

DRAFT: SUBJECT TO AMENDMENT AND COMPLETION

Terms and Conditions of the Bonds

The issue of £1,000,000 zero interest limited recourse Bonds due 2015 (the “**Bonds**”) was authorised by [a resolution of the Board of Directors of Citylife Limited (the “**Issuer**”) passed on [●] 2010].

The Bonds are constituted by a trust deed (the “**Trust Deed**”) dated [●] 2010 (the “**Issue Date**”) between the Issuer and Wrigleys Trustees Limited (the “**Bond Trustee**” which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Bonds (the “**Bondholders**”).

These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of (i) the Trust Deed, which includes the form of the Bonds, (ii) the deed of charge (the “**Deed of Charge**”) dated the Issue Date between the Issuer and Wrigleys Trustees Limited (the “**Security Trustee**”) and (iii) the registrar’s agreement (the “**Registrar Agreement**”) between Wrigleys Solicitors LLP (the “**Registrar**”) and the Issuer.

Copies of the Trust Deed, the Deed of Charge, the Registrar Agreement and the rules of the Issuer are available for inspection during usual business hours at the specified offices from time to time of the Trustee.

The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Deed of Charge, the Trust Deed and the Registrar Agreement.

Repayment of the Bonds is limited in recourse to monies received by the Issuer from Places for People Homes Limited pursuant to a loan granted by the Issuer as lender and Places for People Homes Limited as borrower (the “**Loan**”) designated as Citylife-PfPH Loan No. [●] and the related Guarantees (as defined below). Barclays Bank PLC and/or The Co-operative Bank P.L.C. guarantee a proportion of the loan provided pursuant to the Facility Agreement (each a “**Guarantee**”); such proportions, in aggregate, relate to the loan provided pursuant to the Facility Agreement which is funded by the Bonds.

1 Form, Denomination, Title and Series

- (a) **Form and Denomination:** The Bonds are in registered form and represented by registered certificates (“**Certificates**”) in denominations of £100, £1,000, £10,000, £100,000 or £1,000,000 (the “**Specified Denominations**”). Each holder will be issued with a certificate or certificates made up of one or more of the Specified Denominations to an aggregate of the entire holding of that holder (the combination of Specified Denominations being as the Issuer’s discretion).
- (b) **Title:** Title to the Bonds 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 Registrar Agreement (the “**Register**”). The holder of any Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder. “**Holder**” means the person in whose name a Bond is registered in the Register (or, in the case of a Bond registered in the name of more than one person, the first named person in the Register).

- (c) **Transfer of Bonds:** One or more Bonds may be transferred upon the surrender (at the specified office of the Registrar) of the Certificate representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate, duly completed and executed and any other evidence as the Registrar may reasonably require. In the case of a transfer of part only of a holding of Bonds 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. However, a Bond may not be transferred unless (i) the principal amount of Bonds proposed to be transferred; and (ii) the principal amount of the Bonds proposed to be the principal amount of the balance of Bonds to be retained by the relevant transferor are, in each case, Specified Denominations.

2 Status, Priority, Security and Guarantee

- (a) **Status of the Bonds:** The Bonds constitute secured obligations of the Issuer, recourse in respect of which is limited in the manner described in Condition 12 (*Enforcement, Limited Recourse and Non-Petition*).
- (b) **Priority:** The Bonds shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
- (c) **Security:** The holders of the Bonds and the other Secured Creditors will, subject to the terms of the Trust Deed, share in the security created by the Deed of Charge (the "**Security**"). Upon enforcement of the Security the proceeds of such enforcement shall be applied by the Security Trustee as set out in the Deed of Charge. If the moneys received by the Security Trustee are not enough to pay in full all amounts to persons whose claims rank rateably, the Security Trustee shall apply the moneys *pro rata* on the basis of the amount due to each party entitled to such payment.
- (d) **Guarantee of the Bonds:** The Bonds benefit from the Guarantees. In the event that there are not sufficient monies received in respect of the Facility Agreement to repay the Bonds in full on the Repayment Date then monies received in respect of the Guarantees shall be applied to repayment of the Bonds as set out in the Deed of Charge.

3 Negative Pledge

Except as provided in the Deed of Charge, the Issuer shall not create or allow to exist any Security Interest on the whole or any part of the Secured Property.

"**Security Interest**" means any mortgage, pledge, lien, charge, assignment, hypothecation or security interest or any other agreement or arrangement having a similar effect.

"**Secured Property**" means the assets from time to time subject, or expressed to be subject, to the Security or any part of those assets.

4 Interest

The Bonds do not bear interest.

5 Redemption and Purchase

- (a) **Final Redemption:** Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on a date to be decided by the Issuer for repayment of the Bonds, such date to be no later than the 28th day following the fifth anniversary of the Issue Date (the “**Repayment Date**”). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 5 (*Redemption and Purchase*).
- (b) **Redemption at the Option of the Issuer:** The Issuer may at its option, having given not less than 30 nor more than 90 days’ notice to the Bondholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable), redeem the Bonds in whole or, subject to the Specified Denominations, in part at their principal amount.
- (c) **Notice of Redemption and Drawings:** All Bonds in respect of which any notice of redemption is given under this Condition shall be redeemed on the date specified in such notice in accordance with this Condition. In the case of a partial redemption the Bonds to be called for redemption shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate.
- (d) **Purchase:** The Issuer may at any time purchase Bonds from individual Bondholders without making a general offer to Bondholders at any price. The Bonds so purchased, while held by or on behalf of the Issuer shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Condition 11(a) (*Meetings of Bondholders*).
- (e) **Cancellation:** All Bonds so redeemed or purchased will be cancelled and may not be re-issued or resold.

6 Payments

- (a) **Method of Payment:** Payments of principal or other payments on the Bonds will be made to the persons shown in the Register and entitled to repayment on the redemption date against presentation and surrender of the relevant Certificates at the specified office of the Registrar. Each such payment will be made by sterling cheque drawn on a bank in the United Kingdom and mailed, not later than the due date for payment, at the risk of the recipient to the holder of the relevant Bond at the address shown on the Register or in accordance with mandate instructions acceptable to the Registrar.
- (b) **Payments Subject to Laws:** All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Bondholders in respect of such payments.
- (c) **Payments on Business Days:** A Bond may only be presented for payment on a day which is a business day in the place of presentation. “**Business day**” means a day on which commercial banks are open in London.

7 Taxation

All payments in respect of the Bonds 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 make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. The Issuer shall not be obliged to make any additional payments to holders of Bonds in respect of such withholding or deduction.

8 Events of Default

If any of the following events occurs and is continuing the Trustee at its discretion may, and if so requested by holders of at least three-quarters in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Bonds are, and they shall immediately become, due and payable at their principal amount (such notice, an “**Acceleration Notice**”):

- (a) **Non-Payment:** the Issuer fails to pay the principal on any of the Bonds when due and such failure continues for a period of seven days; or
- (b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations in the Transaction Documents (as defined in the Trust Deed) which default (a) 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 and (b) in the opinion of the Trustee is materially prejudicial to the interests of the Bondholders; or
- (c) **Cross-Default:** (i) 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 event of default (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) 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 8(c) (*Cross-Default*) have occurred equals or exceeds £20,000; or
- (d) **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 in any such case not being discharged within 30 days; or
- (e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, 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 administrator or other similar person); or

- (f) **Insolvency:** the Issuer is (or is, or could be, deemed by law or a court to be) 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 any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), 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) the debts of the Issuer; or
- (g) **Winding-up:** an administrator or similar official 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 ceases or threatens to cease to carry on all or substantially all of its business or operations, 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 of the Bondholders; or
- (h) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Transaction Documents; or
- (i) **Transaction Documents:** any Transaction Document is not, in whole or (in the opinion of the Trustee) in any material part, (or is claimed by the Issuer not to be) in full force and effect; or
- (j) **Analogous Events:** any event occurs which has an analogous effect to any of the events referred to in any of the foregoing Conditions 8(a)-(i).

9 Prescription

Claims in respect of principal and other sums will become void unless presentation for payment is made as required by Condition 6 (*Payments*) within a period of 10 years in the case of principal from the Repayment Date and thereafter all such sums shall be forfeited and revert to the Issuer.

10 Replacement of Bonds

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Registrar may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

11 Meetings of Bondholders, Modification, Waiver and Substitution

- (a) **Meetings of Bondholders:** The Trust Deed contains provisions for convening meetings of Bondholders to consider matters 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 Trust Deed. Such a meeting may be convened by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more

persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds, (ii) to reduce or cancel the principal amount of the Bonds, (iii) to change the currency of payment of the Bonds or (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will 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 principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of all the holders of the Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders 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 Bondholders.

- (b) **Modification and Waiver:** The Trustee may agree, without the consent of the Bondholders to (i) any modification of any of the provisions of the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error, 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 Trust Deed which is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, if the Trustee so requires, such modification shall be notified to the Bondholders 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 Bondholders, to the substitution of certain other entities in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Bonds. In the case of such a substitution the Trustee may agree, without the consent of the Bondholders, to a change of the law governing the Bonds and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders.
- (d) **Entitlement of the Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

12 Enforcement, Limited Recourse and Non-Petition

- (a) **Enforcement:** Subject always to the terms of the Deed of Charge, at any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Bonds, but it need not take any such proceedings unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least one-fifth in principal amount of the Bonds outstanding, and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder 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.
- (b) Limited Recourse:
- (i) **Enforcement of Security:** Only the Security Trustee may enforce the Security over the Secured Property in accordance with, and subject to the terms of, the Deed of Charge.
- (ii) **Issuer Liability Limited:** The liability of the Issuer to pay any amounts due under the Bonds shall be limited to, and payable solely out of, the amounts received by the Issuer, or the Security Trustee on behalf of the Secured Creditors (as defined in the Deed of Charge), in respect of the Secured Property and applied in accordance with the Deed of Charge.
- (iii) **Amounts to Remain Outstanding:** Subject always to Condition 12(b)(i) (*Enforcement of Security*) above and Condition 12(c) (*Non-Petition*) below, any amount due under the Bonds and not payable or paid when due by the Issuer in accordance with Condition 12(b)(ii) (*Issuer Liability Limited*) above will nevertheless continue to be regarded as being outstanding for the purposes of making any demand under, or enforcing any Secured Property created by the Issuer pursuant to, any Transaction Document.
- (iv) **Insufficient Recoveries:** If, or to the extent that, after the Security over the Secured Property has been enforced and as fully as practicable realised and the proceeds thereof have been applied in accordance with the Deed of Charge the amounts recovered on realisation of the Secured Property are insufficient to pay or discharge amounts due from the Issuer to the Bondholders in full for any reason, the Issuer will have no liability to pay or otherwise make good any such insufficiency.
- (c) **Non-Petition:** No Bondholder may take any corporate action or other steps or legal proceedings for the winding-up, dissolution, arrangement, reconstruction or reorganisation of the Issuer or for the appointment of a liquidator, receiver, administrative receiver, administrator, trustee, manager or similar officer in respect of the Issuer or over any or all of its assets or undertaking.

13 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 Bondholders on a report, confirmation or certificate or any advice of any accountants, 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 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 Bondholders.

14 Notices

Notices to Bondholders will be mailed to them at the respective addresses in the Register (in the case of Joint Holders, the respective address of the first named Joint Holder in the Register) and deemed to have been given on the second business day after the date of mailing.

15 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

16 Governing Law

- (a) **Governing Law:** The Trust Deed and the Bonds 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.
- (b) **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds ("**Proceedings**") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

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