or other disposal, lease, licence, or agreement for sale, transfer or other disposal, lease or licence of all or any part of that asset;

- (d) any other moneys paid or payable in respect of that asset;
- (e) any awards or judgments in favour of the Issuer in relation to that asset; and
- (f) any right against any clearance system and any right under any custodian or other agreement.

Directors and Company Secretary

The directors of the Issuer are:

Name	Function
Nicholas McAlpine-Lee	Director
Chris Hewitt	Director

Nicholas McAlpine-Lee has responsibility for all activities as well as directing new product development. Nicholas is an experienced leader and has spent 20 years creating and investing in opportunities in Residential Property, Alternative Investments, Structured Finance, Project Finance and Corporate asset classes. Prior to co-founding the Heylo Group, Nicholas was a founder of a Structured Products business in HBOS plc and has also held a variety of positions in PwC and HSBC.

Chris Hewitt has responsibility for all financial aspects of the Heylo Group. Since 2009 Chris has acted on a number of transactions bringing together institutional investment and alternative asset classes, leading to him co-founding the Heylo Group. Prior to this, Chris was a business expert in the development of capital and portfolio optimisation models in Lloyds Banking Group. He has also undertaken roles with Bank of Scotland and Barclays, structuring, negotiating and delivering complex funding structures.

The business address of the directors is 6th Floor, Design Centre East, Chelsea Harbour, London SW10 0XF.

The Secretary of the Issuer is Gravitas Company Secretarial Services Limited whose business address is at 5th Floor, One New Change, London EC4M 9AF.

Conflicts of Interest

The principal other activities of the Issuer's Directors include their role as directors of other companies in the Heylo Group and of ResiManagement.

Subject as follows, there are no potential conflicts of interest between any duties to the Issuer of the directors of the Issuer and their private interests and/or duties.

Each of the directors of the Issuer is a board member of Heylo Housing Group Limited and the other Heylo Group companies. Their duties to the Issuer may conflict with their duties to the other Heylo Group companies in determining matters regarding the Notes and the Transaction Documents to which the other Heylo Group companies are a party.

Each of Nicholas McAlpine-Lee and Chris Hewitt are also shareholders in Heylo Housing Group Limited, the parent of the Issuer and their interests as such may conflict with their duties as directors of the Issuer.

The Issuer acts in conformity with its constitutional documents.

Corporate Governance

Since the ordinary shares of the Issuer are not listed on any stock exchange, the Issuer is not required to comply with any UK corporate governance regime.

Financial Statements

The Issuer will prepare and publish audited financial statements on an annual basis and unaudited financial statements on a semi-annual for so long as any Notes are outstanding under the Programme. The Issuer's financial statements will be prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The Issuer has an accounting reference date of 30 September with the first fiscal year ending 30 September 2018. The auditors to be appointed in respect of the Issuer will be EY LLP. The first financial statements of the Issuer are expected to be published on or around 31 January 2019 as at and in respect of the period ended 30 September 2018 which are expected to show little activity other than the establishment of the Issuer and the Programme.

Recent Developments

There have been no recent events particular to the Issuer that are, to a material extent, relevant to the evaluation of the Issuer's solvency.

PART VII

DESCRIPTION OF THE HEYLO GROUP

Background to the Heylo Group, Principal Activities and Operations

The Issuer is a wholly owned subsidiary of Heylo Housing Group Limited (the “**Group Parent**”), a company incorporated under the Companies Act 2006 in England and Wales with registered number 11104403 and its registered office situated at 5th Floor, One New Change, London EC4M 9AF.

The Group Parent will direct strategy for each of the Heylo Group companies and supervise the performance of ResiManagement Limited (“**ResiManagement**”) in providing management services to each investment company, including the Issuer, on similar terms to the management agreement in place with HH No. 1 Limited, the original business of the Heylo Group (“**HH No. 1**”).

In January 2017, HH No. 1 acquired Heylo Housing Registered Provider Ltd (“**HHRP**”), a company that is a registered provider of social housing with the Regulator of Social Housing, to be the landlord under its leases to customers. HHRP continues to lease properties for HH No. 1 but is now 100 per cent. owned by the Group Parent.

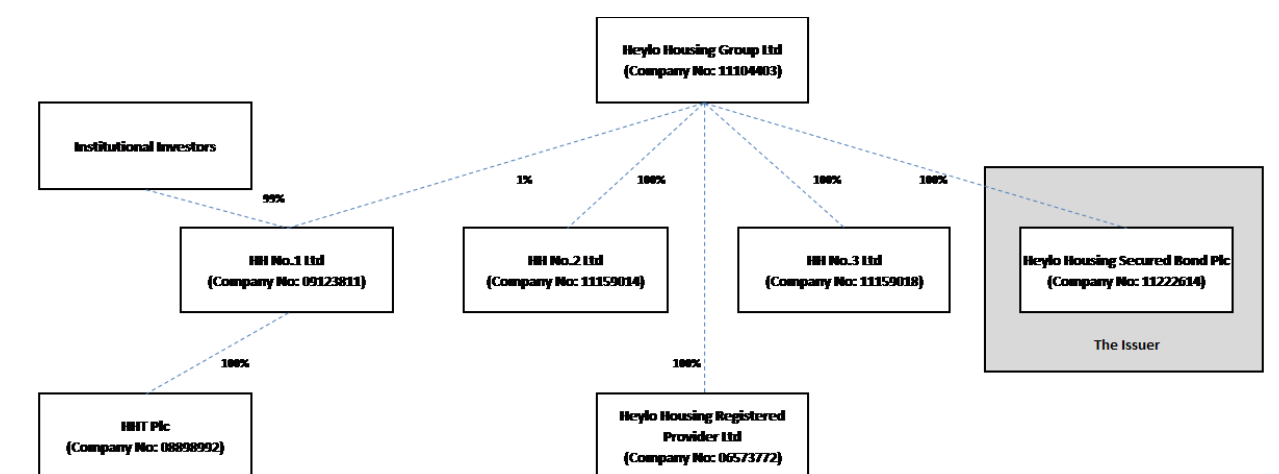
The shareholders of HH No. 1 created the Group Parent so to extend the sources of funding available to the Group and to bring in new investors.

As a result of the relationships built since 2014 and the track record of delivery, the Group Parent has a significant pipeline of acquisition opportunities with national and regional housebuilders.

ResiManagement commenced trading in 2014 when it was appointed to manage the HH No. 1. Since then ResiManagement has delivered the business plan for HH No. 1 by acquiring and managing a portfolio of over 1,650 properties valued at over £300 million and aims to do similar for the Issuer.

The Issuer does not have any direct financial support from Heylo Group, nor does the Issuer benefit from any guarantee from any party to support any obligations in respect of the Notes.

Corporate Structure



In addition to the Issuer, the Group Parent has established a number of additional investment subsidiaries to facilitate access to different sources of capital to grow the Heylo Group's part buy – part rent business.

Growth of HH No. 1

HH No. 1 was established in September 2014 with an initial committed investment of £180million raised through two long-dated inflation-linked bonds listed on the Irish Stock Exchange.

Initially, HH No. 1 focused on acquiring new build homes designated for shared ownership under Section 106 (“**S106**”) planning obligations imposed on housebuilders which typically have contract values of £1.0million to £1.5million. With this approach, there was an inherent lag between contracting to acquire properties and the properties being completed by the house builder and HH No. 1 investing capital. The level of market coverage necessary required rapid scaling in operations and standardised end-to-end processes to secure volume of acquisition opportunities efficiently.

In order to diversify the portfolio away from new build and also to smooth the timing of investment, a do it yourself shared ownership (“**DIYSO**”) product was launched in 2015 directly to customers, removing reliance on third parties to deliver new properties.

Having proven the business model and spent or committed much of the initial £180million investment commitment, in 2016 HH No. 1’s initial investors increased their commitment by a further £120million to £300million in total and extended the maturities of the two original bonds to 2051 and 2082.

By September 2017, HH No. 1 owned a portfolio of over 1,000 part buy – part rent properties with a valuation of £176million and had exchanged contracts to purchase properties for a further £20million. This portfolio was achieved through contracts with several national housebuilders as well as regional and smaller housebuilders and 180 DIYSO properties.

In November 2017, HH No. 1 was awarded Investment Partner status allowing it to participate SOAHP, acquiring private properties to be offered to customers as shared ownership.

As at 30 June 2018, HH No. 1 owned over 1,650 properties valued at over £300million spread across 182 Local Authorities, having acquired properties from 51 different developers.

Heylo Housing Group Limited

The Issuer and the other investment subsidiaries within the Heylo Group have been established to participate in this growing market for part buy – part rent properties and to raise capital from both institutional and retail investors. ResiManagement has been appointed by each of the investment subsidiaries in the Heylo Group and each will pursue a similar strategy of acquiring and managing portfolios of part buy – part rent properties.

As part of the Heylo Group, the intention is that the Issuer will initially issue notes under this Note Programme with a maturity of up to 10 years (which may vary subject to changing demand) and with denominations below £100,000. Once the proceeds of each series or tranche of notes of the Issuer under the Programme has been invested, the intention is to issue a further series or tranche under the Programme so that the Issuer can build a diversified portfolio of properties.

Each investment subsidiary within the Heylo Group will own and control the properties funded by it, will lease them to Heylo Housing Registered Provider Ltd which will in turn onward lease the properties to customers and so all rent and sales receipts from those properties will be directly attributable to the investors in that investment subsidiary, independent from any other investment subsidiary.

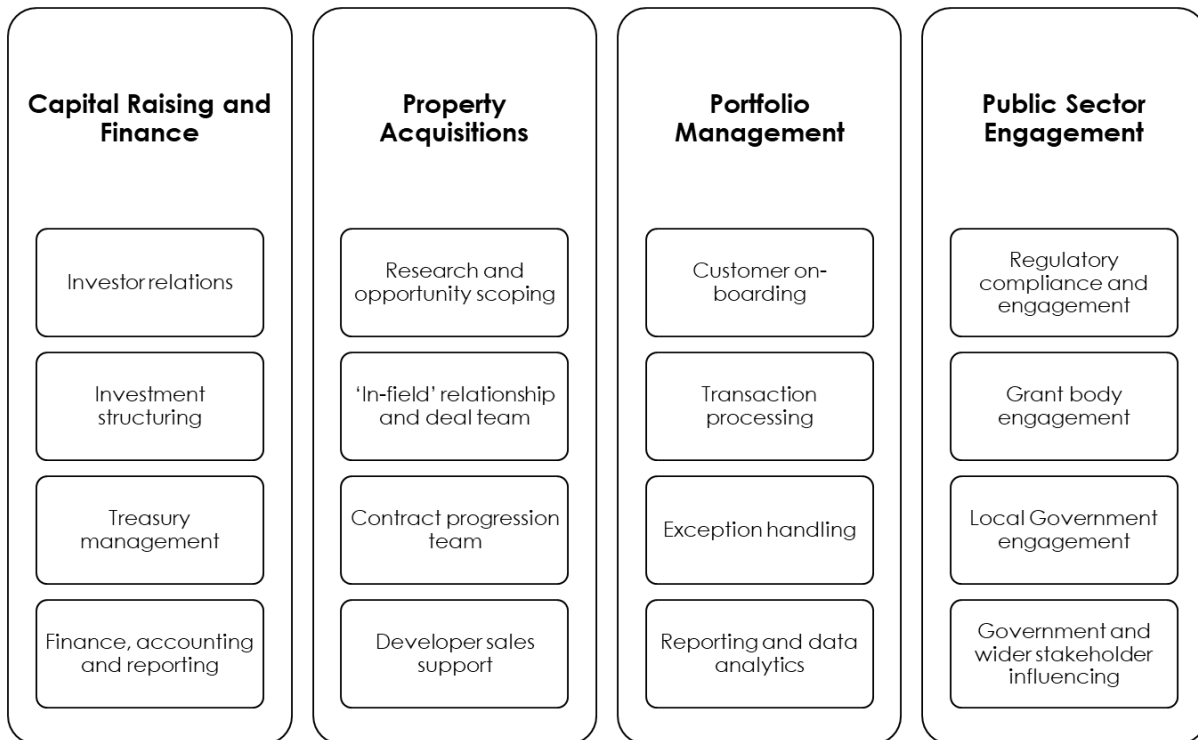
Operating Model

The Group Parent has been established with the dual ambition of providing greater access to affordable home ownership and at the same time providing an inflation-linked return, secured against residential property for investors seeking to mitigate inflation-risk. Returns for investors are primarily derived from the rental income from the part buy – part rent properties which have annual, upwards only, inflation linked rent reviews.

The business model is designed to externalise as many operational aspects as possible in order to provide a transparent means of investing in this attractive asset class. Shared ownership is the only residential asset class with a full repairing and insuring long term inflation linked lease, similar to commercial property. From an investor’s perspective, customers have an interest in maintaining the value of the property as they own the part they bought.

The Group Parent itself has no employees but instead procures services from ResiManagement under long term management agreements entered into between ResiManagement and the relevant investment subsidiary. This means that each investment subsidiary of the Heylo Group’s cost base may be expected to grow with, and proportionately to, its assets.

ResiManagement has an experienced team of 35 staff (as at 30 June 2018) drawn from finance, property sales, property management and regulatory engagement. These skills are effectively managed as four functional disciplines, aligned with the key lines of business activities of the Heylo Group:



The Heylo Group team has a strong track record and relationships with house builders in both the S106 market and, since achieving Investment Partner status for HH No. 1 to participate in SOAHP, the significantly larger market opportunity that brings. The Heylo Group therefore expects to enter into contracts for the supply of properties with national and regional house builders.

Unlike competitors in the Registered Provider (“RP”) sector that often have a broad range of activity including social housing, supported living and care, affordable rent, private rent and outright sale, the Heylo Group focuses entirely on the part buy – part rent tenure and the long term inflation linked rents that it generates. Thanks to the fully repairing and insuring nature of the leases and by outsourcing its operations under fixed price contracts, the Heylo Group aims to achieve a natural inflation linked net income available to pay returns to investors.

The Heylo Group employs multiple routes to market to acquire properties producing these inflation linked rents:

HomeReach - Partnering with national and regional house builders to deliver new build shared ownership on planning restricted properties (S106) and open market properties with the benefit of certain government grants (SOAHP), the Group Parent exchanges contracts with house builders prior to completion of construction but only pays following completion of the properties. ResiManagement has secured properties for HH No. 1 from 51 different developers to date.

YourHome - Offering the part buy – part rent tenure direct to customers to buy existing properties. Most housing initiatives ignore the second hand market but DIYSO offers an alternative affordable home ownership product for existing properties providing an opportunity for the families registered with the Help to Buy agents that want to buy a shared ownership home that would otherwise have to wait for one to be built in their area. ResiManagement has converted 241 properties at a cost of over £51million for HH No. 1 to date.

As investments, the value of the leases created is a combination of the inflation linked rental income streams and the potential for future capital receipts if a customer chooses to acquire additional shares of their property. The Issuer will appoint an external RICS valuer to provide an independent valuation of its properties from time to time and the Issuer will grant security over all of the properties owned by the Issuer.

The Group Parent will direct strategy for each of the investment subsidiaries and supervise the performance of ResiManagement in providing management services to each investment subsidiary, including the Issuer.

Directors and Company Secretary of Heylo Housing Group Limited the “Group Parent”

The Directors of the Group Parent are:

Name	Function
Chris Hewitt	Director
Giles Mackay	Director
Nicholas McAlpine-Lee	Director
Jonathan Short	Director

The business address of Giles Mackay, Chris Hewitt and Nicholas McAlpine-Lee is 6th Floor, Design Centre East, Chelsea Harbour, London SW10 0XF.

The business address of Jonathan Short is c/o Internos Global Investors Ltd, 65 Grosvenor Street, London W1K 3JH.

The Secretary of the Group Parent is Gravitas Company Secretarial Services Limited whose business address is at 5th Floor, One New Change, London EC4M 9AF.

Conflicts of Interest

The principal other activities of the Group Parent’s Directors include their role as directors of other companies in the Heylo Group and of ResiManagement. Giles Mackay is a director and shareholder of a number of other companies active in the real estate and technology sectors. Jonathan Short is Executive Chairman of Principal Real Estate Europe, formerly Internos Global Investors.

Subject as follows, there are no potential conflicts of interest between any duties to the Issuer of the directors of the Issuer and their private interests and/or duties.

Each of the directors of the Issuer is a board member of Heylo Housing Group Limited and the other Heylo Group companies. Their duties to Heylo Housing Group Limited may conflict with their duties to the Issuer in determining matters regarding the Notes and the Transaction Documents to which Heylo Housing Group Limited is a party.

Each of Giles Mackay, Nicholas McAlpine-Lee and Chris Hewitt are also shareholders in Heylo Housing Group Limited, the parent of the Issuer and their interests as such may conflict with their duties as directors of Heylo Housing Group Limited.

Jonathan Short is a director of Sentrino Investments Limited, which is a shareholder of Heylo Housing Group Limited, the parent of the Issuer and his interests as such may conflict with their duties as directors of Heylo Housing Group Limited.

Corporate Governance

Since the ordinary shares of the Group Parent are not listed on any stock exchange, the Group Parent is not required to comply with any UK corporate governance regime.

The shareholders of the Group Parent are Sentrino Investments Limited, Giles Mackay, Nicholas McAlpine-Lee and Chris Hewitt.

Sentrino Ltd (formerly Internos Global Investments Ltd) is a holding company for certain investments made by Internos Global Investors Ltd and was one of the original shareholders in HH No. 1 (formerly named Heylo Housing Ltd).

Jonathan Short co-founded Internos Global Investors Ltd and, following its sale to the Principal Group, is now Executive Chairman of Principal Real Estate Europe.

Financial Statements

The Group Parent has an accounting reference date of 30 September. The auditors of the Group Parent are EY LLP and EY LLP will also be appointed in respect of the Issuer. The first financial statements of the Issuer are expected to be published on or around 31 January 2019 as at and in respect of the period ended 30 September 2018.

The Group Parent will prepare consolidated financial statements including each of its subsidiaries in accordance with International Financial Reporting Standards as adopted by the European Union.

Recent Developments

The Issuer is not aware of any recent events particular to the Group Parent that are, to a material extent, relevant to the evaluation of the Issuer's solvency.

Material Contracts Relating to the Issuer and the Heylo Group

The Issuer is not aware of any material contracts entered into other than in the ordinary course of the Heylo Group's business which could result in any member of the Heylo Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders in respect of the Notes being issued.

PART VIII

MARKET OVERVIEW AND THE UK REGULATORY FRAMEWORK

The Heylo Group operates in a sub-set of the UK residential property market where its customers buy part of a property and pay rent on the part they do not buy. This “part buy – part rent” tenure, commonly known as shared ownership, has traditionally been delivered principally by Registered Providers (“RPs”). RPs are regulated by the Regulator of Social Housing (“RSH”) (rebranded from the Homes and Communities Agency in January 2018).

The objectives of the RSH are set out in the Housing and Regeneration Act 2008. The RSH regulates private registered providers of social housing to promote a viable, efficient and well-governed social housing sector able to deliver homes that meet a range of needs. The RSH assesses the Regulatory Standards of all RPs, in particular the Governance and Financial Viability Standard and the Value for Money Standard.

Whilst described as “shared ownership”, the legal position is that the part buy - part rent customer pays a lump sum amount (described as a “Premium”) which is linked to the open-market value of the residential property. The customer may use a mortgage to pay for some of this Premium. The customer acquires an equitable ownership interest in the portion of the residential property that relates to the Premium and is not charged any rent on this portion. By way of example, for a £200,000 property, a customer may pay a Premium of £100,000, meaning that the customer is only liable to pay rent in respect of the residual £100,000 of property value and the customer has an equitable ownership interest to 50 per cent. of the property. In effect, the customer is paying rent on 50 per cent. of the open-market value of the property.

A customer can also choose to pay further Premiums to increase their equitable ownership interest and decrease the portion of the property on which they pay rent - this is known as “Staircasing”. When a customer Staircases, they pay additional Premiums based on the open market value of the property at the time each Staircasing occurs. A customer can continue to Staircase until such time as the Premiums paid by the customer equate to the full value of the property, at which point the customer has the right to acquire the freehold (or, if the ownership interest held is leasehold, leasehold) interest in full and therefore pay no rent.

Part buy – part rent customers acquire a shared ownership lease of their property (the RSH publishes and updates from time to time a standard form lease) and so have protections under the Landlord and Tenant Act 1985 over and above the consumer standards monitored by the RSH.

According to the Statistical Data Return – 2016/17, published by the Homes and Communities Agency in March 2017, there were c165,000 shared ownership properties in the UK and initial sales (the “part buy” portions) totalled approximately £1.2billion in the year ending March 2017, so shared ownership currently makes up less than 1 per cent. of the UK housing stock.

From 2011 to 2016, nearly 41,000 affordable homes were made available through shared ownership, typically as part of the planning obligations imposed on housebuilders, equating to c8,000 properties per year. Recognising the level of public demand, in April 2016 government announced a £4.1billion grant funding programme, the Shared Ownership and Affordable Homes Programme 2016 to 2021 (“SOAHP”) to deliver a further 135,000 such homes over the following 5 years, a four-fold increase in annual delivery, and importantly opened up the programme beyond RPs to include commercial developers and investors. Delivery at this level would put SOAHP on a par with the UK Government’s ‘Help-to-Buy’ programme that delivered 44,419 completions in the year to September 2017 (according to the Ministry of Housing, Communities and Local Government – Housing Statistical Release published on 11th January 2018).

As evidence of the scale of demand, prior to committing to a significant increase in supply, in September 2017 ComRes carried out a survey of private renters on their awareness of shared ownership and their interest in accessing a property on this tenure. ComRes who interviewed 746 private renters and concluded:

- 77 per cent. of private renters would want to buy with shared ownership if they cost the same

- 77 per cent. of private renters want the government to invest in specific shared ownership developments
- 2 out of 3 private renters think the government should prioritise shared ownership in new developments
- 7 out of 10 private renters think shared ownership gives a better balance between financial security and flexibility

Statistics provided by ComRes from shared ownership poll of private renters, September 2017. Private renters were identified as those who say they “Rent from someone else” other than the Council or Housing Association at the tenure screening question. Data for all GB adults were weighted to be representative of all British adults by age, gender and socio-economic grade, with further weighting applied to also be representative of private renters by region. Full details of the polling can be found at: www.comresglobal.com/polls/heylo-shared-ownership-survey

In order to participate in SOAHP, an organisation has to qualify for Investment Partner status with Homes England (rebranded from the Homes and Communities Agency and separated from the RSH in January 2018). A number of companies have applied for Investment Partner status and the Issuer intends to submit an application in the name of the Issuer for Investment Partner status immediately following launch of the Notes and Homes England has already been informed of this.

Details of the Shared Ownership and Affordable Homes Programme 2016 to 2021 and the Investment Partner qualification process can be found in the “Funding programmes” section of the Homes England website: www.gov.uk/government/organisations/homes-england

Assessment of applications for Investment Partner status verifies the identity of the applicant and includes financial due diligence which considers an applicant’s financial and technical capacity to undertake an agreed programme of new supply and the organisation’s good financial standing. Applications can be submitted for consideration at any time and turnaround time is usually 8 weeks from receipt of a fully completed application. Applicants are encouraged to complete their application for Investment Partner status at the same time as submitting bids for grant.

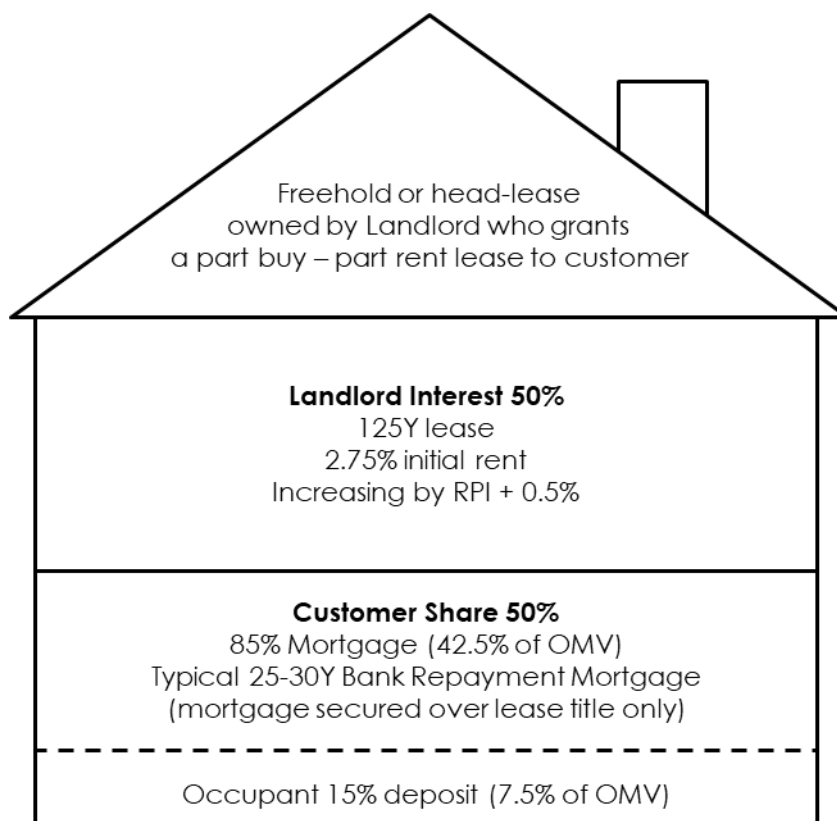
The landlord under the Issuer leases will be Heylo Housing Registered Provider Ltd (“**HHRP**”), a registered provider regulated by RSH. The Issuer will acquire properties and lease them to HHRP and HHRP will onward lease them to customers. The Issuer is not itself regulated however participation in SOAHP means that the Issuer would need to comply with certain regulatory requirements.

Shared ownership was introduced in the 1970s to help those who could not then afford a home on the open market. Customers acquiring properties on this part buy – part rent basis typically acquire a 25 to 75 per cent. share of their property on a 125 year lease under which they are responsible for all maintenance and insurance of their property as if they owned it outright. They pay rent to the landlord on the share they did not acquire which is reviewed upward annually in line with inflation. If a customer wishes to move they either need to sell their share to someone else or buy out the landlord at the independently assessed market value at the time (and sell the property outright). There is also now an established second hand market for reselling existing shared ownership properties.

Because rent is set at a low level, even when combined with mortgage payments on the share bought, shared ownership can enfranchise two to three times more households to the purchase market – almost twice as many as Help to Buy. According to the Office for National Statistics there are 4.7million private rent households, with an average gross income of £37,300. This household income is typically sufficient to acquire a 50 per cent. share of a £200,000 to £225,000 property and this is the market the Issuer will target for its SOAHP activity.

In ResiManagement’s experience, shared ownership is a family tenure and predominately buyers move from a rented property. This is why ResiManagement and the Issuer will target family houses rather than flats or first time buyer properties. Most part - buy – part rent customers are able to get a mortgage and buy a property outright, but not always one of the right size or in the right location and so they remain renters, although many would prefer to buy – this is the sector of the market where part buy – part rent provides a solution.

A worked example of a part buy – part rent property, based on a house with a value of £200,000:



- To buy a 50 per cent. share, the customer will pay £100,000. The customer has a deposit of £15,000 so takes out a mortgage for £85,000 which is 42.5 per cent. of the market value of the property.
- The shared ownership landlord grants the occupier a 125 year lease that requires the customer to pay an initial annual rent, typically at 2.75 per cent. on the market value of the 50 per cent. share the property they did not buy.
- In this example, the rent in the first year would be £200,000 x 50 per cent. x 2.75 per cent. = £2,750.
- Thereafter, the rent is reviewed each upward each year by inflation + 0.5 per cent., independent of any movement in the market value of the property.
- The customer can increase their share (known as “Staircasing”) in the home at any time and the rent would be adjusted down proportionately to reflect the change.
- In this example, if the customer acquired a further 25 per cent. of the property, the rent they continue to pay the landlord would decrease by half (25 per cent. of the 50 per cent. they were paying rent on).

As part of the application to acquire a share in a property the customer will have to register with their local Help to Buy agent and then demonstrate that they can meet the combined costs of any mortgage for their share and the rental payments to the landlord based on their household income. This assessment and evidencing of household income is typically undertaken by an independent financial adviser as part of the mortgage application but also includes a review of the HCA Affordability Calculator which is an additional requirement of the landlord.

In September 2016 the Homes and Communities Agency, the Council of Mortgage Lenders and the National Housing Federation produced an update guidance document setting out the requirements and procedures that providers of grant-funded Help to Buy shared ownership must conform to and also sets out the expectation in terms of engagement between landlords, lenders and conveyancers who may be instructed to carry out some of the requirements as part of the conveyancing process in the shared ownership sector:

www.gov.uk/government/publications/joint-shared-ownership-guidance

In following the guidance, if a customer defaults on its lease (or any related mortgage) the Issuer will undertake a review of their situation and the property to consider if payment rescheduling or reverse Staircasing (a reverse Staircase would involve the customer selling back a portion of the customer's equity in the property to the Issuer) would enable the customer to remain in their home. If the customer cannot afford to remain in their home, the Issuer will encourage them to remain in the property and effect a resale of their share or outright sale at full market value to protect the customer's equity value and minimise the impact of default.

If neither route is possible the Issuer can choose to encourage the customer to hand back the property (preferred) or given the superior position (freehold or head lease) the Issuer can repossess the property, pay off any mortgage, and either sell outright or, as is more likely, seek a new shared ownership customer from the waiting list

As a last resort the Issuer may allow the mortgage provider to repossess in which case the lender should follow the process prescribed in guidance – selling the property to repay the mortgage plus costs and passing the remaining value to the Issuer. In the case of repossession the customer's equity (including original deposit, amortisation of the mortgage and any House Price Inflation on their share) is forfeit.

ResiManagement's experience is that rent collection rates are typically over 98 per cent. of rent due.

In 2014/2015, there were 109 repossessions of shared ownership properties, representing 0.07 per cent. of the 165,000 shared ownership households compared with between 0.2 per cent. to 0.3 per cent. across all 11.1million mortgages indicating defaults in shared ownership are lower than the market average.

Since September 2014, ResiManagement has managed over 1,700 properties across the UK.

As part of promoting greater awareness of Shared Ownership within government and improving the shared ownership experience, the Heylo Group was one of two initial sponsors for an All Party Parliamentary Group. The Group meets regularly to promote the tenure and to identify and overcome barriers to its growth and future success. Participants include MPs and Peers with an interest in improving access to home ownership and improving yet further the shared ownership tenure.

PART IX

SECURITY STRUCTURE

1. Security to be Granted by the Issuer

The Issuer will grant security for the Notes on the date of issue of the relevant Notes. The benefit of the security will be held on trust by US Bank Trustees Limited (in its role as Security Trustee) for and behalf of, among others, itself, the Trustee, and the paying agents, the registrar, the transfer agents, the calculation agent(s) for the relevant Notes and the Noteholders (together, the "**Secured Creditors**"). The precise security to be granted by the Issuer is set out in Condition 4 of Part X (*Terms and Conditions of the Notes*). In summary, the main elements to the security are as follows:-

- 1.1 A fixed equitable mortgage granted over all properties from time to time owned by the Issuer shall be entered into on each Quarter Date, pursuant to a Security Agreement. Semi-annual asset reports will be provided to the Security Trustee which will set out the residential properties over which the Secured Creditors for the time being have an equitable mortgage (such properties being "**Mortgaged Properties**").
- 1.2 A first fixed charge over contractual rights, consents, licences and other rights that relate to the Mortgaged Properties.
- 1.3 A first fixed charge over rights held by the Issuer in contractual arrangements that facilitate the performance of services in respect of the Notes or the Mortgaged Properties.
- 1.4 A first fixed charge over certain bank accounts held by the Issuer, in particular the bank accounts that hold any cash required to ensure the Issuer meets its financial covenants as required by the Terms and Conditions of the Notes.
- 1.5 A floating charge over all of the assets, property and undertakings of the Issuer from time to time.

2. Description of each type of Security

A '**mortgage**' provides security over the specified asset(s) and/or other interests of the person giving the security by transferring legal title to those assets and/or other interests from the mortgagor (ie the company granting the mortgage) to the mortgagee (ie the Security Trustee acting on behalf of the Noteholders), along with the right to sell those assets and/or other interests if there is a default in obligations due under the terms of the Notes (for example, if the Issuer were to fail to make a payment of interest when due under the Notes). There are different types of mortgage – the two types relevant to the security provided by the Issuer are 'equitable mortgage' and 'legal mortgage'.

An '**equitable mortgage**' is also a fixed security but it transfers beneficial interest but not legal title to the mortgagee – equitable mortgages may be used where it is commercially expedient to have unregistered mortgage interests to facilitate ease of carrying out business operations. The legal title to the property remains with the mortgagor unless and until the equitable mortgage is registered with the Land Registry, at which point it is a legal mortgage in favour of the mortgagee. A purchaser of a property secured to a mortgagee by an equitable mortgage may purchase property free of security if the purchaser is acting in good faith, pays value for the property and has no notice of the equitable mortgage. The Issuer could also grant a legal mortgage to a third party and a legal mortgage would rank ahead of an equitable mortgage - for this reason, the Issuer is contractually restricted from granting any security over its assets which ranks higher than or equal to the Notes issued under the Programme. Under the proposed security structure securing the obligations in respect of the Notes, the equitable mortgage granted by the Issuer may be registered at the Land Registry if an Event of Default occurs and is continuing and at this point in time, a legal mortgage will be created.

A '**legal mortgage**' is a mortgage that is registered at the Land Registry. This is the most secure and comprehensive form of security interest. It transfers ownership of the Issuer's interest in the residential property to the Security Trustee and so prevents the Issuer from dealing with the mortgaged asset whilst it is subject to the mortgage.

A '**fixed charge**' unlike a mortgage, does not transfer title, ownership or possession of the secured assets and/or interests to the Security Trustee (or to anyone else). Instead it allows the person giving the security to continue to own the secured assets and/or interests during the period in which the Notes are outstanding. However, such usage is subject to certain conditions designed to maintain the value of the secured assets or interests and prevent the disposal of these assets or interests without the consent of the mortgagee (ie the Security Trustee acting on behalf of the Noteholders). On the occurrence of any enforcement event (for example, if the Issuer were to fail to make a payment of interest when due under the Notes), the Security Trustee may (if directed to do so by Noteholders and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction) either require the charging company (ie the Issuer granting the security) to sell the secured assets or interests or it may take possession of the secured assets and either sell the assets or interest in it on its own or else appoint a receiver to sell the secured assets. Pursuant to the fixed charge, the Security Trustee, acting on behalf of the Noteholders, would have a claim over the proceeds of the sale of such secured assets in priority to any other creditors of the mortgagor company. The Security Trustee would, in such an event, hold all proceeds of the secured assets on trust for the Secured Creditors.

A "**floating charge**" is granted by the Issuer to the Security Trustee acting on behalf of the Noteholders and the other Secured Creditors – this floating charge provides security over all assets of the Issuer from time to time, including any residential properties owned by the Issuer. A floating security allows the Security Trustee to take security over all assets of the Issuer, whilst at the same time enabling the Issuer to continue to operate its business without the restrictions that would follow from granting mortgages or fixed charges over those assets and/or interests in them. The assets subject to a floating charge can generally be dealt with by the Issuer in the ordinary course of its business (including sale of such assets and/or interests in them from time to time as they wish). A floating charge effectively "hovers" over a shifting pool of assets. However, on the occurrence of certain events (notably if a receiver or an administrator is appointed to take enforcement action against the chargor company or if there is a default in the Issuer's obligations in relation to the Notes) the floating charge "crystallises" and will effectively be converted into a fixed charge with respect to the assets and/or interests in them which are at that point in time owned by the Issuer, and will prohibit the Issuer from disposing of any assets and/or interests in them going forwards without the Security Trustee's prior consent.

The Issuer's assets are only expected to be (i) the UK residential property assets that it purchases with the net proceeds from the issuances of Notes issued under the Programme, (ii) the Issuer's rights and benefits under long-dated inflation-linked leases in respect of those property assets, (iii) any amounts in respect of cash for the time being not invested in property out of net proceeds of the Notes or else received by the Issuer under the terms of its lease agreements.

Negative pledge and other security covenant

The Terms and Conditions of the Notes contain a negative pledge provision. In general terms, a negative pledge provision provides the Noteholders with assurances that the Issuer will not allow other creditors (ie other than the Noteholders and other Secured Creditors in relation to the Programme and the Notes) preferential treatment in terms of security or ranking of their debt. Under the Terms and Conditions of the Notes, the Issuer has agreed that it will not allow there to be any security over its assets which ranks higher than or equal to the Notes issued under the Programme.

However, and for the avoidance of doubt, the Terms and Conditions of the Notes do not prevent the customers of relevant properties (the freehold of which is owned by the Issuer) from creating a mortgage, fixed charge or other security interest in respect of, and to the extent of, its own leasehold ownership interest in such property. This will allow individual customers to obtain mortgages in respect of their leasehold interests.

3. Mechanic for Creation of Security

The security created by the Issuer in favour of Secured Creditors will exist from the point in time that the Issuer has rights to the relevant assets. In the case of residential property acquired by the Issuer, the equitable mortgage will be granted on a quarterly basis. The Issuer will purchase residential property for part buy - part rent occupation either directly from housebuilders or from the open market, with the substantial proportion of acquisitions anticipated to be from housebuilders. Semi-annual asset reports will be provided to the Security Trustee which will set out the residential properties over which the Secured Creditors from time to time have an equitable mortgage.

PART X

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion by Part A of the relevant Final Terms, shall be applicable to the Bearer Notes or Registered Notes in definitive form (if any) issued under the Programme. The full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms, shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be.

Heylo Housing Secured Bond plc (the “**Issuer**”) has established a Euro Medium Term Note Programme for the issuance from time to time of up to £750,000,000 in aggregate nominal amount of debt instruments (the “**Notes**”).

The Notes are constituted by a trust deed (as amended or supplemented as at the date of issue of the Notes (the “**Issue Date**”), the “**Trust Deed**”) dated 28 September 2018 between the Issuer and U.S. Bank Trustees Limited (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). Security (as defined in Condition 22) for, among other things, the Notes and the Coupons is created by the security deed (the “**Security Deed**”) dated 28 September 2018 together with any subsequent security agreement supplemental to the Security Deed (each, a “**Security Agreement**”) between the Issuer and U.S. Bank Trustees Limited (both in its capacity as “**Security Trustee**”, which expression shall include all persons for the time being the security trustee or security trustees under the Security Deed, and as Trustee). These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below, and the Security Deed. An agency agreement (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) dated 28 September 2018 has been entered into in relation to the Notes between the Issuer, the Trustee, Elavon Financial Services DAC, UK Branch as initial issuing and paying agent and the other agents and registrar named in it. The issuing and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Issuing and Paying Agent**”, the “**Paying Agents**” (which expression shall include the Issuing and Paying Agent), the “**Registrar**”, the “**Transfer Agents**” (which expression shall include the Registrar) and the “**Calculation Agent(s)**” and any reference to an “**Agent**” or “**Agents**” is to any one of them. Copies of the Trust Deed, the Security Deed, any Security Agreements and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at Fifth Floor, 125 Old Broad Street, London EC2N 1AR) and at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders and the holders of the interest coupons (the “**Coupons**”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons (the “**Talons**”) for further Coupons (the “**Couponholders**”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Security Deed, any Security Agreements and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

As used in these Conditions, “**Tranche**” means Notes which are identical in all respects.

1. FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero-Coupon Note, an Inflation Linked Interest Note, an Inflation Linked Redemption Note or a combination of any of the foregoing, depending upon the Interest and Redemption/Payment Basis specified in the relevant Final Terms.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero-Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Registered Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, “**Noteholder**” means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. **NO EXCHANGE OF NOTES AND TRANSFERS OF REGISTERED NOTES**

- (a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.
- (b) **Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.
- (c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of the Issuer’s or a Noteholders’ option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 9(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or

surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

- (e) **Transfers Free of Charge:** Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).
- (f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 9(d), (ii) after any such Note has been called for redemption or (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 10(b)).

3. STATUS OF THE NOTES AND APPLICATION OF MONEYS

- (a) **Status:** The Notes and Coupons constitute direct and unconditional obligations of the Issuer, secured in the manner described in Condition 4, and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons shall, save for such exceptions as may be provided by applicable law and subject to Conditions 3(b) and 3(c), at all times rank at least equally with all other present and future unsubordinated obligations of the Issuer.
- (b) **Application of Moneys (Pre-Enforcement Priority of Payments):** All moneys received by the Issuer prior to the Security becoming enforceable shall, despite any appropriation of all or part of them by the Issuer, be applied as follows:
 - (i) *firstly*, in payment of all costs, charges, expenses and liabilities incurred by, or payable to, the Trustee and the Security Trustee and/or any Appointee, (including remuneration and other amounts payable to it) under the Transaction Documents;
 - (ii) *secondly*, and *pari passu*, in payment of all costs, charges, expenses and liabilities incurred by, or payable to Agents, the Indexation Advisers, the Experts, the Account Bank and the Custodian under the Transaction Documents;
 - (iii) *thirdly*, in payment of any other Administrative Expenses;
 - (iv) *fourthly*, in payment of any amounts owing in respect of the Notes or Coupons (including in respect of any Further Securities) *pari passu* and rateably;
 - (v) *fifthly*, in payment of taxes owing by the Issuer, save for any taxes payable in relation to any amount payable to the Secured Creditors or ResiManagement; and
 - (vi) *sixthly*, in payment of any balance to the Issuer for itself.
- (c) **Application of Moneys (Post-Enforcement Priority of Payments):** All moneys received by the Trustee or the Security Trustee in respect of the Notes or Coupons or recovered by the Trustee, the Security Trustee or any Receiver following the enforcement of the Security, despite any appropriation of all or part of any such moneys by the Issuer

(including any moneys which represent principal or interest in respect of Notes or Coupons which have become void under the Conditions), shall be held by the Trustee or the Security Trustee, as the case may be, on trust to apply them in the following order of priority pursuant to the terms of the Trust Deed:

- (i) *firstly*, in or towards satisfaction of or provision for (x) the costs, expenses, liabilities, fees or other remuneration and indemnity payments (if any) and any other amounts incurred by or payable to the Trustee and/or the Security Trustee in preparing and executing the trusts and carrying out its or their respective functions under the Transaction Documents and (y) the costs, expenses, fees or other remuneration and indemnity payments (if any) and any other amounts incurred by or payable to any Receiver or other Appointee appointed by the Security Trustee or the Trustee, including in either case the costs of enforcing and/or realising any Security;
- (ii) *secondly*, and *pari passu*, in or towards satisfaction of the costs, expenses, liabilities fees or other remuneration and indemnity payments (if any) and any other amounts incurred by or payable to the Agents, the Indexation Advisers, the Experts, the Account Bank and the Custodian under the Transaction Documents to which they are a party;
- (iii) *thirdly*, in payment of any other Administrative Expenses;
- (iv) *fourthly*, in payment of all arrears of interest remaining unpaid in respect of the Notes or Coupons and all principal moneys due on or in respect of the Notes (including in each case including in respect of any Further Securities);
- (v) *fifthly*, in payment of taxes owing by the Issuer (save for any taxes payable in relation to any amount payable to the Secured Creditors or ResiManagement); and
- (vi) *sixthly*, the balance (if any) in payment to the Issuer.

4. SECURITY AND MANAGEMENT

- (a) **Grant of Security:** The Noteholders and the other Secured Creditors (as defined in Condition 22) will share in the benefit of the Security. The Security is granted by the Issuer under the terms of the Security Documents in favour of the Security Trustee, on trust for and on behalf of itself, the Trustee, the Noteholders and the other Secured Creditors, as security for the Secured Liabilities.
- (b) **Property Security:** All as more particularly described in the Security Documents, the Security comprises of:
 - (i) an equitable mortgage (which shall take effect as an equitable mortgage until the requisite registrations have been made by the Issuer following an Event of Default as described in Condition 6(a), and thereafter as a first legal mortgage) granted by the Issuer over the Mortgaged Properties specified therein together with all buildings and Fixtures, erections and structures thereon or in the course of construction thereon, the proceeds of sale of all or any part thereof and (so far as the same are capable of being mortgaged) the benefit of any covenants for title given or entered into by any predecessor in title of the Issuer and any moneys paid or payable in respect of such covenants;
 - (ii) a first fixed charge granted by the Issuer over all fixed plant and machinery now or in the future owned by the Issuer and its interest in any fixed plant or machinery in its possession, in each case which form part of the Mortgaged Property;

- (iii) a first fixed charge granted by the Issuer over all benefits, rights, title and interest from time to time in and to any Insurances;
- (iv) a first fixed charge granted by the Issuer over the benefit of all present and future licences, consent and authorisations (statutory or otherwise) held in connection with the Fixed Security Assets specified therein and the use of any of the Fixed Security Assets specified therein and the right to recover and receive all compensation which may at any time become payable to it in respect thereof;
- (v) a first fixed charge granted by the Issuer over (if and in so far as the assignments set forth in the remainder of this Condition 4(b) shall for any reason be ineffective as assignments), the assets referred to therein, all debts represented thereby and all Related Rights;
- (vi) an assignment by way of security of all of the Issuer's rights, title and interest from time to time in the personal agreements and covenants by the tenants, lessees (which includes for these purposes HHRP), licensees or other parties under the Letting Documents and by all guarantors and all security held by the Issuer from time to time, whether present or future, in respect of the obligations of the tenants, lessees, licensees or other parties under the Letting Documents (including, without limiting the generality of the foregoing, all moneys due and owing to the Issuer or which may become due and owing to the Issuer or which may become due and owing to the Issuer at any time in the future in connection therewith) and all Assigned Rights;
- (vii) an assignment by way of security of all of the Issuer's rights, title and interest in all agreements, now or from time to time entered into or to be entered into for the sale, letting or other disposal or realisation of the whole or any part of the Fixed Security Assets specified therein (including, without limiting the generality of the foregoing, all moneys due and owing to the Issuer or which may become due and owing to the Issuer at any time in the future in connection therewith);
- (viii) an assignment by way of security of all of the Issuer's rights, title and interest in all agreements, contracts, deeds, licences, undertakings, guarantees, covenants, warranties, representations and other documents (including all documents entered into now or in the future so as to enable the Issuer to perfect its rights under each such agreement, contract, deed, licence, undertaking, guarantee, covenant, warranty, representation or other document) entered into by or given to the Issuer in respect of the Mortgaged Properties and all claims, remedies, awards or judgments paid or payable to the Issuer (including, without limitation, all liquidated ascertained damages payable to the Issuer under the above) in each case relating to the Mortgaged Properties;
- (ix) an assignment by way of security of all of the Issuer's rights, title and interest in all licences held now or in the future in connection with the Mortgaged Properties and also the right to recover and receive all compensation which may at any time become payable to the Issuer in relation to each Mortgaged Property;
- (x) an assignment by way of security of all of the Issuer's rights, title and interest in all rights and claims to which the Issuer is now or may hereafter become entitled in relation to any development, construction project, redevelopment, refurbishment, repair or improvement of or on each Mortgaged Property;
- (xi) an assignment by way of security of all of the Issuer's rights, title and interest in all guarantees, warranties, bonds and representations given or made or which may be given or made by and any rights or remedies against all or any of the designers, builders, contractors, surveyors, valuers, professional advisers, sub-

contractors, manufacturers, suppliers and installers of any Fixtures in respect of each Mortgaged Property; and

- (xii) an assignment by way of security of all of the Issuer's rights, title and interest in all rental income and disposal proceeds unless already assigned pursuant to Conditions 4(b)(vi), (vii) and (viii) above or in each case relating to the Mortgaged Properties specified therein and the right to make demand for and receive the same;

provided always that, unless and until an Enforcement Event has occurred (but subject to the terms of the Transaction Documents), the Issuer shall be entitled to exercise all of its rights and claims under or in connection with the agreements and covenants referred to in Conditions 4(b)(vi) to 4(b)(xii) above, and provided further that neither the Trustee nor the Security Trustee shall require the Issuer to give, any notice of assignment thereof to any Person unless and until an Enforcement Event has occurred.

The Security created by the Issuer pursuant to the Security Documents referred to above, and/or any further deed or document supplemental thereto, is referred to herein as, the "**Property Security**".

- (c) **Non-Property Security:** In addition, all as more practically described in the Security Deed, the Security comprises of:
 - (i) a first fixed charge granted by the Issuer over all moneys and securities from time to time standing to the credit of the Charged Account and the Custody Account and all debts represented thereby and all Related Rights;
 - (ii) an assignment by way of security of all of the Issuer's rights, title and interest under the Management Agreement, the Letting Documents, the Agency Agreement, the Account Bank Agreement, the Custody Agreement and all sums derived therefrom; and
 - (iii) a first floating charge over all of the undertaking and all property, assets and rights, both present and future, wheresoever situated, of the Issuer (including but not limited to the assets expressed to be secured pursuant to any of the preceding provisions of this Condition 4),

provided always that, unless and until an Enforcement Event has occurred (but subject to the terms of the Transaction Documents), the Issuer shall be entitled to exercise all of its rights and claims under or in connection with the agreements referred to in Condition 4(c)(ii) above.

- (d) **Trustee and Security Trustee not liable for Security:** Neither the Trustee nor the Security Trustee will be liable for any failure to make any investigations in relation to the undertaking, property, assets or rights which are the subject of the Security, and they shall not be bound to enquire into or be liable for any defect or failure in the right or title of the Issuer to the Secured Property, whether such defect or failure was known to the Trustee or the Security Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will they have any liability for the limitation on the Trustee's or the Security Trustee's ability to enforce or for any other restrictions or limitations or for the validity, sufficiency, priority or enforceability of the Security whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such Security or otherwise.
- (e) **Management of the Portfolio:** Pursuant to the terms of the Management Agreement, ResiManagement has undertaken to manage the Portfolio and act in specific circumstances in relation to the Portfolio on behalf of the Issuer pursuant to the terms of, and subject to the parameters set out in, the Management Agreement and subject to the overall supervision and control of the Issuer. Under the terms of the Management

Agreement, the duties of ResiManagement for and on behalf of the Issuer with respect to the Portfolio include, *inter alia*, the use of reasonable endeavours to:

- (i) monitor compliance by the Issuer and, in the case of non-compliance, provide recommendations to the Issuer and assist in the implementation of recommendations, if applicable;
- (ii) monitoring and assisting in the implementation of corporate governance and regulatory compliance;
- (iii) arrange for the negotiation and purchase of Properties at the option of the Issuer; and
- (iv) arrange for the entry into, performance of and exercise of rights under Letting Documents from time to time.

Under the terms of the Management Agreement, ResiManagement is required to monitor the Portfolio; *provided that*, if it fails to do so, it will not have any liability to the Issuer except by reason of acts constituting fraud, wilful misconduct or gross negligence in the performance of its obligations.

5. COVENANTS AND RESTRICTIONS ON THE ISSUER'S ACTIVITIES

- (a) **Eligibility Criteria and Management of the Portfolio:** Following the Issue Date of any Notes, the Issuer shall apply the net proceeds of such Notes (and it shall apply the net proceeds of any Further Securities, as defined in Condition 18) for the purpose of (i) acquiring Eligible Property, (ii) providing long-dated leases to HHRP and (iii) business ancillary or complementary thereto (which may include, for the avoidance of doubt, the repayment of any Housing Grants in respect of the Portfolio). The Issuer shall thereafter use all reasonable endeavours, for so long as any Note or Coupon remains outstanding: (x) to manage the Portfolio, (y) to collect cash payments under Letting Documents and (z) to enforce the Management Agreement and any Letting Documents (or any terms of the Management Agreement or any Letting Documents).
- (b) **Asset Cover Covenant:** From and including the Reference Date falling on 30 September 2019, and so long as any Note or Coupon remains outstanding thereafter, the Issuer shall ensure that (subject as provided in Condition 6(b)), as at each Reference Date the ratio of:
 - (i) the Value of the Properties; to
 - (ii) the aggregate nominal amount of all Notes (including any Further Securities), in each case calculated on the basis of their Current Notional Indexed Amount, outstanding under the Programme, less the Charged Cash,(the "**Asset Cover Test Ratio**") is equal to or greater than 1.20 : 1.
- (c) **Debt Service Cover Covenant:** From and including the Reference Date falling on 30 September 2019, and so long as any Note or Coupon remains outstanding thereafter, the Issuer shall ensure that, as at each Reference Date, it maintains a DSCR of at least 110 per cent. in respect of the 12-month period then ending.
- (d) **Negative Pledge and Disposals:** So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), the Issuer will not create, permit to subsist or have outstanding, any Security Interest, other than the Security, upon the whole or any part of its present or future undertaking, assets or revenues (including but not limited to the Secured Property or any Related Rights) ranking in priority to, or *pari passu* with, the Security, excluding, for this purpose any Security Interest created by operation of law.

The Issuer also covenants that it shall not, save as expressly permitted by the Transaction Documents, sell, transfer, grant or lease or otherwise dispose of all or any part of the Fixed Security Assets (other than pursuant to the terms of the Letting Documents or the grant of lettings with tenancy agreements in the form of an Approved Tenancy Agreement or on terms which confer no fewer material rights on the Issuer as the lessor or licensor and impose no material obligations on the Issuer additional to those set out in an Approved Tenancy Agreement).

For the avoidance of doubt, nothing in this Condition 5(d) shall restrict (i) a tenant of, and holder of an interest in, a Shared Ownership Property creating a mortgage or charge or any other Security Interest in respect of, and to the extent of, its interest in such Shared Ownership Property.

- (e) **Additional Restrictions on the Issuer:** So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), the Issuer shall not (save as provided for in the Transaction Documents or with the prior written consent of the Trustee):
- (i) **Restriction on Development:** undertake any Development;
 - (ii) **Restriction on other Activities:** engage in any other activity which is not incidental to or necessary in connection with any of the activities which these Conditions and the Transaction Documents provide or envisage that the Issuer will engage in (such activities which the Issuer will engage in to include the issue of Notes and Further Securities under the Programme and the other activities described in Condition 5(a) above);
 - (iii) **Tax Residence:** do any act or thing, the effect of which would be to make the Issuer resident for tax purposes in any jurisdiction other than the United Kingdom;
 - (iv) **Restriction on Indebtedness:** incur any indebtedness (other than in connection with the issue of any Further Securities or receipt of any Housing Grant) in respect of borrowed moneys whatsoever, or give any guarantee or indemnity in respect of any indebtedness or obligation of any Person, save in each case for any intra-group borrowing which is fully subordinated to the Notes and any Coupons pursuant to the contractual terms of the agreement between the Issuer (as borrower of such indebtedness) and the relevant member of the Heylo Group (as lender of such indebtedness);
 - (v) **Merger:** consolidate or merge with any other Person or convey or transfer its properties or assets substantially or as an entirety to any other Person (save in respect of a solvent reorganisation the terms of which have been previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders);
 - (vi) **Waivers or Consents:** permit any of the Transaction Documents to become invalid or ineffective or the priority of the Security created thereby to be reduced, amended, terminated or discharged;
 - (vii) **Limitation on Restricted Payments:** directly or indirectly:
 - A. declare or pay any dividend, in cash or otherwise, or make any other distribution (whether by way of redemption, acquisition or otherwise) in respect of its share capital or to a direct or indirect holder of its share capital; or
 - B. voluntarily purchase, redeem or otherwise retire for value any capital stock or subordinated debt; or
 - C. repay any amount, in cash or otherwise, of intra-group borrowing,

(any such action, a “**Restricted Payment**”) if (x) such Restricted Payment would cause or result in a breach of one or more of the covenants contained in this Condition 5; or (y) an Event of Default or a Potential Event of Default shall have occurred and be continuing (or would result from the making of such Restricted Payment); or

- (viii) **Limited Recourse:** claim, rank, prove or vote as a creditor of HHRP or its estate other than to the extent required to enforce the Issuer's rights under the Letting Documents or receive, claim or have the benefit of any payment or distribution from or on account of HHRP other than pursuant to the Letting Documents.
- (f) **Periodic Valuation:** For so long as any Note or Coupon remains outstanding, the Issuer undertakes that:
- (i) it shall deliver (or procure delivery of) a Valuation of the Portfolio (which Valuation may exclude any Properties in the Portfolio that have been subject to a Valuation within the 12 months immediately prior to the relevant 30 September date in the relevant year) to the Trustee at least once in every period of 12 months (the first such period beginning on 30 September 2019) and, unless the Trustee agrees otherwise, such Valuation must be delivered in the period between 30 September and the date falling 60 days thereafter; and
 - (ii) following an Event of Default or if the Issuer fails to deliver a Valuation prior to 1 December for the relevant period pursuant to paragraphs (i) above, the Trustee shall have the right (but not the obligation) on behalf of the Issuer to instruct the Issuer to provide, as soon as reasonably practicable, the same at the expense of the Issuer.

Each Valuation shall set out in reasonable detail the Value of the Portfolio (excluding, for the purposes of (i) above only, any Properties in the Portfolio that have been subject to a Valuation within the 12 months immediately prior to the relevant 30 September date in the relevant year) as at a date no more than three months prior to the date of delivery of the Valuation.

- (g) **Management Agreement Covenant:** For so long as any Note or Coupon remains outstanding, the Issuer covenants that it shall not consent to any transfer, termination or novation of the Management Agreement or any waiver, amendment or modification of any terms thereof relating to the payment of fees to ResiManagement.
- (h) **Financial and other Reporting:** For so long as any Note or Coupon remains outstanding:
- (i) (x) within four months of its most recent financial year-end, the Issuer shall send to the Trustee a copy of its Financial Statements for such financial year, together with the report thereon by the Issuer's independent auditors; (y) within three months of the end of the first half of each financial year, the Issuer shall send to the Trustee a copy of its Financial Statements as at, and for the period ending on, the end of such period; and (z) within 45 days after each Reference Date, the Issuer shall send to the Trustee a copy of the Compliance Certificate in respect of such Reference Date signed by two Authorised Signatories confirming compliance with each of the covenants and restrictions contained in this Condition 5 (throughout the relevant period, or as at the most recent Reference Date, as applicable), or, if not compliant with such covenants and restrictions, setting out details of any non-compliance and any proposed action to be taken in connection therewith; upon which certificate the Trustee may rely absolutely without any liability to any Person for so doing or further enquiry being required; and

(ii) within 60 days of each Reference Date, the Issuer shall prepare and publish (in accordance with Condition 5(i) below) an Analysis of the Portfolio, including the DSCR of the Portfolio in respect of the 12-month period ending on such Reference Date, the number of Properties in the Portfolio, the aggregate amount of Charged Cash, and the Asset Cover Test Ratio as at such Reference Date.

(i) **Publication of Reports:** Contemporaneously with the furnishing of each of the Financial Statements described in Conditions 5(h)(i) above, and when required pursuant to Condition 5(h)(ii) above, the Issuer will: (i) publish a press release with a commonly used regulatory information service (expected to be the Regulatory News Services (RNS) operated by the London Stock Exchange plc) confirming that such Financial Statements and/or Analysis of the Portfolio, as the case may be, have been so furnished or published, as the case may be, and (ii) post such Financial Statements and/or the Analysis of the Portfolio (as applicable) for viewing on the Heylo Group's website.

6. **ADDITION AND WITHDRAWAL OF MORTGAGED PROPERTIES, CHARGED CASH AND PERMITTED INVESTMENTS**

(a) **Addition of Mortgaged Properties:** The Issuer may from time to time acquire Eligible Properties and the Issuer shall on or promptly following each Quarter Date in each year (and in any event no later than the fifth Business Day following each such Quarter Date), enter into and deliver a Security Agreement in respect of all Properties (if any) for the time being owned by the Issuer and not previously charged in accordance with this Condition 6(a). The Issuer shall charge any such Properties pursuant to such Security Agreement for the benefit of the Secured Creditors (and each of the Trustee and the Security Trustee shall, subject to being indemnified and/or secured and/or prefunded to its satisfaction, consent (without requiring the consent or sanction of the Noteholders or any other Secured Creditor) to such charging). Subject to the following sentence, each such charge may comprise of a first equitable mortgage over such Properties.

The Issuer undertakes that it shall, forthwith upon the occurrence of an Event of Default that is continuing, specifically charge and secure all Property for the time being owned by the Issuer by way of first legal mortgage in a form suitable to the Security Trustee in favour of the Secured Creditors. The Issuer shall promptly notify the Noteholders in accordance with Condition 19 and the Trustee and Security Trustee of any such charging.

(b) **Shared Ownership Sales and Release of Mortgaged Properties:** The Issuer shall have the right to withdraw Mortgaged Properties from the Security pursuant to any Shared Ownership Sale without consent of the Security Trustee, the Trustee or any other Secured Creditor provided that, the Issuer delivers to the Trustee and the Security Trustee as soon as reasonably practicable after the Issuer has received notice of such Shared Ownership Sale, a completed Shared Ownership Sale Certificate, certifying that (a) the relevant withdrawal relates to a Shared Ownership Sale and (b) no Event of Default or Potential Event of Default has occurred and is continuing (or would or may reasonably be expected to result from the relevant withdrawal). Without prejudice to the aforementioned right to withdraw Mortgaged Properties from the Security pursuant to any Shared Ownership Sale, the Issuer covenants that if, following such withdrawal, the Issuer will not be (or would not be, were the relevant date a Reference Date for the purposes of Condition 5(b)) in compliance with the Asset Cover Test, it shall, as soon as practicable thereafter (and, in any event, within 30 days of such withdrawal) deposit money into its Charged Account pursuant to Condition 6(c) in an aggregate amount sufficient to ensure that it will be (or would be, as the case may be) in compliance with the Asset Cover Test.

The Trustee and the Security Trustee shall rely on any Shared Ownership Sale Certificate without any further enquiry or verification and without liability to any Person and shall not be required to monitor or determine whether the Issuer is in compliance with the Asset Cover Test and the Trustee and the Security Trustee shall have no liability to any Person for their failure to do so.

Subject as described in this Condition 6(b), the Issuer may not release or withdraw any Mortgaged Property from the Security.

- (c) **Charged Cash:** The Issuer may, at any time, deposit money into its Charged Account to ensure compliance with the Asset Cover Test. The Issuer may only withdraw Charged Cash from the Charged Account if the Issuer is, at the most recent Reference Date, in compliance with the Asset Cover Test and no Event of Default or Potential Event of Default has occurred and is continuing (or would result from such withdrawal).

For these purposes, the Trustee may call for and shall be at liberty to accept without further investigation or enquiry and without liability to any Person, a certificate signed by any two Authorised Signatories (including, for the avoidance of doubt, a Compliance Certificate), as sufficient evidence that (a) the Issuer is, at the relevant time, in compliance with the Asset Cover Test and that no Event of Default or Potential Event of Default has occurred and is continuing.

- (d) **Permitted Investments:** The Issuer may invest all or any part of its Charged Cash in Permitted Investments in accordance with the Custody Agreement. For the purpose of determining compliance with Condition 5(b), (i) the value attributed to such Permitted Investments shall be the purchase price thereof and neither the Issuer nor the Trustee nor the Security Trustee shall be required to monitor the value of any Permitted Investments in which any Charged Cash is invested and (ii) neither the Trustee nor the Security Trustee shall be required to monitor whether any investment is a Permitted Investment. Any Permitted Investments shall be held in the Custody Account, and the relevant amount of Charged Cash will be withdrawn from the Charged Account and applied toward Permitted Investments. Any income received by the Issuer in respect of Permitted Investments shall be credited to the Charged Account and may only be withdrawn in accordance with Condition 6(c).

7. INTEREST AND OTHER CALCULATIONS

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 7(f).

If a Fixed Coupon Amount or a Broken Amount is specified in the relevant Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount, or, if applicable, the Broken Amount so specified and in the case of a Broken Amount will be payable on the particular Interest Payment Date(s) specified in the relevant Final Terms.

- (b) **Interest on Floating Rate Notes and Inflation Linked Interest Notes:**
- (i) *Interest Payment Dates:* Each Floating Rate Note and Inflation Linked Interest Notes bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 7(f) (and Condition 8 if applicable). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, "**Interest Payment Date**" shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
- (ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day

Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon;
- (y) the Designated Maturity is a period specified hereon; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the

Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon;

- (y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request the principal London office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.00 a.m. (London time), on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and
 - (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at approximately 11.00 a.m. (London time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which at approximately 11.00 a.m. (London time) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the London inter-bank market provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).
- (C) Linear Interpolation

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

“Applicable Maturity” means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

- (iv) *Rate of Interest for Inflation Linked Notes:* The Rate of Interest in respect of Inflation Linked Interest Notes for each Interest Accrual Period shall be determined in accordance with Condition 8 and in the manner specified in the relevant Final Terms and interest will accrue accordingly.
- (c) **Zero-Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero-Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 9(b)).
- (d) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 7 to the Relevant Date (as defined in Condition 11).
- (e) **Margin, Maximum/Minimum Rates of Interest, Redemption Amounts and Rounding:**
 - (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 7(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.
 - (ii) If any Maximum or Minimum Rate of Interest or Maximum or Minimum Redemption Amount is specified in the relevant Final Terms, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
 - (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that, if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded

up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up). For these purposes, "unit" means the lowest amount of such currency that is available as legal tender in the country of such currency.

- (f) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.
- (g) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Issuer and, within 1 Business Day thereafter, the Trustee, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 7(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 13, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee in its sole discretion otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.
- (h) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:
- "Business Day"** means:
- (i) in the case of sterling or any other currency (other than euro), a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London or the principal financial centre for such other currency, as the case may be; and/or

- (ii) in the case of euro, a day on which the TARGET System is operating (a “**TARGET Business Day**”); and/or
- (iii) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the “**Calculation Period**”):

- (i) if “**Actual/Actual**” or “**Actual/Actual - ISDA**” is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is specified hereon, the actual number of days in the Calculation Period divided by 365;
- (iii) if “**Actual/365 (Sterling)**” is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “**Actual/360**” is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (v) if “**Actual/Actual-ICMA**” is specified hereon,
 - (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
 - (B) if the Calculation Period is longer than one Determination Period, the sum of:
 - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
 - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year;

where:

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

“**Determination Date**” means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

“**Euro-zone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

“Interest Accrual Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

“Interest Amount” means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

“Interest Commencement Date” means the Issue Date or such other date as may be specified hereon.

“Interest Determination Date” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

“Interest Period” means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified hereon.

“Interest Period Date” means each Interest Payment Date unless otherwise specified hereon.

“ISDA Definitions” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

“LIBOR” means, in respect of any specified currency and any specified period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic LIBOR rates can be obtained from the designated distributor).

“Rate of Interest” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

“Reference Banks” means the principal London office of four major banks in the London inter-bank market, selected by the Calculation Agent or as specified hereon.

“Reference Rate” means LIBOR for the relevant currency specified hereon.

“Relevant Screen Page” means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or

replacement page, section, caption, column or other part of a particular information service).

“**Specified Currency**” means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(i) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(j) **Benchmark discontinuation:**

(i) *Independent Adviser*

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 7(j)(ii)) and, in either case, an Adjustment Spread if any (in accordance with Condition 7(j)(iii)) and any Benchmark Amendments (in accordance with Condition 7(j)(iv)).

An Independent Adviser appointed pursuant to this Condition 7(j) shall act in good faith as an expert and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Issuer, the Trustee, the Paying Agents, the Noteholders or the Couponholders for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 7(j).

(ii) *Successor Rate or Alternative Rate*

If the Issuer, following consultation with the Independent Adviser and acting in good faith, determines that:

(A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 7(j)(iii)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 7(j)); or

(B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 7(j)(iii)) subsequently be used in place of the Original Reference Rate to determine

the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 7(j)).

(iii) *Adjustment Spread*

If the Issuer, following consultation with the Independent Adviser and acting in good faith, determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(iv) *Benchmark Amendments*

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 7(j) and the Issuer, following consultation with the Independent Adviser and acting in good faith, determines (i) that amendments to these Conditions and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 7(j)(v), without any requirement for the consent or approval of Noteholders, vary these Conditions and/or the Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by two Authorised Signatories of the Issuer pursuant to Condition 7(j)(v), the Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed), provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way.

In connection with any such variation in accordance with this Condition 7(j)(iv), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(v) *Notices, etc.*

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 7(j) will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 19, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee of the same, the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer:

- (a) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate and, (iii) where applicable, any Adjustment Spread and/or the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 7(j); and

- (b) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread.

The Trustee shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) and without prejudice to the Trustee's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents and the Noteholders.

- (vi) *Survival of Original Reference Rate*

Without prejudice to the obligations of the Issuer under Condition 7(j) (i), (ii), (iii) and (iv), the Original Reference Rate and the fallback provisions provided for in Condition 7(b)(iii)(B)(y) and (z) will continue to apply unless and until the Calculation Agent has been notified of the Successor Rate or the Alternative Rate (as the case may be), and any Adjustment Spread (if applicable) and Benchmark Amendments, in accordance with Condition 7(j)(v).

- (vii) *Definitions:*

As used in this Condition 7(j):

“Adjustment Spread” means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Issuer, following consultation with the Independent Adviser and acting in good faith, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate)
- (ii) the Issuer determines, following consultation with the Independent Adviser and acting in good faith, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); (or if the Issuer determines that no such industry standard is recognised or acknowledged)
- (iii) the Issuer, in its discretion, following consultation with the Independent Adviser and acting in good faith, determines to be appropriate.

“Alternative Rate” means an alternative to the Reference Rate which the Issuer determines in accordance with Condition 7(j)(ii) has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) for the same interest period and in the same Specified Currency as the Notes.

“Benchmark Amendments” has the meaning given to it in Condition 7(j)(iv).

“Benchmark Event” means:

- (i) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist; or
- (ii) a public statement by the administrator of the Original Reference Rate that it will, by a specified date within the following six months, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (iii) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued; or
- (iv) a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case within the following six months; or
- (v) it has become unlawful for any Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate.

“Independent Adviser” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 7(j)(i).

“Original Reference Rate” means the originally-specified Reference Rate used to determine the Rate of Interest (or any component part thereof) on the Notes.

“Relevant Nominating Body” means, in respect of a Reference Rate:

- (i) the central bank for the currency to which the Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the Reference Rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate, (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

“Successor Rate” means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

8. INDEXATION

This Condition 8 is applicable only if the relevant Final Terms specifies the Notes as Inflation Linked Interest Notes and/or Inflation Linked Redemption Notes (**“Inflation Linked Notes”**).

- (a) **U.K. Retail Prices Index (RPI) – Definitions:** Where the applicable Final Terms specifies the Notes as being Inflation Linked Notes, Conditions 8(a) to 8(f) will apply. For purposes of Conditions 8(a) to 8(f), unless the context otherwise requires, the following defined terms shall have the following meanings:

“Base Index Figure” means (subject to Condition 8(c)(i)) the base index figure as specified in the relevant Final Terms;

“Her Majesty’s Treasury” means Her Majesty’s Treasury or any officially recognised party performing the function of a calculation agent (whatever such party’s title), on its or its successor’s behalf, in respect of the Reference Gilt;

“Index” or **“Index Figure”** means, subject as provided in Condition 8(c)(i), the U.K. Retail Prices Index (for all items) published by the Office for National Statistics (January 1987 = 100) or any comparable index which may replace the U.K. Retail Prices Index for the purpose of calculating the amount payable on repayment of the Reference Gilt (the **“RPI”**). Any reference to the Index Figure which is specified in the relevant Final Terms as:

- (i) applicable to a particular month, shall, subject as provided in Conditions 8(c) and 8(e), be construed as a reference to the Index Figure published in the seventh month prior to that particular month and relating to the month before that of publication; or
- (ii) applicable to the first calendar day of any month shall, subject as provided in Conditions 8(c) and 8(e), be construed as a reference to the Index Figure published in the second month prior to that particular month and relating to the month before that of publication; or
- (iii) applicable to any other day in any month shall, subject as provided in Conditions 8(c) and 8(e), be calculated by linear interpolation between (x) the Index Figure applicable to the first calendar day of the month in which the day falls, calculated as specified in sub-paragraph (ii) above and (y) the Index Figure applicable to the first calendar day of the month following, calculated as specified in sub-paragraph (ii) above and rounded to the nearest fifth decimal place;

“Index Ratio” applicable to any month or date, as the case may be, means the Index Figure applicable to such month or date, as the case may be, divided by the Base Index Figure and rounded to the nearest fifth decimal place;

“Indexation Adviser” has the meaning given to it under the definition of Reference Gilt below;

“Limited Index Ratio” means (a) in respect of any month or date, as the case may be, prior to the relevant Issue Date, the Index Ratio for that month or date, as the case may be, (b) in respect of any Limited Indexation Month or Limited Indexation Date, as the case may be, after the relevant Issue Date, the product of the Limited Indexation Factor for that month or date, as the case may be, and the Limited Index Ratio as previously calculated in respect of the month or date, as the case may be, six months prior thereto; and (c) in respect of any other month, the Limited Index Ratio as previously calculated in respect of the most recent Limited Indexation Month;

“Limited Indexation Date” means any date falling during the period specified in the relevant Final Terms for which a Limited Indexation Factor is to be calculated;

“Limited Indexation Factor” means, in respect of a Limited Indexation Month or Limited Indexation Date, as the case may be, the ratio of the Index Figure applicable to that month or date, as the case may be, divided by the Index Figure applicable to the month or date, as the case may be, six months prior thereto, provided that (a) if such ratio is greater than the Maximum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Maximum Indexation Factor and (b) if such ratio is less than the Minimum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Minimum Indexation Factor;

“Limited Indexation Month” means any month specified in the relevant Final Terms for which a Limited Indexation Factor is to be calculated;

“**Limited Inflation Linked Notes**” means Inflation Linked Notes to which a Maximum Indexation Factor and/or a Minimum Indexation Factor (as specified in the relevant Final Terms) applies; and

“**Reference Gilt**” means the index-linked Treasury Stock/Treasury Gilt specified as such in the relevant Final Terms for so long as such gilt is in issue, and thereafter such issue of index-linked Treasury Stock/Treasury Gilt determined to be appropriate by a gilt-edged market maker or other independent adviser selected by the Issuer with the prior written approval of the Trustee (an “**Indexation Adviser**”).

(b) **Application of the Index Ratio:** Each payment of interest (in the case of Inflation Linked Interest Notes) and principal (in the case of Inflation Linked Redemption Notes) in respect of the Notes shall be the amount provided in, or determined in accordance with, these Conditions, multiplied by the Index Ratio or Limited Index Ratio in the case of Limited Inflation Linked Notes applicable to the month or date, as the case may be, on which such payment falls to be made and rounded in accordance with Condition 7(e).

(c) **Changes in Circumstances Affecting the Index:**

(i) *Change in base:* If at any time and from time to time the Index is changed by the substitution of a new base therefor, then with effect from the month from and including that in which such substitution takes effect or the first date from and including that on which such substitution takes effect, as the case may be, (1) the definition of “**Index**” and “**Index Figure**” in Condition 8(a) shall be deemed to refer to the new date or month in substitution for January 1987 (or, as the case may be, to such other date or month as may have been substituted therefor), and (2) the new Base Index Figure shall be the product of the existing Base Index Figure and the Index Figure for the date on which such substitution takes effect, divided by the Index Figure for the date immediately preceding the date on which such substitution takes effect.

(ii) *Delay in publication of Index if sub-paragraph (i) of the definition of Index Figure is applicable:* If the Index Figure which is normally *published* in the seventh month and which relates to the eighth month (the “**relevant month**”) before the month in which a payment is due to be made is not published on or before the fourteenth business day before the date on which such payment is due (the “**date for payment**”), the Index Figure applicable to the month in which the date for payment falls shall be (1) such substitute index figure (if any) as the Indexation Adviser considers to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by an Indexation Adviser or (2) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 8(c)(i)) before the date for payment.

(iii) *Delay in publication of Index if sub-paragraph (ii) and/or (iii) of the definition of Index Figure is applicable:* If the Index Figure relating to any month (the “**calculation month**”) which is required to be *taken* into account for the purposes of the determination of the Index Figure for any date is not published on or before the fourteenth business day before the date on which such payment is due (the “**date for payment**”), the Index Figure applicable for the relevant calculation month shall be (1) such substitute index figure (if any) as the Indexation Adviser considers to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by an Indexation Adviser or (2) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or,

if later, the substitute index figure last determined pursuant to Condition 8(c)(i) before the date for payment.

(d) **Application of Changes:** Where the provisions of Condition 8(c)(ii) or Condition 8(c)(iii) apply, the determination of the Indexation Adviser as to the Index Figure applicable to the month in which the date for payment falls or the date for payment, as the case may be, shall be conclusive and binding. If, an Index Figure having been applied pursuant to Condition 8(c)(ii)(2) or Condition 8(c)(iii)(2), the Index Figure relating to the relevant month or relevant calculation month, as the case may be, is subsequently published while a Note is still outstanding, then:

- (i) in relation to a payment of principal (in the case of Inflation Linked Redemption Notes) or *interest* (in the case of Inflation Linked Interest Notes) in respect of such Note other than upon final redemption of such Note, the principal or interest (as the case may be) next payable after the date of such subsequent publication shall be increased or reduced, as the case may be, by an amount equal to the shortfall or excess, as the case may be, of the amount of the relevant payment made on the basis of the Index Figure applicable by virtue of Condition 8(c)(ii)(2) or Condition 8(c)(iii)(2) below or above the amount of the relevant payment that would have been due if the Index Figure subsequently published had been published on or before the fourteenth business day before the date for payment; and
- (ii) in relation to a payment of principal (in the case of Inflation Limited Redemption Notes) or interest (in the case of Inflation Limited Interest Notes) upon final redemption, no subsequent adjustment to amounts paid will be made.

(e) **Material Changes to or Cessation of the Index:**

- (i) *Material changes to the Index:* If notice is published by Her Majesty's Treasury, or on its behalf, following a change to the coverage or the basic calculation of the Index, then the Calculation Agent shall make any such adjustments to the Index consistent with any adjustments made to the index as applied to the Reference Gilt.
- (ii) *Cessation of the Index:* If (1) the Issuer has been notified by the Calculation Agent that the Index has ceased to be published; or (2) if Her Majesty's Treasury, or a person acting on its *behalf*, announces that it will no longer continue to publish the Index, then the Calculation Agent shall determine a successor index *in lieu* of any previously applicable index (the "**Successor Index**") by using the following methodology:
 - (A) if at any time a successor index has been designated by Her Majesty's Treasury in respect of the Reference Gilt, such successor index shall be designated the "Successor Index" for the purposes of all subsequent Interest Payment Dates notwithstanding that any other Successor Index may previously have been determined under paragraph (B) or (C) below;
 - (B) if a Successor Index has not been determined under paragraph (A) above, the Issuer and the Indexation Adviser together shall seek to agree for the purpose of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Noteholders in no better and no worse position than they would have been had the Index not ceased to be published; or
 - (C) if the Issuer and the Indexation Adviser fail to reach agreement as mentioned above within 20 business days following the giving of notice as mentioned in paragraph (i), a bank or other person in

London shall be appointed by the Issuer or, failing the making of such appointment within 20 business days following the expiry of the 20 day period referred to above, by the Indexation Adviser (in each case, such bank or other person so appointed being referred to as, the “**Expert**”), to determine for the purpose of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Noteholders in no better and no worse position than they would have been had the Index not ceased to be published. Any Expert so appointed shall act as an expert and not as an arbitrator and all fees, costs and expenses of the Expert and of any Indexation Adviser and of any of the Issuer and the Trustee in connection with such appointment shall be borne by the Issuer.

(iii) *Adjustment or replacement:* The Index shall be adjusted or replaced by a substitute index pursuant to the foregoing paragraphs, as the case may be, and references in *these* Conditions to the Index and to any Index Figure shall be deemed amended in such manner as the Indexation Adviser and the Issuer agree are appropriate to give effect to such adjustment or replacement. Such amendments shall be effective from the date of such notification and binding upon the Issuer, the Trustee and the Noteholders, and the Issuer shall give notice to the Noteholders in accordance with Condition 19 of such amendments as promptly as practicable following such notification.

(f) **Redemption for Index Reasons:** If either (i) the Index Figure for three consecutive months is required to be determined on the basis of an Index Figure previously published as provided in Condition 8(c)(ii)(2) and the Issuer has been notified by the Calculation Agent that publication of the Index has ceased or (ii) notice is published by Her Majesty’s Treasury, or on its behalf, following a change in relation to the Index, offering a right of redemption to the holders of the Reference Gilt, and (in either case) no amendment or substitution of the Index shall have been designated by Her Majesty’s Treasury in respect of the Reference Gilt and such circumstances are continuing, the Issuer may, upon giving not more than 60 nor less than 30 days’ notice to the Noteholders (or such other notice period as may be specified in the relevant Final Terms) in accordance with Condition 19, redeem all, but not some only, of the Notes at their nominal amount together with interest accrued but unpaid up to and including the date of redemption (in each case adjusted in accordance with Condition 8(b)).

9. REDEMPTION, PURCHASE AND OPTIONS

(a) **Final Redemption:** Unless previously redeemed, purchased and cancelled as provided below, each Note shall be redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount).

(b) **Early Redemption:**

(i) *Zero-Coupon Notes:*

(A) The Early Redemption Amount payable in respect of any Zero-Coupon Note, upon redemption of such Note pursuant to Condition 9(c), Condition 9(d) or Condition 9(e) or upon it becoming due and payable as provided in Condition 13 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate

as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 9(c), Condition 9(d) or Condition 9(e) or upon it becoming due and payable as provided in Condition 13 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note (as defined in sub-paragraph (B) above), except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 7(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

- (ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 9(c), Condition 9(d) or Condition 9(e) or upon it becoming due and payable as provided in Condition 13, shall be the Final Redemption Amount unless otherwise specified hereon.

- (c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 9(b) above) (together with interest accrued to, but excluding, the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 11 as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 9(c), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept and rely on such certificate without further investigation or enquiry and without any liability to any Person as sufficient evidence of the satisfaction of the condition precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Noteholders and Couponholders.
- (d) **Redemption at the Option of the Issuer:** If Call Option is specified hereon as being applicable, the Issuer may, unless an Exercise Notice has been given pursuant to Condition 9(e), on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their relevant Optional Redemption Amount specified hereon in respect

of such Optional Redemption Date(s) (which may be the Early Redemption Amount (as described in Condition 9(b) above)), together with interest accrued to (but excluding) the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 9(d).

If Make-whole Amount is specified hereon as the relevant Optional Redemption Amount, the Optional Redemption Amount per Note shall be equal to the higher of the following, in each case, together with interest accrued to (but excluding) the Optional Redemption Date(s):

- (i) the nominal amount of the Note; and
- (ii) the nominal amount of the Note (without any additional indexation, where applicable, beyond the implicit indexation in the determined amount) multiplied by the price (as reported in writing to the Issuer and the Trustee by an independent financial adviser acting as expert (the “**Financial Adviser**”) appointed by the Issuer and at its expense) expressed as a percentage (rounded to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up)) at which the Gross Redemption Yield on the Notes on the Determination Date is equal to the Gross Redemption Yield at the Quotation Time specified hereon on the Determination Date specified hereon of the Reference Bond specified hereon (or, where the Financial Adviser advises the Issuer that, for reasons of illiquidity or otherwise, such Reference Bond is not appropriate for such purpose, such other government stock as such Financial Adviser may recommend) plus any applicable Redemption Margin specified hereon.

Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon. Any notice of redemption given under this Condition 9(d) will override any notice of redemption given (whether previously, on the same date or subsequently) under Condition 9(c).

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn (if applicable) and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn (if applicable) in such place and in such manner as is appropriate, any partial redemption shall be subject to compliance with any applicable laws and any relevant stock exchange’s and clearing system’s or other relevant authority’s rules, conventions and requirements.

The Trustee shall be entitled to rely on any advice of the Financial Adviser pursuant to this Condition 9(d) without liability to any Person and without further enquiry or evidence and such advice shall be binding on all parties.

In this Condition 9(d):

“**Gross Redemption Yield**” means a yield calculated in accordance with generally accepted market practice at such time, as advised to the Issuer by the Financial Adviser.

- (e) **Redemption at the Option of Noteholders:** If Put Option is specified hereon as being applicable, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days’ notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be

the Early Redemption Amount (as described in Condition 9(b) above)), together with interest accrued to (but excluding) the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

- (f) **Purchases:** The Issuer may at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.
- (g) **Cancellation:** All Notes purchased by or on behalf of the Issuer may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered for cancellation, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

10. PAYMENTS AND TALONS

- (a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes (in the case of payments of principal and, in the case of interest, as specified in Condition 10(f)(v)) or Coupons (in the case of interest, save as specified in Condition 10(f)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by transfer to an account denominated in such currency with, a Bank. "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.
- (b) **Registered Notes:**
 - (i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
 - (ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the 15th day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made in the relevant currency by transfer to an account in the relevant currency maintained by the payee with a Bank.
- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

- (d) **Payments subject to Laws:** Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 11 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Appointment of Agents:** The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the written approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, and (v) such other agents as may be required by any other stock exchange on which the Notes may be listed, in each case as approved in writing by the Trustee.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 10(c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

- (f) **Unmatured Coupons and unexchanged Talons:**
- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, such Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 12).
 - (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (iii) Upon the due date for redemption of any Bearer Note, any unexpired Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
 - (iv) Where any Bearer Note that provides that the relative unexpired Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unexpired Coupons, and where any Bearer Note is presented for redemption without any unexpired Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

- (v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.
- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 12).
- (h) **Non-Business Days:** If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “**Financial Centres**” hereon and:
 - (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
 - (ii) (in the case of a payment in euro) which is a TARGET Business Day.

11. TAXATION

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon presented (or in respect of which the Certificate representing it is surrendered) for payment:

- (a) **Other connection:** by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of the Note or Coupon; or
- (b) **Presentation more than 30 days after the Relevant Date:** more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting their Note(s) or Coupon(s) for payment on the thirtieth day after the Relevant Date.

As used in these Conditions, “**Relevant Date**” in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made

upon such presentation. References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 9 (and Condition 8 if applicable) or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 7 or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

12. **PRESCRIPTION**

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

13. **EVENTS OF DEFAULT**

If any of the following events (“**Events of Default**”) occurs and is continuing, the Trustee at its discretion may, and if so requested by holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, subject in each case to its being indemnified and/or secured and/or prefunded to its satisfaction, give notice (an “**Acceleration Notice**”) to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued interest:

- (i) **Non-Payment:** default is made in the payment of any principal of or interest when due on any of the Notes and such default continues for a period of seven days in the case of principal or 14 days in the case of interest; or
- (ii) **Breach of Covenants:** the Issuer does not perform or comply with any one or more of its covenants, restrictions or obligations under Conditions 5(b) or 5(c) which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after notice of such default shall have been given to the Issuer by the Trustee; or
- (iii) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Transaction Documents or if any representation given by the Issuer to the Trustee in the Trust Deed or to the Security Trustee in the Security Deed is found to be untrue, incorrect or misleading as at the time it was given and which default or inaccuracy is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after notice of such default shall have been given to the Issuer by the Trustee; or
- (iv) **Cross-Acceleration:** (A) any other present or future indebtedness of the Issuer for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 13(iv) have occurred equals or exceeds £1,000,000 or its equivalent in other currencies; or
- (v) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property,

assets or revenues of the Issuer and is not discharged or stayed within 45 days; or

- (vi) **Security Enforced:** any Security Interest present or future, created or assumed by the Issuer becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator manager or other similar person) and in any such case is not discharged or stayed within 14 days; or
- (vii) **Insolvency:** the Issuer is insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) its debts, in each case other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent or on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or
- (viii) **Winding-up:** an administrator is appointed an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, or the Issuer shall apply or petition for a winding-up or administration order in respect of itself or ceases or through an official action of its board of directors threatens to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders; or
- (ix) **Ownership:** the Issuer ceases to be wholly-owned and controlled by the Group Parent; or
- (x) **Security:** the Security Deed or any other Security Document is not in full force and effect or does not create the Security which it is expressed to create with the ranking and priority that it is expressed to have; or
- (xi) **Illegality:** it will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Transaction Documents; or
- (xii) **Analogous Events:** any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs of this Condition 13,

provided that, in the case of Conditions 13(iii) and 13(ix), such event is materially prejudicial to the interests of the Noteholders.

The Security, constituted by and held on the terms of the Security Documents or any of them, shall become enforceable upon the giving of an Acceleration Notice by the Trustee.

14. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Transaction Documents. Such a meeting may be convened by the Trustee upon receipt of a written request by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding (as defined in the Trust Deed) (subject to the Trustee being indemnified and/or secured

and/or prefunded to its satisfaction). The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, (viii) to modify the financial covenants contained in Conditions 5(b) or 5(c) or (ix) to modify, amend, waive or release the Security, except where such modification, amendment, waiver or release is permitted under the Transaction Documents, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than 25 per cent. in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that (i) a resolution signed in writing or (ii) consent given by way of electronic consents through the relevant clearing system(s), by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) **Modification and Waiver:** The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Transaction Documents that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error or is made to comply with mandatory provisions of law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Transaction Documents that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.
- (c) **Substitution:** The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of the Issuer's successor in business as defined in the Trust Deed of the Issuer or its successor in business in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Coupons, the Talons and/or any Transaction Document provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.
- (d) **Entitlement of the Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition 14) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be

entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

15. **ENFORCEMENT**

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings and/or take such steps or actions against the Issuer as it may think fit to enforce the terms of the Transaction Documents, the Notes and the Coupons, and, at any time after the Security has become enforceable the Trustee may, at its discretion and without further notice, take such steps, actions and/or proceedings as it may see fit to enforce the Security, but it need not take any such proceedings, steps or actions unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter in nominal amount of the Notes outstanding, and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

Only the Security Trustee may enforce the Security in accordance with and subject to the terms of the Security Deed.

16. **INDEMNIFICATION OF THE TRUSTEE**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee may rely without liability to Noteholders or Couponholders on a report, confirmation or certificate or any advice of any accountants, valuers, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely without further investigation or enquiry and without liability to any Person for so doing on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Noteholders.

Neither of the Trustee and the Security Trustee has any obligation to monitor whether a Potential Event of Default, Event of Default, breach of Condition 5 or any other breach of the Transaction Documents has occurred and shall not be liable to any Person for its failure to do so.

17. **REPLACEMENT OF NOTES, CERTIFICATES, COUPONS AND TALONS**

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

18. **FURTHER ISSUES**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities under the Programme (“**Further Securities**”, which expression shall include any further securities constituted by the Trust Deed and any further securities constituted by such Trust Deed as amended, supplemented or replaced from time to time in relation to the Programme) secured by the Secured Property and either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any Further Securities issued pursuant to this Condition 18 and forming a single series with the Notes. Any Further Securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed or any deed supplemental to it. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

19. **NOTICES**

Notices required to be given to the holders of Registered Notes pursuant to these Conditions shall be mailed to them at their respective addresses in the Register and be deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices required to be given to the holders of Bearer Notes pursuant to these Conditions shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 19.

Notwithstanding the above, for so long as all the Notes are represented by a Global Note or Global Certificate which is held on behalf of Euroclear and/or Clearstream, Luxembourg and/or any alternative clearing system, notices required to be given to Noteholders may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg or any such alternative clearing system and such notices shall be deemed to have been given to Noteholders on the day of delivery to Euroclear and/or Clearstream, Luxembourg and/or any alternative clearing system.

20. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

21. **GOVERNING LAW**

The Trust Deed, the Security Documents, the Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

22. **DEFINITIONS**

“**Acceleration Notice**” has the meaning given to it in Condition 13.

“**Account Bank Agreement**” means the agreement dated on or around the date of the Trust Deed and made between the Issuer, the Trustee and the Account Bank, as modified and/or amended and/or supplemented and/or restated from time to time.

“Account Bank” means either (a) Elavon Financial Services DAC, UK Branch in accordance with the terms of the Account Bank Agreement, (b) any bank, building society or financial institution with a rating equal to or higher than (i) A-2 (short-term) (or the equivalent) by S&P; (ii) F2 (short term) (or the equivalent) by Fitch; or (iii) P-2 (short term) (or the equivalent) by Moody’s or (c) any other bank, building society or financial institution appointed by the Issuer at its own expense and approved in writing by the Trustee with whom the Charged Account is for the time being maintained by the Issuer.

“Administrative Expenses” means amounts due and payable by the Issuer on a *pro rata* basis and *pari passu*:

- (a) to ResiManagement pursuant to the Management Agreement, but excluding any management fees or any value added tax payable in connection with it or any such fees;
- (b) to the independent certified public accountants, agents, tax advisers, marketing consultants and counsel of the Issuer;
- (c) to a member of the Heylo Group in respect of internal group recharges of external third-party costs (without mark-up or profit) allocated to the Issuer by the Group Parent on a fair and reasonable basis (as determined by the Issuer);
- (d) to any other Person in respect of any governmental or regulatory fee or charge (but for the avoidance of doubt excluding any taxes) or any statutory indemnity;
- (e) to the London Stock Exchange plc or such other stock exchange or exchanges upon which the Notes may be listed or admitted to trading from time to time; and
- (f) to any Secured Creditor in respect of any indemnities payable to such Secured Creditor as contemplated by these Conditions or otherwise in the Transaction Documents.

“Aggregate Public Sector Grants” means the aggregate amount of social housing grant and other capital grants (howsoever described or delineated) received by the Issuer and not having become repayable.

“Analysis of the Portfolio” means a summary of the key characteristics of the Portfolio, substantially in the form scheduled to the Trust Deed.

“Applicable Valuation Basis” means a valuation made on the basis of existing use value for social housing (EUV-SH) as defined by UKVS1.13 Valuations for registered social landlords of the RICS Valuation – Professional Standards July 2017 (or, if a subsequent edition of the RICS Valuation Standards has been published at the relevant time, the relevant valuation standard of the then most recently published edition of RICS Valuation Standards) or, if the RICS Valuation Standards are no longer published at such time, on a basis agreed between the Issuer and the Valuer.

“Appointee” means any Receiver, attorney, manager, agent, delegate, nominee, custodian or other person appointed by the Trustee or Security Trustee under any Transaction Document(s).

“Approved Tenancy Agreement” means (i) a tenancy agreement, shared ownership lease or licence substantially in line with the guidelines of the Regulator or (ii) a tenancy agreement of affordable rented Properties on open market terms.

“Asset Cover Test” means the financial covenant set out in Condition 5(b).

“Assigned Rights” means all rights, titles, benefits and interests, whether present or future, of the Issuer in, to or arising under Letting Documents or any other inter-company agreements including rights to any sums payable to the Issuer and the full benefit of any Security Interests, options, indemnities, insurances, guarantees and warranties in respect thereof.

“Authorised Signatory” means a director or secretary of the Issuer.

“**Board of Directors**” means such person(s) who may be appointed as Directors of the Issuer from time to time.

“**Charged Account**” means the sterling currency account of the Issuer, which may be interest bearing, opened with the Account Bank for the time being pursuant to the terms of the Account Bank Agreement and charged in favour of the Security Trustee pursuant to the Security Deed.

“**Charged Cash**” means the aggregate of all amounts standing to the credit of the Charged Account at the relevant Reference Date and, to the extent invested in the Permitted Investments in accordance with the Custody Agreement, such Permitted Investments and any income received by the Issuer with respect to such Permitted Investments; *provided, however*, that for the purpose of determining compliance with the Asset Cover Test, the value attributed to such Permitted Investments shall be the purchase price thereof.

“**Compliance Certificate**” means a certificate, signed by two Authorised Signatories, substantially in the form scheduled to the Trust Deed setting out (a) the Asset Cover Test Ratio, and (b) the DSCR.

“**Current Notional Indexed Amount**”, in respect of any Series, shall be calculated by multiplying the aggregate nominal amount of such Series by the Limited Index Ratio as previously calculated in respect of the month or date, as the case may be, applicable to the most recent Interest Payment Date for such Series (or, if required to be calculated in respect of any Notes prior to the First Interest Payment Date of such Series, by the Index Ratio for that month or date).

“**Custodian**” means Elavon Financial Services DAC, UK Branch as custodian under the Custody Agreement and any successor custodian appointed thereunder.

“**Custody Account**” means the account in the name of the Issuer established pursuant to the Custody Agreement which is charged in favour of the Security Trustee pursuant to the Security Deed.

“**Custody Agreement**” means the agreement dated on or around the date of the Trust Deed between the Issuer, the Trustee and the Custodian, as modified and/or amended and/or supplemented and/or restated from time to time.

“**Debt Service Cover Test**” means the financial covenant set out in Condition 5(c).

“**Development**” means construction activities of any kind or the acquisition of any Property other than Property that contains units of residential accommodation.

“**DSCR**” means, in respect of each Reference Date:

- (a) (i) the Total Payments Received, less
- (ii) the Senior Costs,
- divided by,*
- (b) the Total Bond Payments,

expressed as a percentage.

“**Eligible Property**” means Property that meet the following criteria which are required to be satisfied in respect of each Property purchased by the Issuer at the time of entering into a binding commitment to acquire such Property: (i) residential Property in England or Wales which is being acquired by the Issuer with the intention of being sold or occupied on a shared ownership basis; (ii) has or is expected to have long-dated inflation-linked income; (iii) has a certificate of title dated not

more than three months prior to the date on which the Property is to be acquired by the Issuer or has title insurance in favour of the Issuer and (iv) has Land Registry searches in favour of the Issuer against all the titles comprising such Property, showing no third party security entry to evidence that any existing third party security over such Property has been discharged or will be discharged on or prior to the date on which such Property is to be charged pursuant to any Security Agreement.

"Enforcement Event" means the giving of an Acceleration Notice by the Trustee.

"Event of Default" has the meaning given to it in Condition 13.

"Expert" has the meaning given to it in Condition 8(e)(ii).

"Financial Statements" means the Issuer's audited annual financial statements or its half-year financial statements (which may be unaudited), as the case may be, including the relevant accounting policies and notes to the accounts where applicable and prepared in accordance with IFRS, consistently applied.

"Fitch" means Fitch Ratings Ltd. or any successor to its rating business.

"Fixed Security Assets" means the Secured Property other than that described in Condition 4(c)(iii).

"Fixtures" means, in relation to any Property, all fixtures and fittings (including trade fixtures and fittings) and fixed plant and machinery from time to time thereon owned by the Issuer.

"Further Securities" has the meaning given to such term in Condition 18.

"Group Parent" means Heylo Housing Group Limited and any entity with which the Group Parent may merge or be consolidated with at any time.

"Heylo Group" means the Group Parent and any other present or future, direct or indirect, Subsidiaries of the Group Parent (which includes, for the avoidance of doubt, any entity with which the Group Parent may merge or be consolidated with at any time).

"HHRP" means Heylo Housing Registered Provider Limited, as subsidiary of the Group Parent that is registered with the Regulator of Social Housing.

"Housing Grant" means a grant payable to the Issuer pursuant to Homes England Shared Ownership Affordable Housing Programme 2016-2021 ("**SOAHP**") or any grant replacing or substituted for such from time to time any other body where the grant, loan or subsidy is, in the reasonable opinion of the Issuer's auditors, equivalent to the SOAHP programme.

"Indexation Adviser" has the meaning given to it in Condition 8(a).

"IFRS" means the generally accepted accounting practice and principles applicable to the business the Heylo Group conducts, currently International Financial Reporting Standards as adopted by the European Union.

"Insurance" or **"Insurances"** of any Person means all contracts and policies of insurance of whatever nature which are from time to time taken out by or on behalf of it in connection with any Properties or other assets of the Issuer, including any Fixtures and all Related Rights.

"Land Registry" means H.M. Land Registry.

"Letting Documents" means any lease, tenancy or licence to occupy, or any agreement for any of the same, from time to time granted or entered into between the Issuer (or any predecessor in title of the Issuer), and HHRP to which a Mortgaged Property may be subject from time to time and any licence, consent or approval given thereunder.

“Management Agreement” means the Management Agreement dated 28 September 2018 and made between the Issuer and ResiManagement (as defined below) as modified and/or amended and/or supplemented and/or restated from time to time.

“Moody’s” means Moody’s Investors Service Limited or any successor to its rating business.

“Mortgaged Property” means, at any time, any Property over which the Issuer has granted in favour of the Security Trustee a valid and effective first priority equitable mortgage or fixed charge or a first priority legal mortgage or fixed charge, as the case may be, pursuant to a Security Agreement.

“Permitted Investments” shall consist of:

- (a) direct obligations of the United Kingdom or of any agency or instrumentality of the United Kingdom which are fully and expressly guaranteed by the United Kingdom, provided that the United Kingdom is rated at least:
 - (i)
 - (A) “AA” from S&P;
 - (B) “Aa2” from Moody’s; or
 - (C) any other equivalent rating given by a credit rating agency registered under Regulation (EU) No 1060/2009 (an **“Equivalent Rating”**),
together, the **“Permitted Investments Minimum Long-Term Rating”**), in the case of long-term debt obligations; or
 - (ii)
 - (A) “A-1” from S&P;
 - (B) “P-1” from Moody’s; or
 - (C) an Equivalent Rating,
together, the **“Permitted Investments Minimum Short-Term Rating”**), in the case of commercial paper and short-term debt obligations;
- (b) demand and time deposits in, certificates of deposit of and bankers’ acceptances issued by any depositary institution or trust company (including the Account Bank) with, in each case, a maturity date of no more than 360 days and subject to supervision and examination by governmental banking authorities, provided that the commercial paper and/or the debt obligations of such depositary institution or trust company (or, in the case of the principal depositary institution in a holding company system, the commercial paper or debt obligations of such holding company) at the time of the investment have:
 - (i) a long-term senior unsecured debt credit rating of at least the Permitted Investments Minimum Long-Term Rating; or
 - (ii) a short-term debt or issuer (as applicable) credit rating of at least the Permitted Investments Minimum Short-Term Rating.
- (c) securities bearing interest or sold at a discount to the face amount thereof issued by any corporation that has a credit rating of not less than the Permitted Investments Long-Term Rating at the time of such investment or contractual commitment providing for such investment;

- (d) commercial paper or other short-term obligations having, at the time of such investment, a credit rating of not less than the Permitted Investments Minimum Short-Term Rating that are either (i) bearing interest, or (ii) sold at a discount to the face amount thereof and with a maturity of not more than 360 days from their date of issuance; provided, however, that if such security has a maturity of longer than 360 days, the issuer thereof must also have, at the time of such investment, a long-term credit rating of not less than the Permitted Investments Minimum Long-Term Rating; and
- (e) off-shore money market funds rated, at all times, “AAA” or “AAAm-G” by S&P, “Aaa/MRI+” by Moody’s or an Equivalent Rating,

provided that, in the case of (a) to (d) above, such investment shall be an investment which is an obligation of the United Kingdom or a company incorporated in the United Kingdom, and (i) in all cases, such investment shall be an investment which is denominated in sterling and (ii) in all such cases other than where the Permitted Investment is a Reference Gilt, such investment shall have a maturity which is not later than that of any Notes.

“**Person**” means an individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, government, or any agency or subdivision thereof or any other entity.

“**Portfolio**” means all units of Property held by the Issuer from time to time.

“**Potential Event of Default**” means an event or circumstance which could with the giving or notice, lapse of time, issue of any certificate and/or fulfilment of any other requirement provided for in Condition 13 become and Event of Default.

“**Programme**” has the meaning given to it under the definition of Prospectus.

“**Property**” means any estates or interests in any freehold, heritable or leasehold property wheresoever situate now or in future and any buildings and any Fixtures from time to time thereon and all Related Rights.

“**Property Security**” has the meaning given to it in Condition 4(b).

“**Prospectus**” means the Base Prospectus published by the Issuer on 28 September 2018 upon the establishment of its £750,000,000 Euro Medium Term Note Programme.

“**Quarter Date**” means 31 March, 30 June, 30 September and 31 December in each year.

“**Receiver**” means a receiver and manager or other receiver (whether appointed pursuant to the Transaction Documents, pursuant to any statute, by a court of otherwise) in respect of all or part of any Secured Property and shall, if allowed by law, include an administrative receiver.

“**Reference Date**” means 31 March and 30 September in each year.

“**Regulator**” means the Regulator of Social Housing being the governmental body which regulates housing associations in England and, in the event such body ceases to exist, any public sector body which, in the opinion with the Trustee (after consultation with the Issuer), is the successor or otherwise equivalent thereto.

“**Related Rights**” means, in relation to any asset:

- (a) all rights under any licence, agreement for sale or agreement for lease or other use in respect of all or any part of that asset;
- (b) all rights, powers, benefits, claims, contracts, warranties, remedies, covenants for title, security, guarantees or indemnities in respect of any part of that asset;

- (c) the proceeds of sale, transfer or other disposal, lease, licence, or agreement for sale, transfer or other disposal, lease or licence of all or any part of that asset;
- (d) any other moneys paid or payable in respect of that asset;
- (e) any awards or judgments in favour of the Issuer in relation to that asset; and
- (f) any right against any clearance system and any right under any custodian or other agreement.

“ResiManagement” means ResiManagement Limited, appointed by the Issuer to provide services under the Management Agreement.

“Secured Creditors” means each of (a) the Trustee, (b) the Security Trustee, (c) any Receiver or other Appointee appointed by the Trustee or the Security Trustee, (d) the Agents, the Account Bank and the Custodian, (e) any Indexation Advisers or Experts, (f) the Noteholders, (g) the Couponholders and (h) the holders of any Further Securities (including any note, coupon or talon in relation thereto or the Person in whose name the relevant note is registered, as the case may be).

“Secured Liabilities” means all present and future moneys, debts and liabilities due, owing or incurred by the Issuer to the Secured Creditors or any of them under or in connection with the Notes, Coupons, any Transaction Document and any Further Securities (in each case, whether alone or jointly, or jointly and severally, with any other Person, whether actually or contingently and whether as principal, guarantor, surety or otherwise).

“Secured Property” means the undertaking, property, assets and rights from time to time subject, or expressed to be subject, to the Security or any part of those assets and any Related Rights.

“Security” means any Security Interest created, evidenced or conferred by or under the Security Documents or any of them.

“Security Agreement” means any deed entered into by the Issuer, the Security Trustee and the Trustee substantially in the form set out in the Security Deed pursuant to which the Issuer provides collateral security in respect of the Secured Liabilities.

“Security Documents” means the Security Deed and each Security Agreement.

“Security Interest” means any mortgage, lien, charge, assignment, hypothecation or security interest or any other arrangement having a similar effect under the laws of any applicable jurisdiction.

“Senior Costs” means, in respect of each Reference Date, all expenditure payable by the Issuer (whether or not actually paid) in the 12-month period ending on such date, other than (a) any such expenditure which is subordinated in payment to any amounts which were or would have been payable by it in respect of any moneys and other liabilities payable or owing to the Secured Creditors under the Notes, the Trust Deed and the other Transaction Documents in that period and (b) any costs and expenses in respect of the acquisition of a Property.

“Series” means a series of Notes issued under the Programme.

“Shared Ownership Property” means any residential accommodation acquired by the Issuer then being occupied on shared ownership terms or in respect of which the Issuer grants a lease on shared ownership terms so that the Issuer holds, or is intending to hold upon disposal on shared ownership terms, less than 100 per cent. of the beneficial (or heritable) interest in that property and the purchaser of the balance of that beneficial (or heritable) interest has the right to acquire a further portion of the Issuer’s retained beneficial (or heritable) interest.

“Shared Ownership Sale” means the disposal of the whole or any interest in a Unit of residential accommodation by the Issuer (or of the retained interest of the Issuer in any Unit of residential

accommodation) which, immediately before the disposal, was comprised in a Shared Ownership Property.

Shared Ownership Sale Certificate means a certificate, signed by two Authorised Signatories, substantially in the form scheduled to the Trust Deed.

S&P means Standard & Poor's Rating Services, a division of the McGraw Hill Companies, Inc. or any successor to its rating business.

Subsidiary means a subsidiary within the meaning of Section 1159 of the Companies Act 2006.

Total Bond Payments means, in respect of each Reference Date, the aggregate amount of interest and principal paid by the Issuer (or, to the extent not paid, accrued (but ignoring any inflation)) in respect of the Notes, the Trust Deed and all Further Securities (if any) for the 12-month period ending on (and including) such date (and excluding, for the avoidance of doubt, the Reference Date falling (ignoring the proviso to the definition to Reference Date) on or around the beginning of such 12-month period).

Total Payments Received means, in respect of each Reference Date, the sum of all income actually received by the Issuer in the 12-month period then ending including, without limitation:

- (a) all income received by the Issuer from its Properties (including, for the avoidance of doubt, any disposal proceeds received in respect of any of its Properties or any part of the Issuer's interest in any Properties); and
- (b) any interest, coupons or other distributions on cash or securities owned by the Issuer.

but excluding Aggregate Public Sector Grants

Transaction Documents means the Trust Deed, the Security Deed, the Security Agreements, the Agency Agreement, the Account Bank Agreement, the Custody Agreement and any document supplemental thereto or issued in connection therewith.

Unit means, at any time, a Mortgaged Property or part thereof in relation to which this or, when let, there would be a separate rental contract entered into with the Issuer or the Registered Provider on behalf of the Issuer and **Units** means all such Mortgaged Properties or parts thereof.

Valuation means, in relation to the Value of the Properties or Mortgaged Properties, a valuation (or valuations, taken together) of those properties provided by a Valuer showing the Properties or Mortgaged Properties, on the Applicable Valuation Basis or, a letter from the relevant Valuer confirming that there have been no material changes in respect of a previous Valuation given by such Valuer in respect of such Properties.

Value means, at any time and in relation to any of the Properties or Mortgaged Properties, the value of those Properties or Mortgaged Properties, as the case may be, as shown in the then latest Valuation on the Applicable Valuation Basis.

Valuer means, (a) Montagu Evans or (b) such other independent firm or firms of surveyors which is or are members of the Royal Institute of Chartered Surveyors as may be appointed by the Issuer at the Issuer's expense with the prior approval of the Trustee from time to time.

PART XI

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM IN THE CLEARING SYSTEM

Initial issue of Notes

Global Notes and Certificates may be delivered on or prior to the original issue date of the Tranche to a common depository (the "**Common Depository**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**").

Upon the initial deposit of a Global Note with a common depository on behalf of Euroclear and Clearstream, Luxembourg (the "**Common Depository**") or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative global Certificate (the "**Global Certificate**") to the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depository may also (if indicated in the applicable Final Terms) be credited to the accounts of subscribers with other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Relationship of accountholders with clearing systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by Heylo Housing Secured Bond plc (the "**Issuer**") to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

Exchange/Transfer

Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (a) if the applicable Final Terms indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see Part XIV (*Subscription and Sale - Selling Restrictions*) of this document), in whole, but not in part, for the Definitive Notes (as defined and described below); and
- (b) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the applicable Final Terms, for Definitive Notes.

If the applicable Final Terms indicates that the temporary Global Note may be exchanged for Definitive Notes, trading of such Notes in Euroclear and Clearstream, Luxembourg will only be permitted in amounts which are an integral multiple of the minimum Specified Denomination.

Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date (as defined below) in whole but not in part for Definitive Notes if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a nominal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a nominal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Global Certificates

If the Final Terms state that the Notes are to be represented by a Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

- (a) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (b) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to either paragraph (a) or (b) above, the registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

Delivery of Notes

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will: (a) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (b) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. In this document, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in

which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

Amendments to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this document. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with U.S. Treasury Regulation Section 1.163-5(c)(2)(i)(D) before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "business day" set out in Condition 10(h).

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 11).

Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer or any their Subsidiaries if they are purchased together with the rights to receive all future payments of interest thereon.

Issuer's option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg or an Alternative Clearing System (as the case may be).

Noteholders' options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to a Paying Agent for notation.

Trustee's powers

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

Notices

So long as any Notes are represented by a Global Note or a Global Certificate, as the case may be, and such Global Note or Global Certificate is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Notes represented by such Global Note or Global Certificate. Such notices shall be deemed to have been given to the holders of Notes on the day of delivery to Euroclear and/or Clearstream, Luxembourg and/or any alternative clearing system.

Electronic Consent and Written Resolution

While any Global Note is held on behalf of, or any Global Certificate is registered in the name of any nominee for, a clearing system, then:

- (a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the Special Quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons and Talons whether or not they participated in such Electronic Consent; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by (a) accountholders in the clearing system with entitlements to such Global

Note or Global Certificate and/or, where (b) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. None of the Issuer or the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

PART XII

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of less than €100,000 (or its equivalent in another currency):

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS:

THE NOTES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA (THE "EEA"). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF:

- (A) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU ("MIFID II");**
- (B) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE 2002/92/EC, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR**
- (C) NOT A QUALIFIED INVESTOR AS DEFINED IN DIRECTIVE 2003/71/EC, AS AMENDED.**

[CONSEQUENTLY NO][THE ISSUER HAS PREPARED A] KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (THE "PRIIPS REGULATION") FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA [HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION].

MIFID II PRODUCT GOVERNANCE / [RETAIL INVESTORS, PROFESSIONAL INVESTORS AND ECPS] TARGET MARKET – SOLELY FOR THE PURPOSES OF [THE/EACH] MANUFACTURER'S PRODUCT APPROVAL PROCESS, THE TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES HAS LED TO THE CONCLUSION THAT: (I) THE TARGET MARKET FOR THE NOTES IS ELIGIBLE COUNTERPARTIES, PROFESSIONAL CLIENTS AND RETAIL CLIENTS, EACH AS DEFINED IN MIFID II; [AND] (II) ALL CHANNELS FOR DISTRIBUTION OF THE NOTES [TO ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS] ARE APPROPRIATE [,INCLUDING INVESTMENT ADVICE, PORTFOLIO MANAGEMENT, NON-ADVISED SALES AND PURE EXECUTION SERVICES] [AND (III) THE FOLLOWING CHANNELS FOR DISTRIBUTION OF THE NOTES TO RETAIL CLIENTS ARE APPROPRIATE: [INVESTMENT ADVICE[,/ AND] PORTFOLIO MANAGEMENT[,/ AND][NON-ADVISED SALES][AND PURE EXECUTION SERVICES][, SUBJECT TO THE DISTRIBUTOR'S SUITABILITY AND APPROPRIATENESS OBLIGATIONS UNDER MIFID II, AS APPLICABLE]] [CONSIDER ANY NEGATIVE TARGET MARKET]. ANY PERSON SUBSEQUENTLY OFFERING, SELLING OR RECOMMENDING THE NOTES (A "DISTRIBUTOR") SHOULD TAKE INTO CONSIDERATION THE MANUFACTURER['S/S'] TARGET MARKET ASSESSMENT; HOWEVER, A DISTRIBUTOR SUBJECT TO MIFID II IS RESPONSIBLE FOR UNDERTAKING ITS OWN TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES (BY EITHER ADOPTING OR REFINING THE MANUFACTURER['S/S'] TARGET MARKET ASSESSMENT) AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS[, SUBJECT TO THE DISTRIBUTOR'S SUITABILITY AND APPROPRIATENESS OBLIGATIONS UNDER MIFID II, AS APPLICABLE].]

Final Terms dated [●]

Heylo Housing Secured Bond plc

Issue of [•] [Fixed Rate/Floating Rate/Inflation-Linked/Zero-coupon] Notes due [•]

under the £750,000,000 Euro Medium Term Note Programme

Any person making or intending to make an offer of the Notes may only do so[:

- (i) in those Public Offer Jurisdiction(s) mentioned in Paragraph 9(ix) of Part B below, provided such person is of a kind specified in that paragraph and that such offer is made during the Offer Period specified for such purpose therein; or
- (ii) otherwise] in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

None of the Issuer or any Dealer has authorised, nor does any of them authorise, the making of any offer of Notes in any other circumstances.

The expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Part A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the prospectus dated 28 September 2018 [and the supplement(s) to it dated [date]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of Article 5.4 of the Prospectus Directive [(Directive 2003/71/EC, as amended) (the "**Prospectus Directive**")]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. However, a summary of the issue of the Notes is annexed to these Final Terms. The Base Prospectus has been published on the Heylo Group's website at www.heylohousing.com/bonds.

1	Issuer:	Heylo Housing Secured Bond plc
2	(i) Series Number:	[•]
	(ii) Tranche Number:	[•]
	(iii) Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [•] on the Issue Date/exchange of the temporary Global Note for interests in the permanent Global Note, as referred to in paragraph [24] below, which is expected to occur on or about [•]/[the Issue Date][Not Applicable]
3	Specified Currency or Currencies:	[GBP/EUR/U.S.\$]
4	Aggregate Nominal Account:	
	(i) Series:	[•]
	(ii) Tranche:	[•]
5	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]

6	(i) Specified Denominations:	[•] [and each integral multiple of the Calculation Amount in excess thereof up to and including [•]. No Notes in definitive form will be issued with a denomination above [•]]
	(ii) Calculation Amount:	[•]
7	(i) Issue Date:	[•]
	(ii) Interest Commencement Date:	[[•]/Issue Date/Not Applicable]
8	Maturity Date:	[[•]/Interest Payment Date falling in or nearest to [•]]
9	Interest Basis:	[Limited][Inflation [Linked][Interest] [[•] per cent. Fixed Rate] [[•] +/- [•] per cent. Floating Rate] Zero Coupon (further particulars specified in [•] and [•] below)]
10	Redemption Basis:	[Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.][Year-on-Year][Limited][Inflation][Linked] Redemption]
11	Change of Interest Basis:	[Applicable/Not Applicable]
12	Put/call options:	[Investor Put] [Issuer Call] [Not Applicable] [Redemption for Index Reasons – Condition 8(f) applies] [(further particulars specified in [•] and [•] below)]
13	Date of [Board] approval for issuance Notes obtained:	[•] [and [•], respectively]

Provisions relating to Interest (if any) payable

14	Fixed Rate Note Provisions	[Applicable/Not Applicable]
	(i) [Rate(s)] of Interest:	[•] per cent. per annum payable in arrear on each Interest Payment Date
	(ii) Interest Payment Date(s):	[•] in each year
	(iii) Fixed Coupon Amount(s):	[•] per Calculation Amount
	(iv) Broken Amount(s):	[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
	(v) [Day Count Fraction in relation to Early Redemption:]	[Actual/Actual] [Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360]

		[Actual/Actual – ICMA]
	(vi) [Determination Dates:	[•] in each year]
15	Floating Rate Note Provisions	[Applicable/Not Applicable]
	(i) Interest Period(s):	[•]
	(ii) Specified Interest Payment Dates:	[[•] in each year, subject to adjustment in accordance with the Business Day Convention set out in (v) below]
	(iii) First Interest Payment Date:	[•]
	(iv) Interest Period Date:	[•]
	(v) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(vi) Business Centre(s):	[•]
	(vii) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Issuing and Paying Agent):	[•]
	(ix) Screen Rate Determination:	[Applicable/Not Applicable]
	- Reference Rate:	[LIBOR]/[•]
	- Interest Determination Date(s):	[•]
	- Relevant Screen Page:	[•]
	(x) ISDA Determination:	[Applicable/Not Applicable]
	- Floating Rate Option:	[•]
	- Designated Maturity:	[•]
	- Reset Date:	[•]
	- ISDA Definitions:	2006
	(xi) Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
	(xii) Margin(s):	[[+/-][•] per cent. per annum/Not Applicable]

	(xiii)	Minimum Rate of Interest:	[[•] per cent. per annum/Not Applicable]
	(xiv)	Maximum Rate of Interest:	[[•] per cent. per annum/Not Applicable]
	(xv)	Day Count Fraction:	[Actual/Actual] [Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [Actual/Actual – ICMA]
16		Zero Coupon Note Provisions	[Applicable/Not Applicable]
	(i)	Amortisation Yield:	[•] per cent. per annum
	(ii)	Day Count Fraction in relation to Early Redemption:	[Actual/Actual] [Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [Actual/Actual – ICMA]
17		Inflation Linked Interest Note Provisions	[Applicable/Not Applicable]
	(i)	Rate of Interest:	[•] per cent.
	(ii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount (if not the Calculation Agent):	[•] [Not Applicable]
	(iii)	Provisions for determining Interest Amount where calculation by reference to Index and/or Formula is impossible, impracticable or otherwise disrupted:	Condition(s) 8(c) to [8(d)/8(e)] apply
	(iv)	Specified Period(s)/Specified Interest Payment Dates:	[•]
	(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(vi)	Additional Business Centre(s):	[•] [Not Applicable]

- (vii) Day Count Fraction: [Actual/Actual (ISDA)
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360]
- (viii) Minimum Indexation Factor: [one][•]
- (ix) Maximum Indexation Factor: [Not Applicable – there is no Maximum Indexation Factor][•]
- (x) Limited Indexation Month(s) or period for calculation of Limited Indexation Factor: [•][Not Applicable]
- (x) Base Index Figure: [•]
- (xi) "Index" or "Index Figure" (Condition 8(a)): [Sub-paragraph [(i)/(ii)/(iii)] of the definition of "Index" or "Index Figure" as set out in Condition 8(a) shall apply] [Not Applicable]
- (xii) Minimum Rate of Interest: [[•] per cent. per annum][Not Applicable]
- (xiii) Maximum Rate of Interest: [[•] per cent. per annum][Not Applicable]
- (xiv) Reference Gilt: [[•] per cent. UK Treasury Stock/Treasury Gilt due [•]][Not Applicable]
- (xv) Calculation Agent: [•]
- (xvi) Condition 8(e) applicable: [Yes][No]

Provisions Relating to Redemption

- 18 Call Option [Applicable/Not Applicable]

	(i)	[Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s) of each Note:	[[•] per Calculation Amount][Make-whole Amount] [Condition [9(b)] applies]
	(iii)	[Make-whole Amount	
	-	Quotation Time:	[•]
	-	Determination Date:	[•]
	-	Reference Bond:	[•]
	-	Redemption Margin:	[[•] per cent./None]
	(iv)	If redeemable in part:	[Applicable/Not Applicable]
		Minimum Redemption Amount:	[•] per Calculation Amount
		Maximum Redemption Amount:	[•] per Calculation Amount
	(v)	Notice period:	[Not less than [15][•] days']
19		Put Option	[Applicable/Not Applicable]
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s) of each Note:	[[•] per Calculation Amount][Condition [9(b)] applies]
	(iii)	Notice period:	[•]
20		Final Redemption Amount of each Note	[•] per Calculation Amount [(adjusted in accordance with [•] below)]
21		In cases where the Final Redemption Amount is Index-Linked:	[Not Applicable]
			[•][Not Applicable]
	(i)	Party responsible for calculating the Final Redemption Amount (if not the Calculation Agent):	
	(ii)	Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula:	The final Redemption Amount per Note shall be its outstanding nominal amount adjusted in accordance with Condition 8[•].
	(iii)	Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula is	Condition(s) 8(c) to [8(d)/8(e)] shall apply

impossible or impracticable or otherwise disrupted:

- (iv) Reference Gilt: per cent. UK Treasury Stock [See 17(xiv) above] [Not Applicable]
- (v) Calculation Agent:
- (vi) Notice Periods (Condition 8(f)): Minimum Period: [Not less than days']
- (vii) Condition 8(e) applicable: [Yes] [No]

22 Early Redemption Amount

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons, indexation reasons (if applicable) or on event of default or other early redemption:

[Par] per Calculation Amount] [Fixed Redemption Amount]

General Provisions Applicable to the Notes

23 Form of Notes:

Bearer Notes:

[Temporary Global Note exchangeable for a permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on days' notice]

[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note]

Registered Notes:

Global Certificate exchangeable for definitive Certificates only upon an Exchange Event (as defined on the Global Certificate).

24 Financial Centre(s):

[Not Applicable/

25 Talons for future Coupons to be attached to Definitive Notes (and dates

[No/Yes]

on which such Talons mature):

[Third Party Information

[•] has been extracted from [•]. The Issuer confirm that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Heylo Housing Secured Bond plc:

By:

Duly authorised

Part B – OTHER INFORMATION

- 1 **Listing and admission to trading** [Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange plc's regulated market through its order book for fixed income securities (OFIS) with effect from [•].]

- 2 **Ratings**

Ratings: [[The Notes to be issued [are not/have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]:

 [Standard & Poor's: [•]]

 [Moody's Investor Services Limited: [•]]

 [Fitch Ratings Limited: [•]]

 [AM Best: [•]]

- 3 **Interests of natural and legal persons involved in the issue/offer**

[Save for [•]] so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the issue/offer, including conflicting interests./So far as the Issuer is aware, the following persons have an interest material to the issue/offer: [•]]

- 4 **Reasons for the offer, use of proceeds, estimated net proceeds and total expenses**

Reasons for the offer: [•]

Use of proceeds: [•]

Estimated net proceeds: [•]

Estimated total expenses: [•]

- 5 **[Fixed Rate Notes – yield]**

Indication of yield: Calculated as [•] on the Issue Date. Yield is not an indication of future price.]

- 6 **[Floating Rate Notes – Historic interest rates]**

Details of historic [LIBOR] rates can be obtained from [Reuters].]

- 7 **[Inflation Linked Notes – Performance of Index and other information concerning the underlying]**
 - (i) Name of underlying index: U.K. Retail Prices Index ("**RPI**") (all items) published by the Office for National Statistics

 - (ii) Information about the index, volatility and past and future performance can be obtained Information on RPI can be found at [www.ons.gov.uk/economy/inflationandpriceindices]]

from:

8 **Operational information**

ISIN:	[•]
Common Code:	[•]
Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s):	[Not Applicable/[•]]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[•]

9 **Distribution**

(i) Names and addresses of underwriters and underwriting commitments:	[Not Applicable/[•]]
(ii) Stabilising Manager(s) (if any):	[•]
(iii) Date of underwriting agreement:	[•]
(iv) Material features of underwriting agreement, including quotas:	[•]
(iv) Portion of issue/offer not covered by underwriting commitments:	[•]
(vi) Indication of the overall amount of the underwriting commission and of the placing commission:	[•] per cent. of the Aggregate Nominal Amount
(vii) U.S. Selling Restrictions (Categories of potential investors to which the Notes are offered):	Reg. S Compliance Category 2; [TEFRA C Rules/TEFRA D Rules/TEFRA Not Applicable]
(viii) Prohibition of Sales to EEA Retail Investors:	[Applicable][Not Applicable]
(ix) Public Offer:	
(a) Offer Period:	[Not Applicable] [An offer of the Notes may be made by [•] [and any other Authorised Offerors in accordance with paragraph [9(ix)(b)] below] (the " Initial Authorised Offerors ") other than pursuant to Article 3(2) of the Prospectus Directive in [the UK] (the " Public Offer Jurisdiction(s) ") during the period from [•] until [•] (the " Offer Period "). See

further paragraph [10(xii)] below.

(b) General Consent: [Applicable][Not Applicable]

(c) Other Authorised Offeror Terms: [Not Applicable/[•]]

10 [Terms and conditions of the offer

(i) Offer Price: [Issue Price/Not Applicable/[•]]

(ii) Conditions to which the offer is subject: [Not Applicable/[•]]

(iii) Description of the application process: [Not Applicable/[•]]

(iv) Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable/[•]]

(v) Details of the minimum and/or maximum amount of application: [Not Applicable/[•]]

(vi) Details of the method and time limits for paying up and delivering the Notes: Not Applicable/[•]

(vii) Manner in and date on which results of the offer are to be made public: [Not Applicable/[•]]

(viii) Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable/[•]]

(ix) Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries: [Not Applicable/[•]]

(x) Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not Applicable/[•]]

(xi) Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable/[•]]

(xii) Name(s) and address(es), to the extent known to the Issuer, The Initial Authorised Offerors identified in paragraph [[9(ix)(a)] above [and any additional

of the placers in the various countries where the offer takes place:

financial intermediaries who have or obtain the Issuer's consent to use the Base Prospectus in connection with the Public Offer and who are identified on the website of the Issuer at www.heylohousing.com/bonds as an Authorised Offeror] (together the "**Authorised Offerors**")

(xiii) Name and address of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment:

[•] will be appointed as registered market maker[s] through London Stock Exchange plc's order book for fixed income securities when the Notes are issued.]

Annex to Final Terms

Summary of the Notes

[SUMMARY SECTION TO BE APPENDED TO FINAL TERMS PRIOR TO ANY OFFER]

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of at least €100,000 (or its equivalent in another currency):

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS:

THE NOTES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA (THE "EEA"). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF:

- (A) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU ("MIFID II");**
- (B) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE 2002/92/EC, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR**
- (C) NOT A QUALIFIED INVESTOR AS DEFINED IN DIRECTIVE 2003/71/EC, AS AMENDED.**

[CONSEQUENTLY NO][THE ISSUER HAS PREPARED A] KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (THE "PRIIPS REGULATION") FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA [HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION].

MIFID II PRODUCT GOVERNANCE / [RETAIL INVESTORS, PROFESSIONAL INVESTORS AND ECPS] TARGET MARKET – SOLELY FOR THE PURPOSES OF [THE/EACH] MANUFACTURER'S PRODUCT APPROVAL PROCESS, THE TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES HAS LED TO THE CONCLUSION THAT: (I) THE TARGET MARKET FOR THE NOTES IS ELIGIBLE COUNTERPARTIES, PROFESSIONAL CLIENTS AND RETAIL CLIENTS, EACH AS DEFINED IN MIFID II; [AND] (II) ALL CHANNELS FOR DISTRIBUTION OF THE NOTES [TO ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS] ARE APPROPRIATE [,INCLUDING INVESTMENT ADVICE, PORTFOLIO MANAGEMENT, NON-ADVISED SALES AND PURE EXECUTION SERVICES] [AND (III) THE FOLLOWING CHANNELS FOR DISTRIBUTION OF THE NOTES TO RETAIL CLIENTS ARE APPROPRIATE: [INVESTMENT ADVICE[,/ AND] PORTFOLIO MANAGEMENT[,/ AND][NON-ADVISED SALES][AND PURE EXECUTION SERVICES][, SUBJECT TO THE DISTRIBUTOR'S SUITABILITY AND APPROPRIATENESS OBLIGATIONS UNDER MIFID II, AS APPLICABLE]] [CONSIDER ANY NEGATIVE TARGET MARKET]. ANY PERSON SUBSEQUENTLY OFFERING, SELLING OR RECOMMENDING THE NOTES (A "DISTRIBUTOR") SHOULD TAKE INTO CONSIDERATION THE MANUFACTURER['S/S'] TARGET MARKET ASSESSMENT; HOWEVER, A DISTRIBUTOR SUBJECT TO MIFID II IS RESPONSIBLE FOR UNDERTAKING ITS OWN TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES (BY EITHER ADOPTING OR REFINING THE MANUFACTURER['S/S'] TARGET MARKET ASSESSMENT) AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS[, SUBJECT TO THE DISTRIBUTOR'S SUITABILITY AND APPROPRIATENESS OBLIGATIONS UNDER MIFID II, AS APPLICABLE].]

Final Terms dated [•]

Heylo Housing Secured Bond plc

Issue of [•] [Fixed Rate/Floating Rate/Inflation-Linked/Zero-coupon] Notes due [•]

under the £750,000,000 Euro Medium Term Note Programme

Part A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the prospectus dated 28 September 2018 [and the supplement(s) to it dated [date]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of Article 5.4 of the Prospectus Directive [(Directive 2003/71/EC, as amended) (the "**Prospectus Directive**")]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the Heylo Group's website www.heylohousing.com/bonds.

1	Issuer:	Heylo Housing Secured Bond plc
2	(i) Series Number:	[•]
	(ii) Tranche Number:	[•]
	(iii) Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [•] on the Issue Date/exchange of the temporary Global Note for interests in the permanent Global Note as referred to in paragraph [24] below, which is expected to occur on or about [•]/[the Issue Date]/[Not Applicable]
3	Specified Currency or Currencies:	[GBP/EUR/U.S.\$]
4	Aggregate Nominal Amount of Notes:	
	(i) Series:	[•]
	(ii) Tranche:	[•]
5	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]
6	(i) Specified Denominations:	[•][and each integral multiple of the Calculation Amount in excess thereof up to and including [•]. No Notes in definitive form will be issued with a denomination above [•]]
	(ii) Calculation Amount:	[•]
7	(i) Issue Date:	[•]
	(ii) Interest Commencement Date:	[[•]/Issue Date/Not Applicable]
8	Maturity Date:	[[•]/Interest Payment Date falling on or nearest to [•]]

9	Interest Basis:	[Limited][Inflation [Linked]][Interest] [[•] per cent. Fixed Rate] [[•] +/- [•] per cent. Floating Rate] Zero Coupon (further particulars specified in [•] and [•] below)
10	Redemption/Payment Basis:	[Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.][[Year-on-Year][Limited][Inflation][Linked] Redemption]
11	Change of Interest Basis:	[Applicable/Not Applicable]
12	Put/Call Options:	[Investor Put] [Issuer Call] [Not Applicable] [Redemption for Index Reasons – Condition 8(f) applies] [(further particulars specified in [•] and [•] below)]
13	Date of [Board] approval for issuance of Notes obtained:	[•] [and [•], respectively]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	Fixed Rate Note Provisions	[Applicable/Not Applicable]
	(i) [Rate{(s)} of Interest:	[•] per cent. per annum [payable in arrear on each Interest Payment Date]
	(ii) Interest Payment Date(s):	[•] in each year
	(iii) Fixed Coupon Amount{(s)}:	[•] per Calculation Amount
	(iv) Broken Amount(s):	[•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•]
	(v) Day Count Fraction:	[Actual/Actual] [Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [Actual/Actual – ICMA]
	(vi) [Determination Dates:	[•] in each year]]
15	Floating Rate Note Provisions	[Applicable/Not Applicable]
	(i) [Interest Period(s):	[•]
	(ii) Specified Interest Payment Dates:	[[•] in each year, subject to adjustment in accordance with the Business Day Convention set out in (v) below]
	(iii) First Interest Payment Date:	[•]

(iv)	Interest Period Date:	[•]
(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(vi)	Business Centre(s):	[•]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Issuing and Paying Agent):	[•]
(ix)	Screen Rate Determination:	[Applicable/Not Applicable]
	– Reference Rate:	[LIBOR]/[•]
	– Interest Determination Date(s):	[•]
	– Relevant Screen Page:	[•]
(x)	ISDA Determination:	[Applicable/Not Applicable]
	– Floating Rate Option:	[•]
	– Designated Maturity:	[•]
	– Reset Date:	[•]
	– ISDA Definitions:	2006
(xi)	Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
(xii)	Margin(s):	[[+/-][•] per cent. per annum/Not Applicable]
(xiii)	Minimum Rate of Interest:	[•] per cent. per annum
(xiv)	Maximum Rate of Interest:	[•] per cent. per annum
(xv)	Day Count Fraction:	[Actual/Actual] [Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [Actual/Actual – ICMA]
16	Zero Coupon Note Provisions	[Applicable/Not Applicable]

- (i) [Amortisation Yield: [•] per cent. per annum
- (ii) Day Count Fraction in relation to Early Redemption: [Actual/Actual]
[Actual/Actual – ISDA]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[Actual/Actual – ICMA]
- 17 Inflation Linked Interest Note Provisions [Applicable/Not Applicable]
- (i) Rate of Interest: [•] per cent.
- (ii) Party responsible for calculating the Rate(s) of Interest and Interest Amount (if not the Calculation Agent): [•] [Not Applicable]
- (iii) Provisions for determining Interest Amount where calculation by reference to Index and/or Formula is impossible, impracticable or otherwise disrupted: Condition(s) 8(c) to [8(d)/8(e)] apply
- (iv) Specified Period(s)/Specified Interest Payment Dates: [•]
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (vi) Additional Business Centre(s): [•] [Not Applicable]
- (vii) Day Count Fraction: [Actual/Actual (ISDA)]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
- (viii) Minimum Indexation Factor: [one][•]

- (ix) Maximum Indexation Factor: [Not Applicable – there is no Maximum Indexation Factor][•]
- (x) Limited Indexation Month(s) or period for calculation of Limited Indexation Factor: [•][Not Applicable]
- (x) Base Index Figure: [•]
- (xi) "Index" or "Index Figure" (Condition 8(a)): [Sub-paragraph [(i)/(ii)/(iii)] of the definition of "Index" or "Index Figure" as set out in Condition 8(a) shall apply] [Not Applicable]
- (xii) Minimum Rate of Interest: [[•] per cent. per annum][Not Applicable]
- (xiii) Maximum Rate of Interest: [[•] per cent. per annum][Not Applicable]
- (xiv) Reference Gilt: [[•] per cent. UK Treasury Stock/Treasury Gilt due [•]] [Not Applicable]
- (xv) Calculation Agent: [•]
- (xvi) Condition 8(e) applicable: [Yes][No]

PROVISIONS RELATING TO REDEMPTION

- 18 Call Option [Applicable/Not Applicable]
- (i) [Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of each Note: [[•] per Calculation Amount][Make-whole Amount][Condition [9(b)] applies]
- (iii) [Make-whole Amount
- Quotation Time: [•]

	-	Determination Date:	[•]
	-	Reference Bond:	[•]
	-	Redemption Margin:	[[•] per cent./None]
	(iv)	If redeemable in part:	[Applicable/Not Applicable]
	(a)	Minimum Redemption Amount:	[•] per Calculation Amount
	(b)	Maximum Redemption Amount:	[•] per Calculation Amount
	(v)	Notice period	[Not less than [15][•] days']]
19		Put Option	[Applicable/Not Applicable]
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s) of each Note:	[[•] per Calculation Amount][Condition [9(b)] applies]
	(iii)	Notice period:	[•]
20		Final Redemption Amount of each Note	[[Par] per Calculation Amount]
21		In cases where the Final Redemption Amount is Index-Linked:	[Not Applicable]
			[•][Not Applicable]
	(i)	Party responsible for calculating the Final Redemption Amount (if not the Calculation Agent):	
	(ii)	Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula:	The final Redemption Amount per Note shall be its outstanding nominal amount adjusted in accordance with Condition 8[•].
	(iii)	Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted:	Condition(s) 8(c) to [8(d)/8(e)] shall apply
	(iv)	Reference Gilt:	[[•] per cent. UK Treasury Stock [•]][See 17(xiv) above][Not Applicable]

- (v) Calculation Agent: [•]
- (vi) Notice Periods (Condition 8(f)): Minimum Period: [Not less than [30][•] days']
- (vii) Condition 8(e) applicable: [Yes][No]

22 Early Redemption Amount

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons, indexation reasons (if applicable) or on event of default or other early redemption: [[Par]/[•] per Calculation Amount]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23 Form of Notes:

Bearer Notes:

[Temporary Global Note exchangeable for a permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on [•] days' notice]

[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note]

Registered Notes:

Global Certificate exchangeable for definitive Certificates only upon an Exchange Event (as defined on the Global Certificate).

24 Financial Centre(s):

[Not Applicable/[•]]

25 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):

[No/Yes]

[Third party information

[•] has been extracted from [•]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Heylo Housing Secured Bond plc:

By:

Duly authorised

PART B – OTHER INFORMATION

1 Listing and admission to trading

Admission to trading: [Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange plc's regulated market with effect from [•].]

2 Ratings

Ratings: [[The Notes to be issued [are not/have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]:

[Standard & Poor's: [•]]

[Moody's Investor Services Limited: [•]]

[Fitch Ratings Limited: [•]]

[AM Best: [•]]

3 Interests of natural and legal persons involved in the issue/offer

[Save for [•]] so far as the Issuer and is aware, no person involved in the offer of the Notes has an interest material to the issue/offer, including conflicting interests./So far as the Issuer is aware, the following persons have an interest material to the issue/offer: [•]]

4 Expense of the admission to trading

Estimated total expenses: [•]

5 [Fixed Rate Notes– yield

Indication of yield: Calculated as [•] on the Issue Date. Yield is not an indication of future price.]

6 [Floating Rate Notes - Historic interest rates

Details of historic [LIBOR] rates can be obtained from [Reuters].]

7 [Inflation Linked Notes – Performance of Index and other information concerning the underlying

(i) Name of underlying index: U.K. Retail Prices Index ("RPI") (all items) published by the Office for National Statistics

(ii) Information about the index, its volatility and past and future performance can be obtained Information on RPI can be found at www.ons.gov.uk/economy/inflationandpriceindices]

from:

8 Operational information

ISIN:	[•]
Common Code:	[•]
Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s):	[Not Applicable]/[•]
Names and addresses of additional Agent(s) (if any):	[•]

9 Distribution

(i) U.S. Selling Restrictions:	Reg. S Compliance Category 2; [C Rules/D Rules/TEFRA Not Applicable]
(ii) Prohibition of Sales to EEA Retail Investors:	[Applicable]/[Not Applicable]
(iii) Method of distribution:	[Syndicated]/[Non-syndicated]
(iv) If syndicated	[Not Applicable]/[•]
(a) Names of Managers and underwriting commitments:	[Not Applicable]/[•]
(b) Stabilising Manager(s) (if any):	[Not Applicable]/[•]
(v) If non-syndicated, name and address of Dealer:	[Not Applicable]/[•]

PART XIII

CLEARING AND SETTLEMENT

Following their delivery into a clearing system, interests in Notes may be delivered, held and settled in Euroclear UK & Ireland Limited (formerly known as CREST Co Limited) ("**CREST**") by means of the creation of dematerialised depository interests (i.e. securities without any physical document of title which are distinct from the Notes), held, settled and transferred through CREST ("**CDIs**") representing the interests in the relevant Notes underlying the CDIs (the "**Underlying Notes**"). The CDIs will be issued by CREST Depository Limited (the "**CREST Depository**") to holders of CDIs (the "**CDI Holders**") and will be governed by English law.

The CDIs will represent indirect interests in the interest of the CREST Nominee in the Underlying Notes. Pursuant to the provisions of the global deed poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated) ("**CREST Deed Poll**"), the CREST International Manual dated 14 April 2008 as amended, modified, varied or supplemented from time to time (the "**CREST Manual**"), Notes held in global form by the common depository (the "**Common Depository**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") may be settled through CREST, and the CREST Depository will issue CDIs. The CDIs will be independent securities, constituted under English law which may be held and transferred through CREST.

Interests in the Underlying Notes will be credited to the CREST Nominee's account with Euroclear and the CREST Nominee will hold such interests as nominee for the CREST Depository which will issue CDIs to the relevant CREST participants.

Each CDI will be treated by the CREST Depository as if it were one Underlying Note, for the purposes of determining all rights and obligations and all amounts payable in respect thereof. The CREST Depository will pass on to CDI Holders any interest or other amounts received by it as holder of the Underlying Notes on trust for such CDI Holder. CDI Holders will also be able to receive from the CREST Depository notices of meetings of holders of Underlying Notes and other relevant notices issued by Heylo Housing Secured Bond plc (the "**Issuer**").

Transfers of interests in Underlying Notes by a CREST participant to a participant of Euroclear and Clearstream, Luxembourg will be effected by cancellation of the CDIs and transfer of an interest in such Underlying Notes to the account of the relevant participant with Euroclear or Clearstream, Luxembourg.

The CDIs will have the same ISIN as the ISIN of the Underlying Notes and will not require a separate listing on the Official List of the UK Listing Authority.

Prospective subscribers for Notes represented by CDIs are referred to Chapter 3 of the CREST Manual which contains the form of the CREST Deed Poll to be entered into by the CREST Depository. The rights of the CDI Holders will be governed by the arrangements between CREST, Euroclear, Clearstream, Luxembourg and the Issuer including the CREST Deed Poll (in the form contained in Chapter 3 of the CREST International Manual (which forms part of the CREST Manual)) executed by the CREST Depository. These rights may be different from those of holders of Notes which are not represented by CDIs.

If issued, CDIs will be delivered, held and settled in CREST, by means of the CREST International Settlement Links Service. The settlement of the CDIs by means of the CREST International Settlement Links Service has the following consequences for CDI Holders:

- (a) CDI Holders will not be the legal owners of the Underlying Notes. The CDIs are separate legal instruments from the Underlying Notes to which they relate and represent an indirect interest in such Underlying Notes.
- (b) The Underlying Notes themselves (as distinct from the CDIs representing indirect interests in such Underlying Notes) will be held in an account with a custodian. The custodian will hold the Underlying Notes through a clearing system. Rights in the Underlying Notes will be held through custodial and depository links through the appropriate clearing systems. The legal title to the Underlying Notes or to interests in the Underlying Notes will depend on the rules of the clearing system in or through which the Underlying Notes are held.

- (c) Rights under the Underlying Notes cannot be enforced by CDI Holders except indirectly through the intermediary depositaries and custodians described above. The enforcement of rights under the Underlying Notes will therefore be subject to the local law of the relevant intermediary. The rights of CDI Holders to the Underlying Notes are represented by the entitlements against the CREST Depository which (through the CREST Nominee) holds interests in the Underlying Notes. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Notes in the event of any insolvency or liquidation of the relevant intermediary, in particular where the Underlying Notes held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.
- (d) The CDIs issued to CDI Holders will be constituted and issued pursuant to the CREST Deed Poll. CDI Holders will be bound by all provisions of the CREST Deed Poll and by all provisions of or prescribed pursuant to, the CREST Manual and the CREST Rules contained in the CREST Manual applicable to the CREST International Settlement Links Service (the "CREST Rules") and CDI Holders must comply in full with all obligations imposed on them by such provisions.
- (e) You should note that the provisions of the CREST Deed Poll, the CREST Manual and the CREST Rules contain indemnities, warranties, representations and undertakings to be given by CDI Holders and limitations on the liability of the issuer of the CDIs, the CREST Depository.
- (f) CDI Holders may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the money invested by them. Your attention is drawn to the terms of the CREST Deed Poll, the CREST Manual and the CREST Rules, copies of which are available from CREST at 33 Cannon Street, London EC4M 5SB or by calling +44 (0) 207 849 0000 or from the CREST website at www.euroclear.com/site/public/EUI.
- (g) You should note that CDI Holders may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service. These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the CDIs through the CREST International Settlement Links Service.
- (h) You should note that none of the Issuer the Dealer(s), the Trustee, the Issuing and Paying Agent or their respective advisers will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.
- (i) You should note that Notes issued in temporary global form exchangeable for a permanent Global Note will not be eligible for CREST settlement as CDIs. As such, investors investing in the Underlying Notes through CDIs will only receive the CDIs after such temporary Global Note is exchanged for a permanent Global Note, which could take up to 40 days after the issue of the Notes.

PART XIV

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in a dealer agreement dated 28 September 2018 (the "**Dealer Agreement**") between Heylo Housing Secured Bond plc (the "**Issuer**"), Bondinvest Capital Limited as initial dealer, the Notes will be issued from time to time by the Issuer and may be subscribed for from time to time by (or subscriptions may be procured by) one or more Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers who are appointed as Dealers in respect of specified Tranches only. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealer(s), acting as agent(s) of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that may be underwritten by two or more Dealers.

The Issuer may pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for its expenses incurred in connection with the establishment of the Programme and the Dealer(s) for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealer(s) against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealer(s) to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Bondinvest Capital Limited is an appointed representative of Social Investment Market Community Interest Company, which is authorised and regulated by the Financial Conduct Authority.

Selling restrictions

Notes may be offered by the Issuer or Dealers to any investors, subject to the restrictions described below.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

The Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes of any identifiable Tranche (a) as part of their distribution at any time or (b) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Issuing and Paying Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

The Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**"). Accordingly, the Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not, directly or indirectly, offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies the "*Prohibition of Sales to EEA Retail Investors*" as "Not Applicable", the Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area (the "**EEA**"). For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**");
 - (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Directive (as defined below);
- (b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Public offer selling restriction under the Prospectus Directive

If the Final Terms in respect of any Notes specifies "*Prohibition of Sales to EEA Retail Investors*" as "Not Applicable", each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that with effect from and including the date on which the Prospectus Directive is implemented in each Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**") (the "**Relevant Implementation Date**"), it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Public Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

In this provision and in this document generally, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Jersey

The Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this document as contemplated by the final terms in relation thereto in Jersey, save to the extent that such Dealer is authorised, or otherwise permitted, to do so pursuant to the Financial Services (Jersey) Law 1998.

Guernsey

The Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this document in or from within the Bailiwick of Guernsey, and that it will not distribute or circulate this document, directly or indirectly, to any persons in the Bailiwick of Guernsey, save to the extent that such Dealer is licensed or otherwise permitted to do so pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended) or any exemption therefrom. This document has not been delivered to, nor approved or authorised for circulation in the Bailiwick of Guernsey by the Guernsey Financial Services Commission or the States of Guernsey Policy Council and therefore this document may not be circulated by way of public offer in the Bailiwick of Guernsey.

Isle of Man

The Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that the Notes cannot be marketed, offered or sold in, or to persons resident in, the Isle of Man, other than in compliance with the licensing requirements of the Isle of Man Financial Services Act 2008 and the Regulated Activities Order 2011 or any exemption therefrom.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this document or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this document, any other offering material or any Final Terms therefor in all cases at its own expense.

PART XV

ADDITIONAL INFORMATION

Listing and admission to trading of the Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's regulated market (where specified, through its order book for fixed income securities) will be admitted separately as and when issued, subject only to the issue of a Global Note or one or more Certificates in respect of each Tranche. The listing of the Programme in respect of Notes issued under the Programme for the period of 12 months from the date of this document is expected to be granted on or about 28 September 2018. Prior to official listing and admission to trading of such Notes, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions on the London Stock Exchange's regulated market will normally be effected for delivery on the third working day after the day of the transaction. The Issuer may also issue Notes under the Programme that are admitted to trading through the electronic order book for fixed income securities of the London Stock Exchange.

The London Stock Exchange's regulated market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (as amended, "MiFID II"). MiFID II governs the organisation and conduct of the business of investment firms and the operation of regulated markets across the European Economic Area in order to seek to promote cross-border business, market transparency and the protection of investors.

Authorisations

The issue of the Notes conforms with the laws of England and Wales. Heylo Housing Secured Bond plc (the "Issuer") has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme. The establishment of the Programme, the creation of the security and the issue of Notes under the Programme were authorised by a resolution of the Board of Directors of the Issuer passed on 26 September 2018.

Significant or material change statement

There has been no significant change in the financial or trading position of the Issuer, and there has been no material adverse change in the prospects of the Issuer, in either case since its date of incorporation.

Litigation statement

There are no, and have not been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12-month period preceding the date of this document which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

Bearer Notes having a maturity of more than one year

Each Bearer Note having a maturity of more than one year, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

Clearing systems information and Note security codes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). Interests in the Notes may also be held through CREST through the issuance of CDIs representing the Underlying Notes. The appropriate Common Code and International Securities Identification Number ("ISIN") for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an

additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, the address of Clearstream, Luxembourg is Clearstream Banking SA, 42 Avenue JF Kennedy, L-1855 Luxembourg and the address of CREST is Euroclear UK & Ireland, 33 Cannon Street, London EC4M 5SB. The address of any alternative clearing system will be specified in the applicable Final Terms.

The Issuer's LEI number is 2138007SMVNHS7WTC736.

Documents available for inspection

For the period of 12 months following the date of this document, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer:

- (a) the constitutional documents of the Issuer;
- (b) the Trust Deed (which includes the forms of the Global Notes, the definitive Bearer Notes, the Global Certificates, the Certificates, the Coupons and the Talons), the Security Deed together with any security agreements supplemented to it and the Agency Agreement and any supplements thereto;
- (c) the Account Bank Agreement and the Custody Agreement;
- (d) this document; and
- (e) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms to this document and any other documents incorporated herein or therein by reference.

Third Party Information

Where information appearing in this Base Prospectus has been sourced from third parties, the information has been accurately reproduced and, as far as the Issuer is aware and able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used in this Base Prospectus, the source of such information has been identified.

Inflation Linked Notes

The Issuer can issue Inflation Linked Notes, where the amounts payable in respect of such Notes is derived from the U.K. Retail Prices Index (RPI). Further information on the RPI (including past and current levels) can be found at www.ons.gov.uk/economy/inflationandpriceindices.

PART XVI

IMPORTANT LEGAL INFORMATION

If, in the context of a Public Offer (as defined below), you are offered Notes by any entity, you should check that such entity is authorised to use this document for the purposes of making such offer before agreeing to purchase any Notes. To be authorised to use this document in connection with a Public Offer (referred to below as an "**Authorised Offeror**"), an entity must either be:

- named as an "Initial Authorised Offeror" in the applicable Final Terms; or
- named on the website of the Heylo Group available at www.heylohousing.com/bonds as an Authorised Offeror in respect of the relevant Public Offer (if the entity has been appointed after the applicable Final Terms were published); or
- if "Basis of Consent" in paragraph 9(ix)(b) of Part B of the applicable Final Terms specifies "General Consent" as being applicable, authorised to make such offers under Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments ("**MiFID II**") and have published on its website that it is using this document for the purposes of such Public Offer in accordance with the consent of the Issuer.

Valid offers of Notes may only be made by an Authorised Offeror in the context of a Public Offer if the offer is made in the jurisdictions and within the time period referred to in the Final Terms as the "Offer Period". Other than as set out above, neither the Issuer nor any Dealer has authorised the making of any Public Offer by any person in any circumstances and such person is not permitted to use this document in connection with any offer of Notes.

Please see below for certain important legal information relating to Public Offers.

Public Offers

This Base Prospectus has been prepared on a basis that permits "**Public Offers**" (in this context meaning an offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) that is not within an exemption from the requirement to publish a prospectus under Article 3.2 of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the "**Prospectus Directive**"). Any person making or intending to make a Public Offer of Notes on the basis of this Base Prospectus as completed by the relevant Final Terms must do so only with the consent of the Issuer. See "*Consent given in accordance with Article 3.2 of the Prospectus Directive*" below.

At any time during the period of 12 months following the date of this document, the Issuer may request that the FCA notifies the competent authority of any other Member State which has implemented the Prospectus Directive that this document has been drawn up in accordance with the Prospectus Directive pursuant to the procedures set out in Articles 17 and 18 thereof (each such Member State, a "**Host Member State**"). Upon any such request, the Issuer shall prepare and publish a supplement to this document identifying any Host Member States so notified, and references herein to the Public Offer Jurisdiction (as defined below) shall thereupon include any such Host Member States.

Consent given in accordance with Article 3.2 of the Prospectus Directive

In addition, in the context of any Public Offer of the Notes in the Public Offer Jurisdiction(s), the Issuer accepts responsibility, in the Public Offer Jurisdiction(s), for the content of this document under Section 90 of the Financial Services and Markets Act 2000 ("**FSMA**") with respect to subsequent resale or final placement of Notes by any financial intermediary to whom the Issuer has given its consent to use this document where the offer is made in compliance with all conditions attached to the giving of such consent. Such consent and the attached conditions are described below.

Except in the circumstances described below, neither the Issuer nor any Dealer has authorised the making of any Public Offer by any person in any circumstances and such person is not permitted to use this document in connection with any offer of Notes.

If, in the context of a Public Offer, you are offered Notes by a person which is not an Authorised Offeror, you should check with such person whether anyone is responsible for this Base Prospectus for the purpose of Section 90 of FSMA in the context of such Public Offer and, if so, who that person is. If you are in any doubt about whether you can rely on this Base Prospectus and/or who is responsible for its contents, you should take legal advice.

The conditions attached to the consent are that:

- (a) the Public Offer is only made in the jurisdiction(s) specified in the Final Terms (the "**Public Offer Jurisdiction(s)**");
- (b) the Public Offer is only made during the offer period specified in the Final Terms (the "**Offer Period**");
- (c) the Public Offer is made by an entity (any such entity, an "**Authorised Offeror**") which either:
 - (i) is expressly named as an Initial Authorised Offeror in the Final Terms; or
 - (ii) is a financial intermediary appointed after the date of publication of the applicable Final Terms whose name and address are published on the Heylo Group's website www.heylohousing.com/bonds and identified as an Authorised Offeror in respect of the relevant Public Offer; or
 - (iii) if "Basis of Consent" in paragraph 9(ix)(b) of Part B of the applicable Final Terms is specified as, or includes, "General Consent", is a financial intermediary which is authorised to make such offers under MiFID II (in which regard, investors should consult the register maintained by the FCA at www.fca.gov.uk/register/home.do) (MiFID II governs the organisation and conduct of the business of investment firms and the operation of regulated markets across the European Economic Area in order to seek to promote cross-border business, market transparency and the protection of investors) and which accepts the offer to grant consent to the use of this document by publishing on its website the following statement (with the information in square brackets completed with the relevant information) (the "**Acceptance Statement**"):

"We, [insert legal name of financial intermediary], refer to the offer of [insert details of the relevant Notes] (the "Notes") described in the Final Terms dated [insert date] (the "Final Terms") published by Heylo Housing Secured Bond plc (the "Issuer"). In consideration of the Issuer offering to grant its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in [specify Member State(s), as identified in the applicable Final Terms] during the Offer Period specified in the Final Terms and subject to the other conditions to such consent, each as specified in the Base Prospectus, we hereby accept such offer by the Issuer in accordance with the Authorised Offeror Terms (as specified in the Base Prospectus) and confirm that we are using the Base Prospectus in connection with the offer of the Notes accordingly."

The "**Authorised Offeror Terms**", being the terms to which the relevant financial intermediary agrees in connection with the use of this document, are that the relevant financial intermediary:

- (A) will, and it agrees, represents, warrants and undertakes for the benefit of the Issuer and the relevant Dealer(s) that it will, at all times in connection with the relevant Public Offer:
 - (1) act in accordance with, and be solely responsible for complying with, all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the "**Rules**"), including the Rules published by the FCA (including, but not limited to, its guidance for distributors in "*The Responsibilities of Providers and Distributors for the Fair Treatment of Customers*" and

its sourcebook for "*Product Intervention and Product Governance*") from time to time including, without limitation and in each case, Rules relating to both the target market for the Notes and the appropriateness or suitability of any investment in the Notes by any person and disclosure to any potential investor or relevant manufacturer;

- (2) comply with the restrictions set out under Part XII (*Subscription and Sale*) of this document which would apply as if the relevant financial intermediary were a Dealer;
- (3) acknowledge the target market and distribution channels identified under the MiFID II Product Governance legend set out in the applicable Final Terms;
- (4) ensure that any fee, commissions or benefits of any kind or rebates received or paid by that financial intermediary in relation to the offer or sale of the Notes does not violate the Rules and, to the extent required by the Rules, is fully and clearly disclosed to investors or potential investors;
- (5) hold all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Notes under the Rules, including authorisation under the FSMA and/or the Financial Services Act 2012;
- (6) comply with applicable anti-money laundering, anti-bribery, prevention of corruption and "know your client" Rules (including, without limitation, taking appropriate steps, in compliance with such Rules, to establish and document the identity of each potential investor prior to initial investment in any Notes by the investor), and will not permit any application for Notes in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
- (7) retain investor identification records for at least the minimum period required under the applicable Rules, and shall, if so requested and to the extent permitted by the Rules, make such records available to the relevant Dealer(s) and/or the Issuer or directly to the appropriate authorities with jurisdiction over the Issuer and/or the relevant Dealer(s) in order to enable the Issuer and/or the relevant Dealer(s) to comply with anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules applicable to them;
- (8) ensure that it does not, directly or indirectly, cause the Issuer or the relevant Dealer(s) to breach any Rule or subject the Issuer or the relevant Dealer(s) to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
- (9) immediately give notice to the Issuer and the relevant Dealer(s) if at any time it becomes aware or suspects that it is or may be in violation of any Rules or these Authorised Offeror Terms, and take all appropriate steps to remedy such violation and comply with such Rules and these Authorised Offeror Terms in all respects;
- (10) comply with the conditions to the consent referred to in paragraphs (a), (b) and (c) above and any further requirements or other Authorised Offeror Terms relevant to the Public Offer as specified in the applicable Final Terms;
- (11) make available to each potential investor in the Notes this document (as supplemented as at the relevant time, if applicable), the applicable Final Terms, any applicable key information document and any applicable information booklet provided by the Issuer for such purpose, and not convey or publish any information that is not contained in or entirely consistent with this document and the applicable Final Terms;
- (12) if it conveys or publishes any communication (other than this document or any other materials provided to such financial intermediary by or on behalf of the Issuer for the purposes of the relevant Public Offer) in connection with the relevant Public Offer, it will ensure that such communication (A) is fair, clear and not misleading and complies with the Rules, (B) states that such financial intermediary has provided such communication independently of the Issuer, that such financial intermediary is solely responsible for such

communication and that the Issuer and the relevant Dealer(s) do not accept any responsibility for such communication and (C) does not, without the prior written consent of the Issuer or the relevant Dealer(s) (as applicable), use the legal or publicity names of the Issuer or the relevant Dealer(s) or any other name, brand or logo registered by an entity within their respective groups or any material over which any such entity retains a proprietary interest, except to describe the Issuer as issuer of the relevant Notes on the basis set out in this document;

- (13) ensure that no holder of Notes or potential investor in Notes shall become an indirect or direct client of the Issuer or the relevant Dealer(s) for the purposes of any applicable Rules from time to time, and to the extent that any client obligations are created by the relevant financial intermediary under any applicable Rules, then such financial intermediary shall perform any such obligations so arising;
- (14) co-operate with the Issuer and the relevant Dealer(s) in providing such information (including, without limitation, documents and records maintained pursuant to paragraph (6) above) upon written request from the Issuer or the relevant Dealer(s) as is available to such financial intermediary or which is within its power and control from time to time, together with such further assistance as is reasonably requested by the Issuer or the relevant Dealer(s):
- (i) in connection with any request or investigation by the FCA or any other regulator in relation to the Notes, the Issuer or the relevant Dealer(s); and/or
 - (ii) in connection with any complaints received by the Issuer and/or the relevant Dealer(s) relating to the Issuer and/or the relevant Dealer(s) or another Authorised Offeror including, without limitation, complaints as defined in rules published by the FCA and/or any other regulator of competent jurisdiction from time to time; and/or
 - (iii) which the Issuer or the relevant Dealer(s) may reasonably require from time to time in relation to the Notes and/or as to allow the Issuer or the relevant Dealer(s) fully to comply with its own legal, tax and regulatory requirements,

in each case, as soon as is reasonably practicable and, in any event, within any time frame set by any such regulator or regulatory process;

- (15) during the period of the initial offering of the Notes: (i) only sell the Notes at the Issue Price specified in the applicable Final Terms (unless otherwise agreed with the relevant Dealer(s)); (ii) only sell the Notes for settlement on the Issue Date specified in the applicable Final Terms; (iii) not appoint any sub-distributors (unless otherwise agreed with the relevant Dealer(s)); (iv) not pay any fee or remuneration or commissions or benefits to any third parties in relation to the offering or sale of the Notes (unless otherwise agreed with the relevant Dealer(s)); and (v) comply with such other rules of conduct as may be reasonably required and specified by the relevant Dealer(s); and
- (16) either (i) obtain from each potential investor an executed application for the Notes, or (ii) keep a record of all requests such financial intermediary (x) makes for its discretionary management clients, (y) receives from its advisory clients and (z) receives from its execution-only clients, in each case prior to making any order for the Notes on their behalf, and in each case maintain the same on its files for so long as is required by any applicable Rules;
- (B) agrees and undertakes to indemnify each of the Issuer and the relevant Dealer(s) (in each case on behalf of such entity and its respective directors, officers, employees, agents, affiliates and controlling persons) against any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel's fees and disbursements associated with any such investigation or defence) which any of them may incur or which may be made against any of them arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations, warranties or undertakings by such financial intermediary, including (without limitation) any unauthorised action by such financial intermediary or failure by such financial intermediary to observe any of the above restrictions or

requirements or the making by such financial intermediary of any unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by the Issuer or the relevant Dealer(s); and

(C) agrees and accepts that:

- (1) the contract between the Issuer and the financial intermediary formed upon acceptance by the financial intermediary of the Issuer's offer to use this document and the applicable Final Terms with its consent in connection with the relevant Public Offer (the "**Authorised Offeror Contract**"), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, English law;
- (2) subject to (4) below, the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Authorised Offeror Contract (including a dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) (a "**Dispute**") and accordingly submits to the exclusive jurisdiction of the English courts;
- (3) for the purposes of (1) and (2), the financial intermediary waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute;
- (4) to the extent allowed by law, the Issuer and each relevant Dealer(s) may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions; and
- (5) each relevant Dealer(s) will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for their benefit, including the agreements, representations, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.

The applicable Final Terms may specify other conditions to which the consent is subject.

Any Authorised Offeror who wishes to use this document in connection with a Public Offer as set out above is required, for the duration of the relevant Offer Period, to publish on its website that it is using this document for such Public Offer in accordance with the consent of the Issuer and the conditions attached thereto (in the form of the Acceptance Statement).

Other than as set out above, neither the Issuer nor the Dealers has authorised the making of any Public Offer by any person in any circumstances and such person is not permitted to use this document in connection with any offer of Notes. Any such offers are not made on behalf of the Issuer or by the Dealers or other Authorised Offerors and none of the Issuer, the Dealers or other Authorised Offerors has any responsibility or liability for the actions of any person making such offers.

Arrangements between you and the financial intermediaries who will distribute any Notes issued under the Programme

An investor intending to acquire or acquiring any Notes in a Public Offer from an Authorised Offeror will do so, and offers and sales of such Notes to an investor by such Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such investor including as to price, allocations and settlement arrangements (the "**Terms and Conditions of the Public Offer**"). The Issuer will not be a party to any such arrangements in connection with the offer or sale of any Notes and, accordingly, this document does not contain such information.

In the event of any Public Offer being made by an Authorised Offeror, the Authorised Offeror will provide information to investors on the Terms and Conditions of the Public Offer at the time the Public Offer is made.

None of the Issuer or any of the Dealers has any responsibility for any of the actions of any Authorised Offeror (except for a Dealer, where it is acting in the capacity of a financial intermediary), including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer.

If you intend to acquire or do acquire any Notes from an Authorised Offeror, you will do so, and offers and sales of the Notes to you by such an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and you including as to price, allocations and settlement arrangements. The Issuer will not be a party to any such arrangements with you in connection with the offer or sale of the Notes and, accordingly, this document does not, and any Final Terms will not, contain such information. The information relating to the procedure for making applications will be provided by the relevant Authorised Offeror to you at the relevant time. None of the Issuer, the Dealers or other Authorised Offerors has any responsibility or liability for such information.

Notice to investors

Notes issued under the Programme may not be a suitable investment for all investors. You must determine the suitability of any investment in light of your own circumstances. In particular, you may wish to consider, either on your own or with the help of your financial and other professional advisers, whether you:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this document (and any applicable supplement to this document);
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact the relevant Notes will have on your overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency which you usually use;
- (d) understand thoroughly the terms of the Notes and are familiar with the behaviour of any relevant indices and financial markets; and
- (e) are able to evaluate (either alone or with the help of your financial adviser) possible scenarios for economic, interest rate and other factors that may affect your investment and your ability to bear the applicable risks.

No person is or has been authorised by the Issuer, the Dealers or the Trustee to give any information or to make any representation not contained in or not consistent with this document and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Dealers or the Trustee.

Neither the publication of this document nor the offering, sale or delivery of the Notes shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date of this document or that there has been no adverse change in the financial position of the Issuer since the date of this document or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. Neither the Dealers nor the Trustee undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

Neither this document nor any other information supplied in connection with the offering of the Notes should be considered as a recommendation by the Issuer, the Dealers or the Trustee that any recipient of this document or any other information supplied in connection with the offering of the Notes should purchase any

Notes. You should determine for yourself the relevance of the information contained in this document and any purchase of Notes should be based upon such investigation as you deem necessary.

The Dealers and the Trustee

To the fullest extent permitted by law, neither the Trustee nor the Dealer(s) accept any responsibility for the contents of this document or for any other statement, made or purported to be made by the Trustee or a Dealer or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Trustee and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this document or any such statement.

No incorporation of websites

The contents of the websites of the Heylo Group do not form part of this document, and you should not rely on them.

Stabilisation

In connection with the issue of any Tranche of Notes (as defined in "*Terms and Conditions of the Notes*"), one or more relevant Dealer or Dealers (the "**Stabilising Manager(s)**") (or any person acting on behalf of any Stabilising Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) or person(s) acting on behalf of any Stabilising Manager(s) in accordance with all applicable laws and rules.

Forward-looking statements

This document includes statements that are, or may be deemed to be, 'forward-looking statements'. These forward-looking statements can be identified by the use of forward-looking expressions, including the terms 'believes', 'estimates', 'anticipates', 'expects', 'intends', 'may', 'will', or 'should' or, in each case, their negative or other variations or similar expressions, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include, but are not limited to, the following: statements regarding the intentions, beliefs or current expectations of the Issuer concerning, amongst other things, the Heylo Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which the Heylo Group operates.

By their nature, forward-looking statements involve risks and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Heylo Group's operations, financial condition and liquidity, and the development of the industries in which the Heylo Group operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this document. In addition, even if the results of operations, financial condition and liquidity, and the development of the countries and the industries in which the Heylo Group operates, are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. These and other factors are discussed in more detail under Part II (*Risk Factors*) of this document. Many of these factors are beyond the control of the Issuer. Should one or more of these risks or uncertainties materialise, or should underlying assumptions on which the forward-looking statements are based prove incorrect, actual results may vary materially from those described in this document as anticipated, believed, estimated or expected. Except to the extent required by laws and regulations, the Issuer does not intend, and do not assume any obligation, to update any forward-looking statements set out in this document.

English law as of the date of this document

This document is based on English law in effect as of the date of issue of this document. Except to the extent required by laws and regulations, the Issuer does not intend, and does not assume any obligation, to update this document in light of the impact of any judicial decision or change to English law or administrative practice after the date of this document.

THE ISSUER

Heylo Housing Secured Bond plc
5th Floor, One New Change
London EC4M 9AF

THE ARRANGER AND DEALER

Bondinvest Capital Limited
52 Grosvenor Gardens
London SW1W 0AU

TRUSTEE AND SECURITY TRUSTEE

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

ISSUING AND PAYING AGENT

Elavon Financial Services Limited, UK Branch
Fifth Floor
125 Old Broad Street
London EC2N 1AR

REGISTRAR AND TRANSFER AGENT

Elavon Financial Services DAC
Building 8, Cherrywood Business Park
Loughlinstown, Dublin 18

LEGAL ADVISERS

To the Issuer as to English law

Pinsent Masons LLP
30 Crown Place
London EC2A 4ES

*To the Arranger, the Trustee and the Security
Trustee as to English law*

Linklaters LLP
One Silk Street
London EC2Y 8HQ