

## Minimum Lending Terms

*This Schedule contains a summary of the Minimum Lending Terms as at the date of the Programme Memorandum which may be amended, modified and/or restated from time to time in accordance with the Conditions. Terms not defined in these presents shall have the meaning given to them in the Programme Memorandum.*

### 1. Purpose

The proceeds of each Loan may only be used by each RP Borrower for any purpose which is permitted within the constitutive documents and objects of such RP Borrower, and which is consistent with such RP Borrower's continued registration as an RP and which does not breach any restrictions in any relevant statutory authorisations, consents, approvals, resolutions, licences, exemptions, filings, notarisations or registrations.

### 2. Security

As a condition precedent to entering into a Loan Agreement, the relevant RP Borrower will secure each Loan with either:

- (a) full security (**Initial Full Security**), meaning it will charge by way of Fixed Charges in favour of the Issuer and/or a security trustee and allocate the benefit of such security to the Issuer Eligible Properties in such amounts so as to comply with the Asset Cover Ratio (as defined below) on the date of the relevant Loan Agreement; or
- (b) *de minimis* security (**Initial De Minimis Security**), meaning it will charge by way of Fixed Charge in favour of the Issuer and/or a security trustee and allocate the benefit of such security to the Issuer at least one Eligible Property without ensuring compliance with the Asset Cover Ratio as at the date of the Loan Agreement and without providing a valuation report in respect of the value of such one Eligible Property.

If an RP Borrower elects for Initial *De Minimis* Security, it shall:

- (a) pay the Issuer a fee, the amount of which will vary, depending on the extent to which the Loan is secured;
- (b) represent to the Issuer that it has identified sufficient unencumbered Eligible Property to charge as security in respect of its Loan to ensure compliance with the Asset Cover Ratio with effect from the Required Charging Date;
- (c) charge in favour of the Issuer and/or a security trustee and allocate the benefit of such security to the Issuer sufficient Charged Properties on or before the Required Charging Date to ensure compliance with the Asset Cover Ratio and, for these purposes, such RP Borrower may charge Properties at any time in one or more batches and such Properties shall become Charged Properties subject to the conditions precedent set out in the relevant Loan Agreement being satisfied.

Each Loan, irrespective of whether the relevant RP Borrower has initially elected for Initial Full Security or Initial *De Minimis* Security, must be fully secured by Fixed Charges in favour of the Issuer and/or a security trustee and allocated the benefit of such security to the Issuer over Eligible Property prior to the Required Charging Date in such amounts as is required to ensure compliance with the Asset Cover Ratio.

Security may be granted by RP Borrowers on either a specific allocation basis or on a numerical apportionment basis.

If security is granted on a specific allocation basis, a certain number of clearly identifiable properties owned by an RP Borrower will be charged as security for the Loan. In an enforcement situation, the beneficiary of the security will have recourse to those specific properties.

If security is granted on a numerical apportionment basis, a certain number of units from an overall pool of properties that have been charged in favour of a security trustee will be allocated by the RP Borrower as security for its obligations under its Loan Agreement. However, the identity of the individual units allocated as security for the Loan Agreement will not initially be known. The Issuer will be allocated and have recourse to a certain number of properties within the pool and therefore a percentage of the overall value of the pool of properties that have been charged in favour of a security trustee.

Security that is granted on either a specific allocation basis or numerical apportionment basis will, when aggregated with all amounts standing to the credit of the Facility Account, be of a sufficient value to ensure that the Asset Cover Ratio is complied with.

If the Issuer lends to a Finance Subsidiary Borrower which then on-lends to one or more Indirect RP Borrowers, the Indirect RP Borrowers will either provide a secured guarantee of that loan or an assignment or novation of the rights under Fixed Charges granted by the Indirect RP Borrower(s) in the favour of the Issuer.

### 3. **Cash Security**

An RP Borrower may deposit cash (**Cash Security**) into a Facility Account for the purpose of achieving or maintaining compliance with the Asset Cover Ratio. The Cash Security may be withdrawn from the Facility Account to the extent that such withdrawal would not cause a breach of the Asset Cover Ratio and no event of default or potential event of default has occurred and is continuing under the Loan Agreement, or would result from that withdrawal.

### 4. **Valuations**

Once security has been granted by each RP Borrower in respect of the Loan Agreement, each such RP Borrower shall provide the Issuer with either: (a) a full valuation of the Charged Properties every 5 years and, in every other year, a valuation to be carried out on a desktop valuation basis; or (b) in each year a report of not less than 20 per cent. of the Charged Properties on a full valuation basis such that 100 per cent. of the Charged Properties are valued every five years and a report for the remaining Charged Properties on a desktop valuation basis.

### 5. **Release and Substitution**

Charged Properties forming part of the security designated to the Issuer may (at the discretion of the RP Borrower) be released and/or substituted in accordance with the terms of the relevant Loan Agreement and subject to compliance with the Asset Cover Ratio.

Charged Properties which are subject to a statutory disposal (such as Shared Ownership Properties, shared equity sales, right to buy or social homebuy disposals) may, at the discretion of the RP Borrower, be released from security. If the RP Borrower will no longer be in compliance with the Asset Cover Ratio following that release, it must, as soon as practicable thereafter (and, in any event, within 60 days of release) either charge additional Eligible

Properties and/or deposit cash in the Facility Account in an aggregate amount sufficient to ensure compliance with the Asset Cover Ratio.

Any substitute properties selected by the RP Borrower to become Charged Properties must be Eligible Properties.

## 6. Asset Cover Ratio

Each RP Borrower shall procure that at all times from the Required Charging Date the aggregate principal amount of the Loan borrowed by it either from the Issuer or a Finance Subsidiary Borrower does not exceed "X" where:

$$X = \left( \frac{100 A}{D} \right) + \left( \frac{100 B}{E} \right) + \left( \frac{100 C}{F} \right) + G$$

where:

A = the Value of the RP Borrower's interest (or all Indirect RP Borrowers' interest, where a Finance Subsidiary Borrower on lends to more than one Indirect RP Borrower and those Indirect RP Borrowers guarantee the obligations of the Finance Subsidiary Borrower) in those completed residential Charged Properties which have been valued in accordance with Valuation Basis I;

B = the Value of the RP Borrower's interest (or all Indirect RP Borrowers' interest, where a Finance Subsidiary Borrower on lends to more than one Indirect RP Borrower and those Indirect RP Borrowers guarantee the obligations of the Finance Subsidiary Borrower) in those completed residential Charged Properties which have been valued in accordance with Valuation Basis II;

C = the Value of the RP Borrower's interest (or all Indirect RP Borrowers' interest, where a Finance Subsidiary Borrower on lends to more than one Indirect RP Borrower and those Indirect RP Borrowers guarantee the obligations of the Finance Subsidiary Borrower) in those completed Charged Properties which have been valued in accordance with Valuation Basis III;

D = 105;

E = 115;

F = a number to be agreed on a case by case basis with each RP Borrower; and

G = the amount standing to the credit of the Facility Account.

The calculation set out above may be tested at any time by reference to the latest applicable information.

Shared Ownership Properties must be valued on Valuation Basis I.

Each RP Borrower shall procure that the Charged Properties are Eligible Properties.

## ***Interpretation***

For these purposes:

**Charged Property** means, at any time, any real property over which the relevant RP Borrower has granted and there subsists a valid and effective first priority fixed charge by way of legal mortgage pursuant to any Fixed Charge and, where relevant, designated as security for amounts owed under the Loan Agreement and **Charged Properties** means all such properties;

**Eligible Properties** means:

- (a) general needs rented properties which, for the avoidance of doubt, shall include social rent, affordable rent and sheltered or supported housing for older people and people with special needs but subject to paragraph (c) below shall exclude Shared Ownership Properties, provided that at any time at least 50 per cent. by value of the minimum value required to satisfy the Asset Cover Ratio shall comprise general needs rented properties;
- (b) subject to the prior approval of the Issuer, commercial property assets and other residential housing assets including care, key worker, student accommodation and private rented sector properties; and
- (c) provided the requirements of paragraph (a) of this definition are satisfied, Shared Ownership Properties.

**Facility Account** means an account of the Issuer (in its capacity as trustee) into which are paid any amounts to be held under the terms of the Facility Account Trust Deed;

**Facility Account Trust Deed** means a trust deed designated as such in relation to sums held by the Issuer (in its capacity as trustee) to be applied in repayment of an RP Borrower's loan from either the Issuer or a Finance Subsidiary Borrower.

**Fixed Charge** means:

- (a) each charge by way of legal mortgage entered or to be entered into by the RP Borrower in favour of the Issuer in or substantially in a form satisfactory to the Issuer to give effective security and incorporating a first priority fixed charge by way of legal mortgage over a Charged Property; and/or
- (b) each charge by way of legal mortgage entered or to be entered into by the RP Borrower in favour of the specified security trustee of that RP Borrower ultimately for the benefit of the Issuer substantially in the form set out in the relevant RP Borrower's security trust deed pursuant to which the RP Borrower provides security (either directly or via a guarantee or assignment or novation of rights) for the relevant Loan Agreement;

**Required Charging Date** means the date falling 18 months after the date of the relevant Loan Agreement;

**Shared Ownership Property** means where the Issuer has given its consent to the granting of a shared ownership lease any property of the RP Borrower which is occupied on shared ownership terms imposed by statute and which comply with the requirements of the relevant Regulator or Homes England (as applicable) so that the RP Borrower holds or is intending to hold upon disposal on shared ownership terms less than 100 per cent. of the beneficial interest

in that property and the purchaser of the balance of that beneficial interest has the right to acquire a further portion of the RP Borrower's retained beneficial interest;

**Valuation** means a valuation of the RP Borrower's interest in the Charged Properties in form and substance satisfactory to the Issuer, addressed to the Issuer and (if applicable) the security trustee and prepared by a Valuer setting out its opinion of the Value of such Charged Properties in accordance with the relevant Valuation Basis and prepared in accordance with the relevant Valuation Basis;

**Valuation Basis I** means EUV-SH (existing use value for social housing) in accordance with the guidance set out in the Royal Institution of Chartered Surveyors Valuation - Professional Standards (as amended from time to time);

**Valuation Basis II** means MV-T (market value - subject to tenancies) in accordance with the guidance set out in the Royal Institution of Chartered Surveyors Valuation - Professional Standards (as amended from time to time);

**Valuation Basis III** means a valuation basis to be agreed on a case by case basis with each RP Borrower;

**Value** means, at any time and in respect of any relevant Charged Property, the aggregate value of the RP Borrower's interest in such Charged Property in accordance with either Valuation Basis I, Valuation Basis II or Valuation Basis III, as shown in the then latest Valuation of such Charged Property less the maximum amount, as determined by the Issuer of any sums which are or may become charged or otherwise secured by any security interest in or on that Charged Property in priority to the relevant Fixed Charge; and

**Valuer** means an independent professional valuer who is an associate or a fellow of the Royal Institution of Chartered Surveyors and who has been approved by the Issuer (such approval not to be unreasonably withheld).

## 7. Note Purchase Option

Each RP Borrower may, with the prior written consent of the Issuer, at any time purchase Notes on any relevant stock exchange or by tender (available to all holders of Notes) or by private treaty at any price. Following any such purchase, the relevant RP Borrower shall surrender the Notes to the Issuer to be cancelled. An amount of the associated Loan equivalent to the outstanding balance of the Notes being surrendered shall be deemed to be prepaid under the Loan Agreement.

## 8. Covenants and Restrictions

Each RP Borrower makes various covenants pursuant to its Loan Agreement. These include covenants and restrictions as to, *inter alia*, the following:

- (a) the provision of financial and other information;
- (b) negative pledge;
- (c) the Charged Properties;
- (d) compliance with law; and

- (e) prepayment of the Loan in full if the RP Borrower ceases to be a Registered Provider, Welsh RSL or RHA for more than 180 days consecutively.

## 9. Interest Reserve Provisions

If due to a Lending Level Reassessment Event having occurred an RP Borrower or its group is allocated a revised Lending Level and an RP Borrower's Exposure or the Group's Exposure then exceeds the Threshold Percentage applicable to that RP Borrower's or its group's revised Lending Level, the Borrower must deposit the following amounts into the Interest Reserve Fund:

- (a) 6 months' interest payable under its Loan Agreement if the RP Borrower's Exposure or the Group's Exposure does not exceed the Threshold Percentage for a borrower whose Lending Level is one above the RP Borrower's or its group's revised Lending Level; and
- (b) 12 months' interest payable under its Loan Agreement if the RP Borrower's Exposure or the Group's Exposure exceeds the Threshold Percentage for a borrower whose Lending Level is one above the RP Borrower's or its group's revised Lending Level.

If due to a Lending Level Reassessment Event, the Lending Level of an RP Borrower or its group falls below Level 4, the Borrower must pay 18 months' interest payable under its Loan Agreement into the Interest Reserve Fund.

The diagram below sets out details of the interest reserve deposit obligations of each Borrower referred to above.

		New Borrowing Level & Exposure Limit			
		2	3	4	Below 4
Existing Borrower Lending Level	Existing Borrower's Exposure	10%	8%	6%	0%
1	10.1% - 12.0%	6m	12m	12m	18m
2	8.1% - 10.0%	na	6m	12m	18m
3	6.1% - 8.0%	na	na	6m	18m
4	0.1% - 6.0%	na	na	na	18m
Below 4	0%				

6m = 6 months' interest

12m = 12 months' interest

18m = 18 months' interest

If an RP Borrower's Exposure or the Group's Exposure is subsequently equal to or less than the Threshold Percentage for the Borrower's or its group's then current Lending Level, the Issuer must return to the Borrower the amounts deposited by the Borrower into the Interest Reserve Fund in accordance with the Loan Agreement.

If, at any time, an RP Borrower or its group has a Lending Level below Level 4, it will immediately engage with the Issuer to agree a strategy to improve its Lending Level and implement that strategy as soon as possible.

A Borrower will not be required to deposit monies in the Interest Reserve Fund if the obligation to do so arose solely as a result of either (i) a change of Lending Level criteria made by the Issuer or (ii) a decrease in the aggregate of all amounts borrowed by the Issuer.

In addition, if as a result of a Merger Event, an RP Borrower's Exposure or the Group's Exposure exceeds the following thresholds, the Borrower shall deposit the following amounts into the Interest Reserve Fund:

- (a) if the percentage exceeds 12 per cent. but is less than 15 per cent. - 12 months' interest payable under the Loan Agreement;
- (b) if the percentage equals or exceeds 15 per cent. but is less than 20 per cent. - 24 months' interest payable under the Loan Agreement;
- (c) if the percentage equals or exceeds 20 per cent. but is less than 25 per cent. - 36 months' interest payable under the Loan Agreement.

If the percentage equals 25 per cent. or more for more than 6 consecutive months, the Borrower shall on the date falling 15 business days after the Issuer gives notice to the Borrower prepay such amount of its loan as shall be necessary to reduce that percentage below 25 per cent.

## **Interpretation**

For these purposes:

**Group's Exposure** means at the relevant time, the aggregate amount then borrowed by an RP Borrower and all other members of its group from the Issuer, calculated as a percentage of all financial indebtedness then incurred by the Issuer, but on the assumption that, until the aggregate principal amount outstanding of all Notes issued by the Issuer under the Programme is at least £500,000,000 the aggregate principal amount outstanding of all Notes issued by the Issuer under the Programme shall be deemed to be £500,000,000 for the purpose of this definition.

**Interest Reserve Fund** means the interest reserve fund established pursuant to a Loan Agreement pursuant to which the Issuer (acting as trustee) will hold funds on trust for the relevant Borrower as specified in paragraph 9 above;

**Merger Event** means any of the following in relation to an RP Borrower:

- (a) it enters into an amalgamation, transfer of engagements (whether to it or by it), consolidation or other merger;
- (b) it or any member of its group forms or acquires a subsidiary; or



- (c) it becomes a subsidiary (either direct or indirect) of any entity after the date of the relevant Loan Agreement;

**RP Borrower's Exposure** means, at the relevant time, the aggregate amount then borrowed by an RP Borrower either from the Issuer or an Indirect RP Borrower which was funded by a loan under a Loan Agreement, calculated as a percentage of all financial indebtedness then incurred by the Issuer, but on the assumption that, until the aggregate principal amount outstanding of all Notes issued by the Issuer under the Programme is at least £500,000,000 the aggregate principal amount outstanding of all Notes issued by the Issuer under the Programme shall be deemed to be £500,000,000 for the purpose of this definition.

**Threshold Percentage** means, in relation to:

- (a) Lending Level 1, 12 per cent.;
- (b) Lending Level 2, 10 per cent.;
- (c) Lending Level 3, 8 per cent.; and
- (d) Lending Level 4, 6 per cent.

## 10. Events of Default

Each Loan Agreement will include, *inter alia*, the following events of default:

- (a) non-payment of amounts payable under the Loan Agreement;
- (b) breach of the Asset Cover Ratio at any time after the second anniversary of the date of the Loan Agreement (and the breach continues for 60 days following service by the Issuer on the relevant Borrower of a notice requiring the breach to be remedied);
- (c) breach of other obligations;
- (d) misrepresentation;
- (e) unlawfulness and invalidity;
- (f) insolvency and insolvency proceedings;
- (g) creditor's process and cross default, each subject to minimum thresholds;
- (h) change of status;
- (i) breach of the Regulatory Framework or housing legislation;
- (j) action by the Regulator; and
- (k) material adverse change.

If an event of default listed above occurs, the Issuer will be able to enforce the security granted over the Charged Properties and will have recourse to monies in the Facility Account and monies held pursuant to the Interest Reserve Fund. However, if such proceeds of enforcement or the monies in the Facility Account or Interest Reserve Fund are of insufficient value to repay the relevant Loan, the Issuer will also have an unsecured claim against the relevant Borrower for any shortfall (which will rank behind the claims of any secured creditor).



## 11. Taxes

All payments to be made by a Borrower to the Issuer shall be made free and clear of and without deduction for or on account of tax unless a Borrower is required by law to make such a payment subject to the deduction or withholding of tax. Where a Borrower is obliged to make a payment subject to the deduction or withholding of tax and the Issuer certifies to that Borrower that it is under an obligation to make payments due in respect of the Notes, the Second Secured Debt, the Subordinated Debt and/or the Liquidity Facility Agreements at that time free and clear of and without deduction for or on account of tax, the Borrower shall from time to time on demand by the Issuer promptly pay such additional amounts to the Issuer as may be necessary to ensure that the Issuer receives a net amount equal to the full amount which it would have received had payment not been made by the Borrower subject to the deduction or withholding of tax.