

DATED 22 NOVEMBER 2017



BLUEZEST SECURED RETAIL BOND PLC

(incorporated in England and Wales with limited liability with company number 10396732)

£1,500,000,000

Programme for the issuance of Bonds

Arranger and Initial Dealer

Monsas Limited

(incorporated in England and Wales with limited liability with company number 10189197, and authorised and regulated by the United Kingdom Financial Conduct Authority having reference number 753786)

AN INVESTMENT IN BONDS ISSUED UNDER THE PROGRAMME INVOLVES CERTAIN RISKS.

YOU SHOULD HAVE REGARD TO THE RISK FACTORS DESCRIBED IN SECTION 2 ("RISK FACTORS") OF THIS BASE PROSPECTUS.

YOU SHOULD ALSO READ CAREFULLY SECTION 16 ("IMPORTANT LEGAL INFORMATION") OF THIS BASE PROSPECTUS.

YOU SHOULD ALSO NOTE THAT NO BONDS ISSUED UNDER THE PROGRAMME ARE PROTECTED BY THE FINANCIAL SERVICES COMPENSATION SCHEME.

ABOUT THIS DOCUMENT

What is this document?

This document (the "**Base Prospectus**") relates to the £1,500,000,000 programme (the "**Programme**") of BlueZest Secured Retail Bond PLC (the "**Issuer**") under which the Issuer may from time to time issue sterling denominated bonds ("**Bonds**") to investors ("**Investors**"). The principal amount (being the amount which is used to calculate payments made on each Bond) of all Bonds for the time being outstanding under the Programme will not exceed £1,500,000,000. The Issuer intends, subject to prevailing market conditions, to issue up to £250,000,000 in principal amount of Bonds in the period of 12 months immediately following the date of this Base Prospectus.

The Issuer (in its capacity as lender, the "**Lender**") shall make available to BlueZest Mortgages and Loans Limited ("**BlueZest Mortgages**") a committed loan facility in a maximum principal amount equal to the aggregate of the outstanding principal amount of Bonds that have been issued. The initial principal amount of an issue of Bonds will be loaned by the Lender to BlueZest Mortgages as one or more advances (each an "**Advance**") of a loan (the "**Loan**") on the terms of a loan agreement (the "**Loan Agreement**") entered into on or about 22 November 2017 (the "**Closing Date**") between, among others, the Lender and BlueZest Mortgages. BlueZest Mortgages is permitted to use Advances of the Loan to, among other things, grant mortgage loans ("**Mortgage Loans**") to borrowers which satisfy the Lending Criteria from time to time and to pay (on the Issuer's behalf) certain fees, costs and expenses incurred by the Issuer in connection with the issue of Bonds under the Programme.

The payments of interest and repayment of principal on each Advance by BlueZest Mortgages under the Loan Agreement are expected to provide the Issuer with funds to make payments on the Bonds.

What types of Bonds does this Base Prospectus relate to?

This Base Prospectus relates to the issuance of two different types of Bonds: *Fixed Rate Bonds*, on which the Issuer will pay interest at a fixed rate; and *Floating Rate Bonds*, on which the Issuer will pay interest at a floating rate.

How do I use this Base Prospectus?

The contractual terms of any particular issuance of Bonds will be comprised of the terms and conditions set out in Appendix B (*Terms and Conditions of the Bonds*) at pages 162 to 193 of this Base Prospectus (the "**Conditions**"), as completed by a separate final terms document, which is specific to that issuance of Bonds (the "**Final Terms**").

The Conditions are comprised of numbered provisions (1 – 25) including generic provisions that are applicable to Bonds generally and certain optional provisions that will only apply to certain issuances of Bonds.

The following provisions within the Conditions (together with the introductory wording appearing before Condition 1 on page 162) apply to Bonds generally:

- Condition 1 (*Introduction*)
- Condition 2 (*Interpretation*)
- Condition 3 (*Form, denomination and title*)
- Condition 4 (*Status*)
- Condition 5 (*Issuer Security*)
- Condition 6 (*Borrower Security*)
- Condition 7 (*Order of payments*)
- Condition 8 (*Covenants*)
- Condition 14 (*Taxation*)
- Condition 15 (*Bond Events of Default and Enforcement*)

- Condition 16 (*Prescription*)
- Condition 17 (*Replacement of Bond Certificate*)
- Condition 18 (*Bond Trustee, Borrower Security Trustee, Issuer Security Trustee and Agents*)
- Condition 19 (*Meetings of Bondholders; Modification and Waiver; Substitution*)
- Condition 20 (*Further Issues*)
- Condition 21 (*Notices*)
- Condition 22 (*Currency Indemnity*)
- Condition 23 (*Rounding*)
- Condition 24 (*Contracts (Rights of Third Parties) Act 1999*)
- Condition 25 (*Governing Law*)

The following Conditions contain certain optional provisions that will only apply to certain issuances of Bonds:

- Condition 9 (*Fixed Rate Bond Provisions*)
- Condition 10 (*Floating Rate Bond Provisions*)
- Condition 11 (*Redemption and Purchase*)
- Condition 12 (*Payments - Registered Bonds*)
- Condition 13 (*Payments - Uncertificated Registered Bonds*).

The applicable Final Terms will specify which optional provisions apply to any particular issuance of Bonds.

What other documents should I read?

You should read and understand fully the contents of this Base Prospectus and the relevant Final Terms before making any investment decision in respect of any Bonds.

This Base Prospectus and the Final Terms relating to any Bonds will be made available in hard copy form at the registered office of the Issuer during normal business hours (9:00 am to 5:00 pm, UK time, Monday to Friday, excluding bank holidays) but from where copies are not permitted to be taken; and published electronically on the relevant section of the BlueZest Group's website (<http://www.bluezest.com/bond-investors/>).

What information is included in the Final Terms?

While this Base Prospectus includes general information about all Bonds, the Final Terms is the document that sets out the specific details of each particular issuance of Bonds. The Final Terms will contain the relevant economic terms applicable to any particular issuance of Bonds. The Final Terms will contain, for example:

- the issue date;
- the interest basis (i.e. fixed rate or floating rate) and the interest rate;
- the interest payment dates;
- the scheduled maturity date and redemption amount; and
- any other information needed to complete the Conditions (identified in the Conditions by the words "as specified in the applicable Final Terms" or other equivalent wording).

Wherever the Conditions provide optional provisions, the Final Terms will specify which of those provisions apply to a specific issuance of Bonds.

What does this document contain?

This Base Prospectus contains important information about the Issuer and BlueZest Mortgages, the terms of the Bonds and the terms of the Loan Agreement, as well as describing certain risks relating to the Issuer and BlueZest Mortgages and their businesses and also other risks relating to an investment in the Bonds generally. It

is intended to provide Investors with the information necessary to enable them to make an informed investment decision before purchasing any Bonds.

A "*Table of Contents*" identifying each section and appendix of this Base Prospectus with corresponding page references is included on page viii. Set out below is a brief description of what each section and appendix contains.

Section 1 (*Summary*) section sets out in tabular format standard information which is arranged under standard headings and which the Issuer is required, for legal and regulatory reasons, to include in a prospectus summary for a base prospectus of this type. This section also provides the form of the "issue specific summary" information, which will be completed and attached to the Final Terms relating to any Bonds which are to be offered under the Programme.

Section 2 (*Risk Factors*) describes the principal risks and uncertainties which may affect the ability of the Issuer and BlueZest Mortgages to fulfil their respective obligations under the Bonds and the Loan Agreement.

Section 3 (*Information about the Programme*) provides an overview of the Programme in order to assist the reader.

Section 4 (*How the return on your investment is calculated*) sets out worked examples of how the interest amounts are calculated under a variety of scenarios and how the redemption provisions will affect the Bonds.

Section 5 (*Taxation*) provides a brief outline of certain United Kingdom taxation implications regarding Bonds that may be issued under the Programme, as well as certain other taxation considerations which may be relevant to the Bonds.

Section 6 (*Description of the Issuer*) provides certain information about the Issuer including its incorporation and status, its business activities and a summary of available financial information relating to the Issuer.

Section 7 (*Description of BlueZest Mortgages*) provides certain information about BlueZest Mortgages including its incorporation, status and principal activities.

Section 8 (*Mortgage Lending*) provides certain information about the mortgage products offered by BlueZest Mortgages, the lending policy in accordance with which the mortgage products are originated, the lending criteria applied by BlueZest Mortgages in deciding whether to approve a loan application and the channels through which the Mortgage Loans are expected to be distributed.

Section 9 (*Mortgage indemnity guarantee policy (MIG Policy)*) sets out information about the mortgage indemnity guarantee policy being provided by the MIG Provider in respect of the Mortgage Loans.

Section 10 (*Description of the Corporate Services Provider*) provides certain information about the Corporate Services Provider including the services that it had agreed to provide to the Issuer in relation to the Programme.

Section 11 (*Description of the Servicer*) provides certain information about the Servicer including its role in collecting, administering and enforcing the terms of the Mortgage Loans, Mortgages and Related Security.

Section 12 (*Description of the Account Bank*) provides information about the Account Bank, being the bank at which the main accounts relating to the Programme are held.

Section 13 (*Security for the Issuer's and BlueZest Mortgages' obligations*) provides an overview of the security that has been granted by each of the Issuer and BlueZest Mortgages in respect of their respective obligations under the Bonds and the Loan Agreement.

Section 14 (*Subscription and Sale*) contains a description of the material provisions of the Programme Agreement, which includes certain selling restrictions applicable to making offers of the Bonds under the Programme.

Section 15 (*Additional Information*) sets out further information on the Issuer, BlueZest Mortgages and the Programme which the Issuer is required to include under applicable rules. This includes the availability for inspection of certain documents relating to the Programme, confirmations from the Issuer and BlueZest Mortgages and details regarding the listing of the Bonds.

Section 16 (*Important legal information*) contains important information regarding the basis on which this Base Prospectus may be used for the purpose of making public offers of Bonds.

Appendix A (*Defined Terms Index*) provides an index identifying the locations in this Base Prospectus where terms are defined.

Appendix B (*Terms and Conditions of the Bonds*) sets out the terms and conditions which apply to any Bonds that may be issued under the Programme. The relevant Final Terms relating to any offer of Bonds will complete the terms and conditions of those Bonds and should be read in conjunction with this appendix.

Appendix C (*Form of the Bonds*) sets out the legal form in which the Bonds will be issued, including that the legal title to the Bonds shall pass by registration in the relevant register maintained by the Registrar (in the case of Registered Bonds) and the CREST Registrar (in the case of Uncertificated Registered Bonds) and that Investors will trade legal and/or beneficial interests in the Bonds electronically in certain clearing or settlement systems.

Appendix D (*Summary of provisions relating to the Bonds while in global form*) provides a summary of certain terms of the Bonds which apply to the Bonds 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 Bonds as set out in this Base Prospectus.

Appendix E (*Form of Final Terms*) sets out the template for the Final Terms that the Issuer will prepare and publish when offering any Bonds under the Programme. Any such completed Final Terms will detail the relevant information applicable to each respective offer, amended to be relevant only to the specific Bonds being offered.

Appendix F (*Form of Loan Agreement*) sets out the agreed form of loan agreement entered into between the Issuer (in its capacity as Lender), BlueZest Mortgages and the Borrower Security Trustee on or about the Closing Date.

Appendix G (*Book-entry clearance systems*) briefly sets out certain information relating to the clearing systems and settlement of securities in CREST.

Appendix H (*Financial Information of Unique Funding Limited*) provides a summary of available financial information relating to the Issuer's and BlueZest Mortgages' ultimate parent company, Unique Funding Limited.

How long is this document valid for?

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

What if I have further queries relating to this Base Prospectus and the Bonds?

IF YOU HAVE ANY QUESTIONS REGARDING THE CONTENT OF THIS BASE PROSPECTUS, ANY FINAL TERMS AND/OR ANY BONDS OR THE ACTIONS YOU SHOULD TAKE, IT IS RECOMMENDED THAT YOU SEEK PROFESSIONAL ADVICE FROM YOUR BROKER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT FINANCIAL ADVISER BEFORE DECIDING WHETHER OR NOT TO INVEST.

IMPORTANT NOTICES

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

The Bonds are being offered and sold outside the U.S. to persons that are not U.S. persons (as defined in Regulation S ("**Regulation S**") under the Securities Act) in reliance on Regulation S. No Bonds may at any time be offered, sold, resold, traded, pledged, redeemed, transferred or delivered, directly or indirectly, in or into the United States or to, or for the account or benefit of, any U.S. person and any offer, sale, resale, trade, pledge, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised. The Bonds have not been approved or disapproved by the U.S. Securities and Exchange Commission, any State securities commission in the United States or any other U.S. regulatory authority, nor has any of the foregoing authorities passed upon or endorsed the merits of the offering of the Bonds or the accuracy or the adequacy of this Base Prospectus. Any representation to the contrary is a criminal offence in the United States. For a description of certain further restrictions on offers and sales of the Bonds and on the distribution of this Base Prospectus, see "*Subscription and Sale*" below.

About this document

This Base Prospectus has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC, as amended (the "**Prospectus Directive**"), and relevant implementing measures in the United Kingdom, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of Bonds under the Programme during the period of twelve months after the date hereof. Applications have been made for such Bonds to be admitted during the period of twelve months after the date hereof to listing on the Official List of the FCA and to trading on the regulated market of the London Stock Exchange plc (the "**London Stock Exchange**") and through the order book for fixed income securities ("**OFIS**"). The regulated market of the London Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC, as amended on markets in financial instruments.

Responsibility for the information contained in this Base Prospectus

The Issuer accepts responsibility for the information contained in this Base Prospectus and, in relation to each Tranche of Bonds, in the applicable Final Terms for such Tranche of Bonds and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect its import. 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 third party information is identified where used.

BlueZest Mortgages accepts responsibility for the information in this Base Prospectus contained in Sections 1 (*Summary*), 2 (*Risk Factors*), 3 (*Information about the Programme*), 7 (*Description of BlueZest Mortgages*), 8 (*Mortgage Lending*), 9 (*Mortgage*

indemnity guarantee policy (MIG Policy)), 11 (*Description of the Servicer*), 13 (*Security for the Issuer's and BlueZest Mortgages' obligations*) and Appendix H (*Financial Information of Unique Funding Limited*) (in so far as the information relates to BlueZest Mortgages only) and the information relating to it under the headings "*Use of Proceeds*", "*Legal and Arbitration Proceedings*", "*Significant/Material Change*" and "*Auditors / accountants*" in Section 15 (*Additional Information*). BlueZest Mortgages declares that, having taken all reasonable care to ensure that such is the case, the information contained in the aforementioned sections is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect its import. Where information in these sections has been sourced from a third party, such information has been accurately reproduced and, as far as BlueZest Mortgages 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 third party information is identified where used.

The Account Bank accepts responsibility for the information in this Base Prospectus contained in Section 12 (*Description of the Account Bank*) and declares that, having taken all reasonable care to ensure that such is the case, the information contained in the aforementioned section is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect its import. Where information in this section has been sourced from a third party, such information has been accurately reproduced and, as far as the Account Bank 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 third party information is identified where used.

The Corporate Services Provider accepts responsibility for the information in this Base Prospectus contained in Section 10 (*Description of the Corporate Services Provider*) and declares that, having taken all reasonable care to ensure that such is the case, the information contained in the aforementioned section is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect its import. Where information in this section has been sourced from a third

party, such information has been accurately reproduced and, as far as the Corporate Services Provider 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 third party information is identified where used.

No independent verification by certain parties

None of the Arranger, the Bond Trustee, the Borrower Security Trustee or the Issuer Security Trustee has independently verified or confirmed the information contained in this Base Prospectus. No representation, warranty or undertaking, express or implied, is made by the Arranger, the Bond Trustee, the Borrower Security Trustee or the Issuer Security Trustee as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by the Issuer or BlueZest Mortgages in connection with the offering of any Bonds. None of the Arranger, the Bond Trustee, the Borrower Security Trustee or the Issuer Security Trustee accepts liability in relation to the information contained in this Base Prospectus or any other information provided by the Issuer or BlueZest Mortgages in connection with the offering of any Bonds or their distribution.

Use of defined terms in this Base Prospectus

Certain terms or phrases in this Base Prospectus are defined in bold font and references to those terms elsewhere in this Base Prospectus are designated with initial capital letters. The locations in this Base Prospectus where these terms are defined are set out in Appendix A (*Defined Terms Index*) of this Base Prospectus.

In this Base Prospectus, references to the Issuer are to BlueZest Secured Retail Bond PLC, which is the principal debtor in relation to the Programme and issuer of the Bonds under it. See Section 6 (*Description of the Issuer*) for further information. References to BlueZest Mortgages are to BlueZest Mortgages and Loans Limited, which is the obligor under the Loan Agreement, the payments by which under the Loan will provide the Issuer with funds to make payments on the Bonds.

The Bonds issued under the Programme are not protected by the Financial Services Compensation Scheme

No Bonds issued under the Programme are protected by the Financial Services Compensation Scheme (the "FSCS"). As a result, neither the FSCS nor anyone else will pay compensation to Investors upon the failure of the Issuer or BlueZest Mortgages. If the Issuer or BlueZest Mortgages goes out of business or becomes insolvent, Investors may lose all or part of their investment in the relevant Bonds.

No offer of Bonds

This Base Prospectus does not constitute an offer to subscribe for any Bonds. Any offer to subscribe for Bonds will only occur when the Issuer publishes Final Terms setting out the specific terms of the relevant offer. See Section 16 (*Important legal information*) of this Base

Prospectus for details on how any public offers of Bonds will be made.

EEA retail investors

If the Final Terms in respect of any Bonds includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Bonds are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, 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, as amended ("MiFID II");
- (ii) a customer within the meaning of Directive 2002/92/EC, as amended, 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.

Consequently, in respect of any such Bonds, no key information document required by Regulation (EU) No 1286/2014, as amended (the "PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA will be prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Credit Rating Agency Regulation notice

The Issuer is not rated and the Programme is not rated by a credit rating agency. A Series of Bonds may be rated by one (or all) of Fitch Ratings Ltd ("**Fitch**"), Moody's Investors Service Ltd. ("**Moody's**") or Standard & Poor's Ratings Group ("**S&P**") or it may be unrated. Each of Fitch, Moody's and S&P is established in the European Union and is registered under Regulation (EU) No. 1060/2009 (as amended) (the "**CRA Regulation**"). Where a Series of Bonds is rated, such rating will be specified in the applicable Final Terms.

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1. SUMMARY

This section sets out in a grid format standard information which is arranged under standard headings and is required to be included in a prospectus summary for this type of product.

It also provides the form of the "issue specific summary" information which may be completed and attached to applicable Final Terms relating to Bonds which may be offered under the Programme.

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 these types of security and this type of issuer. As some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and 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 "not applicable". Words and expressions defined in the "Terms and Conditions of the Bonds" below or elsewhere in this Base Prospectus have the same meanings in this summary.

SECTION A - Introduction and Warnings		
A.1	Introduction:	<p>This summary must be read as an introduction to this Base Prospectus. Any decision to invest in the Bonds should be based on a consideration of this Base Prospectus as a whole by any investor. Where a claim relating to the information contained in this Base Prospectus 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 Base Prospectus 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 Base Prospectus or it does not provide, when read together with the other parts of this Base Prospectus, key information in order to aid investors when considering whether to invest in such Bonds.</p>
A.2	Consent by the Issuer and BlueZest Mortgages to the use of this Base Prospectus for subsequent resale or final placement of securities by financial intermediaries	<p>Bonds with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under Article 3.2 of the Prospectus Directive to publish a prospectus. Any such offer is referred to herein as a "Public Offer". In relation to Bonds issued under the Programme which are to be offered as part of a Public Offer, the Issuer and, as applicable, BlueZest Mortgages may provide their consent to the use of this Base Prospectus for subsequent resale or final placement of Bonds by financial intermediaries, provided that such subsequent resale or final placement of Bonds is made in the United Kingdom during the relevant offer period and subject to certain other conditions attached to the consent which are relevant for the use of this Base Prospectus.</p> <p><i>Issue specific summary:</i></p> <p>[Not applicable; the Bonds are issued in denominations of less than €100,000 (or its equivalent in any other currency) but there is not, for this issue, a Public Offer of the Bonds.]</p> <p>[<i>Consent:</i> Subject to the conditions set out below, the Issuer and, as applicable, BlueZest Mortgages each consent to the use of the Base Prospectus and the Final Terms and accepts responsibility for the content of the Base Prospectus also with respect to subsequent resale or final placement of the Bonds by any financial intermediary which is given consent to use this Base Prospectus:</p> <ul style="list-style-type: none"> (i) the Public Offer is only made in the United Kingdom; (ii) the Public Offer is only made during the period from, and including, [●] and ending at [●], or such earlier date as may be published by the Issuer (the "Offer Period"); and (iii) the Public Offer is only made by [●], [each financial intermediary whose name is published on the relevant section of the BlueZest Group's website (http://www.bluezest.com/bond-investors/) and identified as being appointed as an Authorised Offeror in respect of the Public Offer] [and] [any financial intermediary which is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC), as amended] ([each] an "Authorised Offeror"). <p>[Any financial intermediary who wishes to use the Base Prospectus in connection with a Public Offer is required, for the duration of the Offer Period, to publish on its website that it is using this Base Prospectus for such Public Offer in accordance with the consent of the Issuer and the conditions attached thereto.]</p> <p>A Public Offer may only be made, subject to the conditions set out above, during the Offer Period by an Authorised Offeror.</p>

		<p>Other than as set out above, none of the Issuer, BlueZest Mortgages or any Dealer has authorised the making of any Public Offer by any person in any circumstances and any such person is not permitted to use the Base Prospectus in connection with any offer of Bonds. Any such offers are not made on behalf of the Issuer, BlueZest Mortgages or by or on behalf of any Dealer or any other Authorised Offeror and none of the Issuer, BlueZest Mortgages, any Dealer or any other Authorised Offeror has any responsibility or liability for the actions of any person making such unauthorised offers.</p> <p>An investor intending to acquire or acquiring any Bonds from an Authorised Offeror will do so, and offers and sales of the Bonds to an investor by an 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"). Neither the Issuer nor BlueZest Mortgages will be a party to any such arrangements with Investors in connection with the offer or sale of the Bonds and, accordingly, the Base Prospectus will not contain such information.</p> <p>INFORMATION ON THE TERMS AND CONDITIONS OF THE PUBLIC OFFER BY ANY AUTHORISED OFFEROR WILL BE PROVIDED BY THE AUTHORISED OFFEROR AT THE TIME OF SUCH PUBLIC OFFER.]</p>
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Section B - Summary Information on the Issuer and BlueZest Mortgages as obligor under the Loan Agreement ("Obligor")			
B.1	Legal and commercial name:	Issuer	BlueZest Secured Retail Bond PLC
		Obligor	BlueZest Mortgages and Loans Limited
B.2	Domicile and legal form:	Issuer	The Issuer is a public limited company incorporated in England and Wales under the Companies Act 2006 with company number 10396732.
		Obligor	BlueZest Mortgages and Loans Limited is a private limited company incorporated in England and Wales under the Companies Act 2006 with company number 10685117.
B.5	A description of the group and BlueZest Mortgages' position within the group:	Obligor	<p>BlueZest Mortgages is a wholly-owned subsidiary of Unique Funding Limited.</p> <p>The group (the "BlueZest Group") consists of Unique Funding Limited and its following subsidiaries: BlueZest Mortgages and Loans Limited; BlueZest Funding Limited; International Risk Partnership Limited; and BlueZest Secured Retail Bond PLC.</p>
B.9	Profit forecast or estimate:	Obligor	Not applicable. No public profit forecast or profit estimate has been made.
B.10	Audit report qualification:	Obligor	Not applicable. No audit report has been prepared.
B.12	Selected historical key financial information:	Obligor	<p>No audited financial information has been prepared or published in respect of BlueZest Mortgages since the date of its incorporation.</p> <p>There has been no significant change in the financial or trading position of BlueZest Mortgages since 22 March 2017 (being its date of incorporation) and there has been no material adverse change in the prospects of BlueZest Mortgages since 22 March 2017 (being its date of incorporation).</p> <p>Set out below is a summary of the financial position of Unique Funding Limited which has been taken from the management accounts of Unique Funding Limited for the period from the date of its incorporation on 3 March 2017 to 30 September 2017 and is unaudited.</p>

			Accounts of Unique Funding Limited (for the period 3/3/2017 to 30/09/2017)		
			Category	Description	£
			Funds	Principal Investor funds introduced	760,000
				Principal Investor funds committed	90,000
					850,000
			Income	Sales	-
				Interest	51
			Direct Costs	Direct Wages	197,383
				Employers National Insurance	20,265
			Operating expenses	Advertising and Marketing	2,538
				Audit & Accountancy fees	541
				Bank Fees	2
				Bond set up fees	128,141
				Cleaning	14
				Consulting	6,746
				Data Services	20,785
				Entertainment - 0%	150
				Entertainment - 100% business	287
				Expenses - Staff	226
				General Expenses	1,250
				Insurance	274
				IT Software and Consumables	47,816
				Legal Expenses	11,214
				Motor Vehicle Expenses	62
				Postage, Freight & Courier	77
				Printing & Stationery	763
				Recruitment expenses	20,646
				Rent	13,197
				Repairs & Maintenance	295
				Telephone & Internet	8,835
				Travel - National	3,741
			Assets	Computer Equipment	2,324
				Office Equipment	3,073
				Proprietary Risk Engine	105,250
			Current Balance		254,156
B.13	Recent events impacting on BlueZest Mortgages' solvency:	Obligor	Not applicable. There have been no recent events particular to BlueZest Mortgages which are to a material extent relevant to the evaluation of BlueZest Mortgages' solvency.		
B.14	Dependence on other group entities	Obligor	<p>As the ultimate parent company of the BlueZest Group, Unique Funding Limited ("Unique Funding") is primarily responsible for the treasury, funding and compliance functions of BlueZest Mortgages. In terms of funding, Unique Funding Limited devolves responsibility to BlueZest Funding Limited, a wholly-owned subsidiary. Unique Funding, BlueZest Funding Limited and their employees manage the drawdown and repayment of Advances under the Loan Agreement and the origination and servicing of Mortgage Loans to borrowers. The board of Unique Funding also has three standing committees (relating to (1) remuneration, (2) nominations and (3) audit, risk and compliance) which serve both Unique Funding and BlueZest Mortgages.</p> <p>The Issuer, as Lender under the Loan Agreement, provides funding to BlueZest Mortgages to enable it to, among other things, grant Mortgage Loans to borrowers which satisfy the lending criteria ("Lending Criteria") articulated from time to time in its lending policy against which all applications for Mortgage Loans are assessed.</p>		

			Other than its dependence on Unique Funding, BlueZest Funding Limited and the Issuer as outlined above, BlueZest Mortgages is not dependent on any other entities within the BlueZest Group.
B.15	Principal activities of BlueZest Mortgages:	Obligor	BlueZest Mortgages' principal activity involves granting mortgage loans to eligible borrowers secured on property situated in England and Wales and, as required, personal guarantees granted by the directors of the borrowing company. The types of mortgage loans granted by BlueZest Mortgages comprise buy-to-let loans, loans to small and medium size enterprises and property development loans.
B.16	Ownership structure:	Issuer	The Issuer is a wholly-owned subsidiary of BlueZest Funding Limited, which is in turn owned by Unique Funding Limited.
		Obligor	BlueZest Mortgages is a wholly-owned subsidiary of Unique Funding Limited.
B.17	Credit ratings:	<p>The Issuer is not rated.</p> <p>Bonds issued under the Programme may be rated or unrated. Where a Tranche of Bonds is to be rated, such rating will not necessarily be the same as any rating assigned to the Issuer or any other Bonds. 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><i>Issue specific summary:</i></p> <p>The Bonds to be issued [are not/have been/are expected to be rated: [S&P: [●]]; [Moody's: [●]]; [Fitch: [●]]].</p> <p>[[<i>Rating agency</i>] is established in the European Union and registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the "CRA Regulation").]</p>	
B.20	Whether the Issuer has been established as a special purpose vehicle or entity for the purpose of issuing asset backed securities:	The Issuer is an entity which has been established for the purpose of issuing asset-backed securities.	
B.21	A description of the Issuer's principal activities including a global overview of the parties to the transaction including information on the direct or indirect ownership or control between those parties:	<p>The Issuer's principal activity is to issue Bonds, and lend the proceeds of each issue to BlueZest Mortgages under the terms of the Loan Agreement.</p> <p>The other principal parties relevant to the issue of the Bonds are:</p> <ul style="list-style-type: none"> • BlueZest Mortgages and Loans Limited as servicer (the "Servicer") of the Mortgage Loans, Mortgages and Related Security under the Loan Agreement; • Link Corporate Trustees (UK) Limited as Borrower Security Trustee (the "Borrower Security Trustee") in respect of the Borrower Security for itself and on behalf of the other Borrower Secured Parties; • Link Corporate Trustees (UK) Limited as Issuer Security Trustee (the "Issuer Security Trustee") in respect of the Issuer Security for itself and on behalf of the other Issuer Secured Parties; • Link Corporate Trustees (UK) Limited as bond trustee (the "Bond Trustee") for and on behalf of the Bondholders; 	

		<ul style="list-style-type: none"> The Bank of New York Mellon, London Branch as account bank (the "Account Bank"); Link Trust Corporate Limited as corporate services provider (the "Corporate Services Provider") in respect of the Issuer; Link Asset Services (UK) Limited as cash manager (the "Cash Manager") and initial calculation agent (the "Calculation Agent"); if the Issuer issues Bonds other than Uncertificated Registered Bonds, it will appoint a principal paying agent (the "Principal Paying Agent"), a registrar (the "Registrar") and a transfer agent (the "Transfer Agent") in respect of such Bonds; and Link Market Services Limited as registrar and paying agent (the "CREST Registrar") in respect of the Uncertificated Registered Bonds. <p>The Issuer and BlueZest Mortgages have the same ultimate parent, Unique Funding. There are no other relationships of direct or indirect ownership or control between the parties listed above.</p>	
B.22	Where, since the date of incorporation or establishment, an Issuer has not commenced operations and no financial statements have been made up as at the date of the registration document, a statement to that effect:	Issuer	Since the date of its incorporation on 27 September 2016, the Issuer has not commenced operations and no financial statements have been made up as at the date of this Base Prospectus.
B.23	Selected historical key financial information:	Issuer	Not applicable. Since the date of its incorporation on 27 September 2016, no financial statements have been made up in respect of the Issuer for a full financial year as at the date of this Base Prospectus.
B.24	Any material adverse change in the prospects of the Issuer:	Issuer	Since the date of its incorporation on 27 September 2016, there has been no material adverse change in the prospects of the Issuer.
B.25	A description of the underlying assets:	<p>Capacity to produce funds</p> <p>The Issuer's objective is to provide a return to Investors in each Tranche of Bonds comprising interest on the interest payment date(s) (each an "Interest Payment Date") and/or on the maturity date (each a "Maturity Date") for the relevant Series.</p> <p>To generate the amounts necessary to pay interest (the "Interest Amount") on each Interest Payment Date and to repay principal (the "Final Redemption Amount") on the relevant Maturity Date of each Series, the Issuer will loan the proceeds of each Tranche of Bonds to BlueZest Mortgages as one or more advances (each an "Advance") of a loan (the "Loan") on the terms of a loan agreement (the "Loan Agreement") entered into between the Issuer, BlueZest Mortgages and the Borrower Security Trustee on or about the Closing Date.</p> <p>BlueZest Mortgages is permitted to use Advances of the Loan to grant mortgage loans ("Mortgage Loans") to borrowers according to the Lending Criteria and to pay certain fees and expenses of the Issuer. Each Mortgage Loan granted by BlueZest Mortgages will be secured by:</p> <ol style="list-style-type: none"> the grant of a legal mortgage (the "Mortgage") by the relevant borrower or, as the case may be, one of its directors, over the property in respect of which the Mortgage Loan has been granted or, as the case may be, another property owned by the directors (such property being, the "Mortgaged Property"), and as required, personal guarantees given by the directors of the borrowing company (the "Related Security"). 	

All payments in respect of the Mortgage Loans, Mortgages and Related Security are to be paid into a collections account in the name of BlueZest Mortgages with the Account Bank (the "**Collections Account**"). In the case of payments by direct debit, such amounts will be collected by a third party collection agent (the "**Direct Debit Collection Agent**") on BlueZest Mortgages' behalf, held in a trust account at National Westminster Bank Plc (or a replacement financial institution) (in favour of BlueZest Mortgages as beneficiary) and then transferred into the Collections Account once the funds are cleared.

On the first and third Wednesday of each calendar month (each a "**Transfer Date**"), all amounts standing to the credit of the Collections Account (other than, at the option of BlueZest Mortgages, any amounts of principal prepayments of Mortgage Loans (determined as such by the Servicer)) shall be transferred into the Issuer Transaction Account.

Principal prepayments (determined as such by the Servicer) may, at any time at the option of BlueZest Mortgages, either be transferred from the Collections Account into a completions account in the name of BlueZest Mortgages (once the same has been opened, the "**Completions Account**") or transferred into the Issuer Transaction Account, in each case, to be made available to grant further Mortgage Loans to borrowers according to the Lending Criteria.

Each transfer by BlueZest Mortgages on a Transfer Date of amounts standing to the credit of its Collections Account into the Issuer Transaction Account shall discharge (in full or in part, as the case may be) BlueZest Mortgages' obligation to pay interest and principal under the Loan Agreement in respect of the Interest Payment Date falling after the relevant Transfer Date and, once such amounts have been paid in full, on following Interest Payments Dates. The amounts so transferred shall be allocated between interest and principal on *pro rata* basis (i.e. according to the amount that such interest or principal (as the case may be) bears to the total of such interest and principal). Such allocation of principal and interest shall be determined and recorded by the Cash Manager in accordance with the Cash Management Agreement.

Payments of interest and repayment of principal by BlueZest Mortgages under the Loan Agreement will provide the Issuer with funds to make payments on the Bonds and to pay other amounts owing under the Transaction Documents. Accordingly, the Loan Agreement has characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Bonds.

Security

To secure its obligations under the Loan Agreement, BlueZest Mortgages has granted security (the "**Borrower Security**") over:

- (i) all of its rights, title and interest from time to time in and to each Mortgage Loan, Mortgage and Related Security relating to such Mortgage Loan;
- (ii) all of its rights, title and interest arising under the MIG Policy which relate to Mortgage Loans;
- (iii) all of its rights, title and interest arising under the Loan Agreement and each Transaction Document to which it is a party; and
- (iv) the Collections Account opened in its name with, and maintained by, the Account Bank and the Completions Account (if any), including, in each case, all monies and/or securities from time to time standing to the credit of such accounts and all debts represented thereby,

in favour of Link Corporate Trustees (UK) Limited (the "**Borrower Security Trustee**") (for itself and as trustee on behalf of itself and the other Borrower Secured Parties) pursuant to a borrower deed of charge entered into between, amongst others, BlueZest Mortgages and the Borrower Security Trustee on or about the Closing Date (the "**Borrower Deed of Charge**").

"**Borrower Secured Parties**" means the Issuer (in its capacity as Lender under the Loan Agreement), the Issuer Secured Parties and any successor, transferee, replacement or assignee of any of such parties.

"**Issuer Secured Parties**" means each of the Bondholders, the Bond Trustee, the Borrower Security Trustee, the Issuer Security Trustee, any receiver or other appointee, the Account Bank, the Cash Manager, the Calculation Agent, the CREST Registrar, the Servicer, the Corporate Services Provider and any other party from time to time acceding to the Security Trust Deed or who is expressed in any deed supplemental to the Security Trust Deed to be an Issuer Secured Party and any successor, transferee, replacement or assignee of any of such parties.

The "**Borrower Secured Parties**" and the "**Issuer Secured Parties**" are collectively referred to in this Base Prospectus as the "**Secured Parties**".

Fees

In consideration of the Issuer making available the committed loan facility pursuant to the Loan Agreement, BlueZest Mortgages will pay certain fees, costs and expenses arising in connection with the Programme on behalf of the Issuer. These include, without limitation, those payable to: the Bond Trustee, the Borrower Security Trustee, the Issuer Security Trustee, the Account Bank, the Cash Manager, the Calculation Agent, the Principal Paying Agent (if appointed), the Registrar (if appointed), the Transfer Agent (if appointed), the CREST Registrar, the Servicer, the Corporate Services Provider, the Lead Manager or any Dealer, the United Kingdom Listing Authority, any stock exchange or any rating agency. BlueZest Mortgages may request for some of those amounts to be reimbursed by the Issuer pursuant to the relevant Priority of Payments, as set out in the terms and conditions of the Bonds.

"Priority of Payments" means each of the Pre-Enforcement Priority of Payments and the Post-Enforcement Priority of Payments or any one of them, as the context requires;

Mortgage indemnity guarantee policy

The value of the security granted by BlueZest Mortgages may be affected by, among other things, a decline in the value of the Mortgaged Properties. No assurance can be given that the values of the Mortgaged Properties will remain at the level at which they were on the dates of origination of the related Mortgage Loans. Declines in property values could in certain circumstances result in the value of the Mortgages supporting the Mortgage Loans being significantly reduced and, ultimately, may result in losses to the Bondholders if the security granted by BlueZest Mortgages is required to be enforced.

In order to reduce its exposure (and correspondingly the exposure of Investors under the Bonds) to a potential future decline in property values, in addition to the equity provided by the borrower, BlueZest Mortgages has entered into a mortgage indemnity guarantee policy (the "**MIG Policy**") with AmTrust Europe Limited (the "**MIG Provider**"). The Issuer shall reimburse BlueZest Mortgages for any amounts paid by BlueZest Mortgages to the MIG Provider under the MIG Policy in accordance with the relevant Priority of Payments. AmTrust Europe Limited is the UK regulated insurance company of the AmTrust Group and is rated "A" (Excellent) by A.M. Best as at the date of this Base Prospectus (source: AmTrust's website (<https://www.amtrusteurope.com/en-GB/about>)).

See Section 9 (*Mortgage indemnity guarantee policy (MIG Policy)*) for an overview of the MIG Policy and its key terms. In summary, the MIG Provider has agreed to indemnify BlueZest Mortgages, subject to the terms and conditions of the MIG Policy, for a certain percentage of losses that BlueZest Mortgages may incur in the event that a borrower fails to repay its Mortgage Loan, the Mortgaged Property securing the Mortgage Loan is repossessed and sold and the value of the Mortgaged Property has declined since the date of origination of the Mortgage Loan.

See Section 2 (*Risk Factors - 2.22 Security and insurance risk - mortgage indemnity guarantee policy (MIG Policy)*) for a summary of risks associated with the MIG Policy.

Financial covenants

BlueZest Mortgages is required to calculate and comply with certain financial covenants under the terms of the Loan Agreement, being the "Asset Coverage Ratio" and "Interest Coverage Ratio". The terms of these financial covenants are set out in detail in Appendix F (*Form of Loan Agreement*) to this Base Prospectus.

BlueZest Mortgages is required to supply a Compliance Certificate to the Lender on each Covenant Testing Date (being the date falling 15 Business Days prior to a proposed Issue Date) in which it confirms that it is in compliance with the relevant financial covenants.

BlueZest Mortgages has appointed an international accounting firm to act as its verification agent ("**Verification Agent**") under the Programme with responsibility for verifying BlueZest Mortgages' calculations of, and compliance with, the financial covenants in the Loan Agreement.

		<p>If BlueZest Mortgages fails to deliver a Compliance Certificate to the Lender on the Covenant Testing Date, BlueZest Mortgages is required to send a Breach Notice to the Lender within 2 Business Days of the Covenant Testing Date. For so long as a Breach Notice has been delivered and not been revoked, the Lender (in its capacity as Issuer) will not be permitted to issue any further Bonds under the Programme and the Borrower will not be permitted to borrow any further amounts from the Lender under this Agreement.</p> <p>General description of the obligor</p> <p>BlueZest Mortgages is the obligor under the Loan. BlueZest Mortgages was incorporated as a private limited liability company in England and Wales on 22 March 2017 with company number 10685117.</p> <p>BlueZest Mortgages is a UK mortgage lender whose business model is based on the provision of loans to owners and developers of property and small-and-medium sized businesses, each secured against property situated in England and Wales and, as required, personal guarantees granted by the directors of the borrowing company.</p> <p>Legal nature of the assets</p> <p>The underlying asset is the Loan Agreement. The Loan Agreement will be governed by English law. See Appendix F (<i>Form of Loan Agreement</i>) for the form of the Loan Agreement.</p> <p>Valuation report</p> <p>Not applicable. There is no valuation report included in this Base Prospectus.</p>
B.26	Active management of pool of assets backing the issue.	Not applicable. The Loan and the security granted by BlueZest Mortgages in respect of its obligations under the Loan will be the sole assets backing the issue of the Bonds. There will not be an actively managed pool of assets.
B.27	Where an issuer proposes to issue further securities backed by the same assets a statement to that effect.	<p>The Issuer may issue further Tranches of Bonds, which could be consolidated with any existing Bonds and form a single Series with any existing Bonds. In such circumstances, the Issuer would increase the commitment under the Loan by an amount corresponding to the proceeds from the issue of the further Tranche of Bonds.</p> <p>There will not be separately identifiable assets backing each Tranche of Bonds and each corresponding Advance under the Loan Agreement.</p>
B.28	A description of the structure of the transaction, including, if necessary, a structure diagram.	<p>Structure diagram</p> <pre> graph TD UB[Underlying Borrowers] -- "Payments/repayments of Mortgage Loan, Mortgage and Related Security" --> BZML[BlueZest Mortgages and Loans Limited] BZML -- "Mortgage Loan" --> UB AT[AmTrust] -.- "MIG Policy" -.-> BZML AT -- "Advance(s) of Loan" --> BZML BZML -- "Payment of interest on and repayment of advance(s) of Loan" --> BZSRBP[BlueZest Secured Retail Bond PLC (as Issuer)] BZML -- "Borrower Security" --> BZSRBP BZML -- "Borrower Security" --> BST[Trustee/Issuer Security Trustee (as applicable)] BZSRBP -- "Proceeds of Bonds" --> BH[Bondholders] BZSRBP -- "Payment of interest on and repayment of Bonds" --> BH BZSRBP -- "Issuer Security" --> BST BH -- "Payment of interest on and repayment of Bonds" --> BST </pre>

		<p>Structure overview</p> <ul style="list-style-type: none"> • <i>Programme:</i> Under the terms of the Programme, the Issuer will issue Bonds to Bondholders on each issue date (each an "Issue Date"). The Bonds once issued provide Bondholders with a contractual claim against the Issuer for amounts due under the terms of the Bonds. • <i>Loan Agreement:</i> Under the terms of the Loan Agreement, the Issuer will make available to BlueZest Mortgages a committed loan facility in a maximum principal amount equal to the aggregate of the outstanding principal amount of Bonds that have been issued under the Programme. • <i>Proceeds of the Advances:</i> BlueZest Mortgages is permitted to use each Advance received under the Loan Agreement to grant Mortgage Loans to borrowers which satisfy the Lending Criteria and to pay certain fees and expenses incurred by the Issuer in connection with the issue of the Bonds. BlueZest Mortgages will use amounts received from and in respect of the Mortgage Loans, Mortgages, Related Security and MIG Policy to pay interest on and repay each Advance under the Loan Agreement. • <i>Borrower Security:</i> To secure its obligations under the Loan Agreement and the other transaction documents to which it is party, BlueZest Mortgages has granted the Borrower Security in favour of the Borrower Security Trustee pursuant to the Borrower Deed of Charge. • <i>Issuer Security:</i> To secure its obligations under the Bonds and the other transaction documents to which it is party, the Issuer has granted the Issuer Security in favour of the Issuer Security Trustee pursuant to the Issuer Deed of Charge. • <i>Events of default:</i> No further Bonds may be issued under the Programme for so long as an event of default has occurred which is continuing. Events of default include non-payment, breach of other obligations and certain insolvency related events. • <i>Servicing:</i> Under the terms of the Loan Agreement, BlueZest Mortgages has agreed to service and administer the Mortgage Loans in accordance with its collections and recoveries policy, as servicer.
B.29	<p>A description of the flow of funds including information on swap counterparties and any other material forms of credit/liquidity enhancements and the providers thereof.</p>	<p>Payments in respect of the Bonds will be funded by the interest and principal payable under the Loan Agreement.</p> <p>The Issuer will not enter into any derivative contracts, such as swaps, in connection with the Bonds, nor will any other form of credit or liquidity enhancement be provided.</p> <p>A <i>swap</i> is a type of derivative contract between two parties to exchange cash flows for a stated period of time.</p> <p>Cash Reserve</p> <p>During the period of twelve months from the first issue of Bonds under the Programme (the "Cash Reserve Accumulation Period"), the Issuer shall hold a cash reserve (the "Cash Reserve") in a cash reserve account in its name at the Account Bank (the "Issuer Cash Reserve Account").</p> <p>On each Interest Payment Date, amounts shall be credited to the Cash Reserve under limb <i>ten</i> of the Pre-Enforcement Priority of Payments provided that all payments ranking above such limb in the Pre-Enforcement Priority of Payments have been made in full.</p> <p>During the Cash Reserve Accumulation Period, the Issuer Cash Reserve Account shall only be used to fund payments due under and in connection with the Bonds in accordance with the relevant Priority of Payments.</p> <p>After the Cash Reserve Accumulation Period, and provided that no Bond Event of Default (as defined in the terms and conditions of the Bonds) has occurred and is continuing, the amount of the Cash Reserve shall be paid to BlueZest Mortgages as an additional servicing fee.</p>

B.30	The name and a description of the originators of the underlying assets.	<p>The underlying asset is the Loan Agreement. See Appendix F (<i>Form of Loan Agreement</i>) for the form of the Loan Agreement. Payments of interest and repayments of principal due on the Bonds are backed by payments due under the Loan Agreement.</p> <p>The Issuer has granted security over all of its rights, title and interest arising under the Loan Agreement to the Issuer Security Trustee to secure its obligations under the Bonds. This means that upon the occurrence of a Bond Event of Default and delivery of a Bond Enforcement Notice, the Issuer Security Trustee may enforce the Issuer Security (including its security over the rights of the Issuer under the Loan Agreement) in order to satisfy the obligations owing to the Issuer Secured Parties, including Bondholders, in accordance with the provisions of the Transaction Documents.</p>
Section C - The Bonds		
C.1	Description of type and class of securities:	<p>Issuance in Series</p> <p>Bonds will be issued in series (each a "Series"). Each Series may comprise one or more tranches (each a "Tranche") issued on different issue dates. The Bonds of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Bonds of each Tranche will all be subject to identical terms in all respects, except that a Tranche may comprise Bonds of different denominations.</p> <p>The Bonds may be Fixed Rate Bonds (in respect of which the interest rate payable by the Issuer on the Bonds is fixed at the time of issue) or Floating Rate Bonds (in respect of which the interest rate payable by the Issuer on the Bonds is calculated by reference to a fluctuating benchmark rate).</p> <p>Forms of Bonds</p> <p>Bonds may be issued in certificated registered form ("Registered Bonds") or in uncertificated registered form ("Uncertificated Registered Bonds").</p> <p>Registered Bonds</p> <p>Each Tranche of Registered Bonds will be in the form of either individual bond certificates in registered form (each, a "Definitive Registered Bond") or a global bond certificate in registered form (a "Global Registered Bond"), in each case as specified in the relevant Final Terms. Each Tranche of Bonds represented by a Global Registered Bond will either be: (a) in the case of a Global Registered Bond which is not being held under the new safekeeping structure ("New Safekeeping Structure" or "NSS"), registered in the name of a common depositary (or its nominee) for Euroclear Bank S.A./N.V. ("Euroclear") and/or Clearstream Banking, <i>société anonyme</i> ("Clearstream, Luxembourg") and/or any other relevant clearing system and the relevant Global Registered Bond will be deposited on or about the issue date with the common depositary; or (b) in the case of a Global Registered Bond which is being held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Bond will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.</p> <p>If, while any of the Registered Bonds are represented by one or more Global Registered Bonds, certain events occur (which includes Euroclear or Clearstream, Luxembourg being closed for business for a prescribed period of time), then the Principal Paying Agent will, subject to the terms and conditions of the Bond Trust Deed, procure the issue of Definitive Registered Bonds in an aggregate principal amount equal to the principal amount outstanding of the Global Registered Bonds.</p> <p>Uncertificated Registered Bonds</p> <p>Each Tranche of Uncertificated Registered Bonds will be issued in uncertificated registered form and deposited with Euroclear UK & Ireland Limited (formerly known as CREST Co Limited) ("CREST"). Legal title to Uncertificated Registered Bonds is recorded by CREST on the Operator register of corporate securities (the "Operator Register") and will pass by registration of a transfer of ownership in the Operator Register. CREST will maintain a record of uncertificated corporate securities which reflects the Operator Register.</p>

	<p>If at any time: (i) a Bondholder ceases for any reason to be a member of CREST, or (ii) the Uncertificated Registered Bonds cease for any reason to be participating securities capable of being held in CREST, then the Issuer shall, in accordance with the rules and procedures governing CREST, issue Registered Bonds in exchange for the Uncertificated Registered Bonds, in accordance with the terms of the Bond Trust Deed and the Agency Agreement, and register such Registered Bonds in such names as CREST shall notify to the Issuer.</p> <p>CREST Depository Interests</p> <p>If so specified in the applicable Final Terms, Investors may hold interest in the Registered Bonds through CREST through the issuance of dematerialised depository interests (dematerialised here means that they are represented by electronic interests in the records of the depository – as opposed to being represented by physical certificates), held, settled and transferred through CREST ("CDIs"), representing interests in the relevant Registered Bonds underlying the CDIs (the "Underlying Bonds"). CDIs are independent securities constituted under English law and transferred through CREST and will be issued by CREST Depository Limited (the "CREST Depository") pursuant to the global deed poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated). Neither the Registered Bonds nor any rights attached thereto will be issued, held, transferred or settled within the CREST system other than through the issue, holding, transfer and settlement of CDIs. Holders of CDIs will not be entitled to deal directly in the Registered Bonds and, accordingly, all dealings in the Registered Bonds will be effected through CREST in relation to the holdings of CDIs.</p> <p>Security identification number(s)</p> <p>In respect of each Tranche of Bonds, the relevant security identification number(s) (if applicable) will be specified in the relevant Final Terms.</p>
	<p>Issue specific summary:</p> <p>[The Bonds shall be consolidated and form a single series with the <i>[insert description of the Series]</i> on <i>[insert date/the Issue Date]</i>.]</p> <p>Series number: [●]</p> <p>Tranche number: [●]</p> <p>Aggregate Nominal Amount:</p> <p>[(i) Series: [●]]</p> <p>[(ii) Tranche: [●]]</p> <p>Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]</p> <p>[ISIN code: [●]]</p> <p>[Common code: [●]]</p> <p>[Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, <i>societe anonyme</i> and the relevant identification number(s): [Not applicable/ give name(s) and number(s)]]</p>

		<p>(ii) the transaction account (the "Issuer Transaction Account") (other than amounts standing to the credit of an issuer profit ledger) and the cash reserve account (the "Issuer Cash Reserve Account") opened in its name with, and maintained by, the Account Bank, and any other bank accounts of the Issuer from time to time including all monies and/or securities from time to time standing to the credit of such accounts and all debts represented thereby; and</p> <p>(iii) the whole of the Issuer's undertaking and assets, present and future and wherever situated (other than amounts standing to the credit of an issuer profit ledger), in favour of the Issuer Security Trustee (for itself and as trustee for and on behalf of the Issuer Secured Parties which includes the Bondholders) pursuant to the Issuer Deed of Charge.</p> <p>"Transaction Documents" means each of the following: the Bond Trust Deed; the Borrower Deed of Charge; the Issuer Deed of Charge; the Security Trust Deed; the Account Bank Agreements; the Cash Management Agreement; the Corporate Services Agreement; the Registrar Agreement; the Programme Agreement; the Agency Agreement (if any); the Loan Agreement, the Fee Letters, the Authorised Offeror Agreements, and any other document agreed between the Issuer, the Bond Trustee and the Issuer Security Trustee to be a "Transaction Document".</p> <p>Bond Events of Default</p> <p>The Conditions contain events of default including those relating to (a) non-payment, (b) breach of other obligations, (c) enforcement proceedings, (d) insolvency, and (e) winding-up. The provisions include certain minimum thresholds and grace periods. In addition, certification by the Bond Trustee that certain events would be materially prejudicial to the interests of the Bondholders is required before certain events will be deemed to constitute Bond Events of Default, Investors should note that the Bond Trustee is entitled to call for professional advice (including independent financial advice) before making such certification.</p> <p>Taxation</p> <p>All payments in respect of Bonds will be made free and clear of deductions or withholdings for or on account of United Kingdom tax unless such deduction or withholding is required by law. In the event that any such deduction or withholding is required, neither the Issuer nor, as the case may be, BlueZest Mortgages will be required to pay any additional amounts to cover the amounts so deducted or withheld.</p> <p>Meetings</p> <p>The Conditions contain certain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.</p> <p>Governing law</p> <p>English law.</p> <p>Enforcement of Bonds in global form</p> <p>In the case of Global Registered Bonds, individual Investors' rights against the Issuer will be governed by a Bond Trust Deed dated on or about the Closing Date, a copy of which will be available for inspection at the specified office of the Issuer.</p>
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C.9	Interest and redemption provisions:	<p>Interest</p> <p>Bonds accrue interest at either a fixed rate or a floating rate. In respect of each Tranche of Bonds, the date from which interest becomes payable and the due dates for interest, the maturity date, the repayment procedures and an indication of yield will be specified in the relevant Final Terms.</p> <p><i>Fixed Rate Bonds</i></p> <p>Fixed interest will be payable in arrear on the date or dates in each year specified in the Final Terms.</p> <p>Issue specific summary:</p> <p>[Fixed Rate Bond Provisions: [Applicable/Not applicable]]</p> <p>[Rate(s) of Interest: [●] per cent. per annum]</p> <p>Interest Payment Date(s): [●] in each year, subject to adjustment in accordance with the Business Day Convention</p> <hr/> <p><i>Floating Rate Bonds</i></p> <p>Floating Rate Bonds will bear interest determined separately for each Series; either determined on the basis of the ISDA Definitions ("ISDA Determination") or else by reference to LIBOR ("Screen Rate Determination") or the Bank of England's Base Rate ("Bank of England Base Rate Determination"), in any case as adjusted for any applicable margin.</p> <p>Issue specific summary:</p> <p>[Floating Rate Bond Provisions: [Applicable/Not applicable]]</p> <p>[Interest Period(s): [●]]</p> <p>Specified Period: [●]</p> <p>Specified Interest Payment Dates: [[●] in each year, subject to adjustment in accordance with the Business Day Convention set out below]</p> <p>First Interest Payment Date: [●]</p> <p>Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]</p> <p>Manner in which the [ISDA Determination/Screen Rate Determination/Bank of England Base Rate Determination] Rate(s) of Interest is/are to be determined: [●]</p> <p>Margin(s): [+/-][●] per cent. per annum</p> <p>Minimum Rate of Interest: [[●] per cent. per annum/Not applicable]</p> <p>Maximum Rate of Interest: [[●] per cent. per annum/Not applicable]</p> <p>Maturity</p> <p>The relevant Maturity Date for a Series of Bonds will be specified in the relevant Final Terms.</p> <p>Issue specific summary:</p> <p>Maturity Date: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed on [●]/ the Interest Payment Date falling in or nearest to [●]</p>
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		<p>Scheduled redemption</p> <p>Bonds may be redeemable at par or at such other final redemption amount as may be specified in the relevant Final Terms.</p> <p>Issue specific summary:</p> <p>[Final Redemption Amount of each Bond: Unless previously redeemed, or purchased and cancelled, each Bond will be redeemed at its Final Redemption Amount of [●].]</p> <p>Early redemption</p> <p>(i) <i>Call option on specified date:</i> Certain Series of Bonds may be redeemed early at the Issuer's option on the Optional Redemption Date (Call) at an amount equal to the Optional Redemption Amount (Call) as specified in the Final Terms.</p> <p>(ii) <i>Mandatory redemption following prepayment of the Loan:</i> Certain Series of Bonds may be redeemed early following prepayment of the Loan at an amount equal to the Redemption Amount (Prepayment of Loan) as specified in the Final Terms.</p> <p>(iii) <i>Put option following the death of a Bondholder:</i> Any Bonds held by a deceased Bondholder may be redeemed early at the option of the Bondholder's representative on conditions as specified in the Final Terms.</p> <p>(iv) <i>Mandatory redemption to cure a Maturity Mismatch:</i> If, when calculated on the relevant Determination Date by the Calculation Agent and notified to the Issuer and BlueZest Mortgages:</p> <p>(a) the average life of all Series of Bonds issued under the Programme, exceeds</p> <p>(b) the weighted average life of all outstanding Mortgage Loans,</p> <p>(such event being, a "Maturity Mismatch"), the Issuer shall redeem such amount of Bonds (as determined by BlueZest Funding Limited) as will cure the Maturity Mismatch on the relevant redemption date, on the conditions as specified in the Final Terms.</p> <p>Issue specific summary:</p> <p><i>Call Option (Specified Date)</i> [Applicable/Not applicable]</p> <p>Optional Redemption Date (Call): [●]</p> <p>Optional Redemption Amount (Call): [[●] per Calculation Amount] / [Make-Whole Amount: [Reference Bond]] [plus margin: [●] per cent.]</p> <p>[Make-Whole Amount: Quotation Time: [●]</p> <p>Determination Date: [●]</p> <p>Reference Bond: [●] [or if such stock is no longer in issue, such other [●] stock with a maturity date as near as possible to the Maturity Date, as the Financial Adviser may recommend]</p> <p>Redemption Margin: [[●] per cent.] [None]]</p>
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		<p><i>Mandatory Redemption (Prepayment of Loan)</i> [Applicable/Not applicable]</p> <p>Redemption Amount (Prepayment of Loan): [[●] per Calculation Amount] / [Make-Whole Amount: [<i>Reference Bond</i>] [plus margin: [●] per cent.]]</p> <p>[Make-Whole Amount: Quotation Time: [●]</p> <p>Determination Date: [●]</p> <p>Reference Bond: [●] [or if such stock is no longer in issue, such other [●] stock with a maturity date as near as possible to the Maturity Date, as the Financial Adviser may recommend]</p> <p>Redemption Margin: [[●] per cent.] [None]]</p> <p><i>Put Option (Deceased Bondholder)</i> [Applicable/Not applicable]</p> <p>Conditions to redemption: [●]</p> <p><i>Mandatory Redemption (Maturity Mismatch):</i> [Applicable/Not applicable]</p> <p>Conditions to redemption: [●]</p> <p>Indication of Yield</p> <p>In relation to Fixed Rate Bonds only, yield will be calculated on the basis of the Issue Price and will be specified in the Final Terms.</p> <p><i>Issue specific summary:</i></p> <p>[Yield on the Issue Date: [●]]</p> <p>Trustee for the Bondholders</p> <p>Link Corporate Trustees (UK) Limited (the "Bond Trustee", which expression includes all persons for the time being trustee or trustees appointed under the Bond Trust Deed).</p>
C.10	Derivative components:	Not applicable. There is no derivative component in the interest payments made in respect of any Bonds issued under the Programme.
C.11	Listing and trading:	<p>Application has been made to admit Bonds issued during the period of 12 months from the date of this Base Prospectus to the Official List of the FCA and to trading on the London Stock Exchange's regulated market.</p> <p>Bonds may be admitted to trading through the order book for fixed income securities ("OFIS"), as may be specified in the applicable Final Terms.</p> <p><i>Issue specific summary:</i></p> <p>[Application [has been/will be] made by the Issuer (or on its behalf) for the Bonds to be listed on the Official List of the FCA and admitted to trading on [the order book for fixed income securities ("OFIS") of] the regulated market of the London Stock Exchange, with effect from or about [●].]</p>
C.12	Minimum denomination of an issue:	<p>As specified in the relevant Final Terms.</p> <p><i>Issue specific summary:</i></p> <p>Specified Denomination: [●]</p>

Section D - Risks

D.2	Key risks specific to the Issuer:	<p><i>Issuer:</i></p> <ul style="list-style-type: none"> • The Issuer is a special purpose vehicle with no revenue generating operations of its own - The Issuer is a special purpose vehicle with no business operations other than the issuance of the Bonds under the Programme and entering into the Loan Agreement in its capacity as Lender and the transactions ancillary thereto. Since the Issuer does not have any general income-producing business, its ability to make payments under the Bonds will depend on the receipt by it of funds from BlueZest Mortgages under the Loan Agreement. • Credit risk on BlueZest Mortgages - Prospective investors in the Bonds will take credit risk on BlueZest Mortgages. If BlueZest Mortgages becomes unable to pay amounts as they fall due under the Loan Agreement, an investor in the Bonds could lose some or the entire amount of its investment. Accordingly, prospective investors should have regard to the detailed information contained in this Base Prospectus in relation to BlueZest Mortgages to assess the credit risk of an investment in the Bonds. • The Issuer's reliance on third parties - The Issuer is a party to contracts with a number of third parties, including the Corporate Services Provider, the Account Bank, the Cash Manager, the Calculation Agent, the CREST Registrar and the Servicer, that have agreed to provide services to the Issuer in connection with the Loan Agreement and the Bonds. The ability of the Issuer to make payments on the Bonds will depend to a significant extent upon the due performance by the third party providers of their respective services, duties, obligations and undertakings under the Transaction Documents to which they are a party. <p><i>BlueZest Mortgages as borrower under the Loan Agreement:</i></p> <ul style="list-style-type: none"> • BlueZest Mortgages as a newly established business - BlueZest Mortgages is a newly established business which will only begin active trading once it receives the first Advance under the Loan Agreement. BlueZest Mortgages' business will involve it lending money to eligible borrowers secured against property situated in England and Wales and other assets. BlueZest Mortgages will be subject to all of the business risks and uncertainties associated with any new business, including the risk that it will not achieve its business objectives. If the development of BlueZest Mortgages' mortgage lending business does not achieve anticipated levels, this could adversely affect BlueZest Mortgages' ability to fulfil its obligations under the Loan Agreement, which in turn could adversely affect the Issuer's ability to fulfil its obligations under the Bonds. • Risk of losing key personnel - The ability to successfully operate and grow BlueZest Mortgages' business is largely dependent on the efforts, abilities and services of senior management and other key employees. BlueZest Mortgages' future success will also depend on, among other factors, its ability to attract and retain qualified personnel, either through internal training and promotion, direct hiring or the acquisition of other businesses employing such professionals. An inability to attract and retain key employees could materially adversely affect BlueZest Mortgages' business, operating results or financial condition. • Exposure to macroeconomic factors - BlueZest Mortgages' performance depends to a certain extent on a number of macroeconomic factors outside the control of BlueZest Mortgages which impact on UK house buying and mortgage lending, including political, financial and economic conditions. Factors which impact on house buying and mortgage lending include, among other things, gross domestic product growth, unemployment rates, consumer confidence, social and industrial unrest, the availability and cost of credit, interest rates, taxation, and regulatory changes. Macroeconomic factors such as these could result in an increased risk that borrowers may face personal financial difficulties which impact their ability to service the required repayments on their mortgage loans. There can be no assurance as to levels of future economic growth and any deterioration in the UK's economy could have an adverse impact on the future results of operations of BlueZest Mortgages.
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		<ul style="list-style-type: none"> • Credit risk on underlying borrowers - As a mortgage lender, BlueZest Mortgages is exposed to the risk of borrowers defaulting on their payment obligations under their mortgage loans. Systemic default by many borrowers would, if it occurred, have a significant impact on BlueZest Mortgages' business. Adverse changes in credit quality of borrowers and loan recoverability could result from a general deterioration in UK economic conditions or increases in the interest rates and borrowing costs within the UK economy. • Asset and liability matching risk - Asset and liability matching is core to BlueZest Mortgages' business model. BlueZest Mortgages will seek to match its balance sheet liabilities, being for the most part its payment obligations under the Loan Agreement, with its balance sheet assets, being for the most part the Mortgage Loans advanced to borrowers together with related security granted by such borrowers. Successful asset and liability management will enable BlueZest Mortgages to have sufficient assets available to satisfy its liabilities as they fall due. To mitigate asset and liability matching risk, being the risk that BlueZest Mortgages does not have sufficient assets available to satisfy its liabilities as they fall due, the Issuer will hold a Cash Reserve in the Issuer Cash Reserve Account during the period of 12 months from the first issuance of Bonds under the Programme, over which the Issuer will grant security in favour of the Issuer Security Trustee pursuant to the Issuer Deed of Charge. • Competition in BlueZest Mortgages' markets - The UK financial services market is highly competitive. Competitors in the buy-to-let, business and property development loan markets range from large multi-product high street banks to small and highly specialised operations. BlueZest Mortgages' mortgage operations exist in areas of the market that are at present unregulated. This limits barriers to entry to the market which creates the potential for an increase in the number of new competitors, or speed with which existing competitors can launch new products. The market is expected to remain highly competitive in all of BlueZest Mortgages' business areas, which could adversely affect BlueZest Mortgages' business, results of operations and financial condition.
D.3	<p>Key risks specific to the Bonds:</p>	<p>The following key risks are specific to the Bonds:</p> <ul style="list-style-type: none"> • Investors' capital is at risk - Investors may lose up to the entire value of their investment in the Bonds as a result of the occurrence of the insolvency of the Issuer or BlueZest Mortgages. • The Bonds are not protected by the Financial Services Compensation Scheme - Unlike a bank deposit, the Bonds are not protected by the FSCS or any other government savings or deposit protection scheme. As a result, the FSCS will not pay compensation to an investor in the Bonds upon the failure of the Issuer. If the Issuer goes out of business or becomes insolvent, Bondholders may lose all or part of their investment in the Bonds. • U.S. Foreign Account Tax Compliance Withholding - Whilst the Bonds are in global form and held by one of the international central securities depositories ("ICSDs"), it is expected that FATCA (being withholding tax imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (or any amended or successor provisions), pursuant to any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("FATCA")) will not affect the amount of any payments made under, or in respect of, the Bonds and received by the ICSDs. Payments made to the participants in the ICSDs and thereafter to any other intermediary "foreign financial institution" in the custodial chain through to the ultimate investors may constitute in whole or part foreign passthru payments which are subject to FATCA withholding. If Global Registered Bonds are exchanged into definitive form and are taken out of the ICSDs, a non-FATCA compliant holder or Recalcitrant Holder (being a non-U.S. entity with substantial U.S. owners) of such a definitive bond could be subject to FATCA withholding under certain circumstances. There is no obligation on the Issuer to gross up any deduction for FATCA withholding made anywhere in the payment chain. • Risks relating to holding CREST Depository Interests - Holders of CREST depository interests will hold or have an interest in a separate legal instrument and will not be the legal owners of the Bonds so rights under the Bonds cannot be enforced except indirectly through the intermediary depositories and custodians and rights are governed by external provisions.

		<ul style="list-style-type: none"> • Withholding tax on the Bonds and on payments under the Loan Agreement - Neither the Bonds nor the Loan Agreement contain any gross-up provisions requiring the Issuer or BlueZest Mortgages to pay any additional amounts to Bondholders or (in the case of the Loan Agreement) the Issuer, to reimburse them for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Bonds or the Loan Agreement. Accordingly, Bondholders may not receive payment of the full amount due in respect of the Bonds as a result of amounts being deducted or withheld by the Issuer or BlueZest Mortgages in order to comply with applicable law. • The secondary market generally - The Bonds do not have an established trading market when issued, and one may never develop. Whilst the Issuer will make an application for the Bonds to be admitted to the London Stock Exchange's order book for fixed income securities ("OFIS") in respect of the Bonds, there can be no guarantee that a significant market in the Bonds will develop. If a market does develop, it may not be very liquid. Therefore, Investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. • Interest rate, inflation and exchange rate risk - The Bonds may pay interest at a fixed rate and the Issuer will pay principal and interest on the Bonds in sterling, which potentially exposes Bondholders to interest rate risk, inflation risk and exchange rate risk.
Section E - Offer		
E.2b	Reasons for the offer and use of proceeds:	<p>The Programme has been established as a means of providing a source of funding to BlueZest Mortgages to enable it to grant mortgage loans ("Mortgage Loans") to borrowers which comply with the Lending Criteria, whilst also providing investors with an investment opportunity which is secured against property situated in England and Wales.</p> <p>The proceeds of each Tranche of Bonds will be loaned by the Issuer to BlueZest Mortgages pursuant to the Loan Agreement and be used by BlueZest Mortgages to:</p> <ul style="list-style-type: none"> (i) grant Mortgage Loans to borrowers which comply with its then applicable Lending Criteria; (ii) pay the fees, costs and expenses payable to the relevant Lead Manager or relevant Dealer(s) (as applicable) in connection with such Tranche of Bonds (the "Issuance Costs"); or (iii) pay fees and expenses payable to third parties in connection with the issuance of such Tranche of Bonds. <p>The Issuer (in its capacity as lender) shall make the advance of the loan to BlueZest Mortgages (in its capacity as borrower):</p> <ul style="list-style-type: none"> (A) where used to pay Issuance Costs, by payment of such advance to the relevant Lead Manager or relevant Dealer(s) (as applicable) by way of deduction of such amount from the proceeds of the Bonds; or (B) where used to grant Mortgage Loans or pay other fees and expenses of third parties in connection with the issuance of the corresponding Tranche of Bonds, by payment into such account as the Borrower has notified to the Lender.
E.3	Terms and conditions of the offer:	<p>The terms and conditions of each offer of Bonds will be determined by agreement between the Issuer (acting on the instructions of BlueZest Funding Limited) and the relevant Dealers at the time of issue and specified in the applicable Final Terms.</p> <p>An investor intending to acquire or acquiring any Bonds in a Public Offer from an offeror other than the Issuer will do so, and offers and sales of such Bonds to an investor by such offeror will be made, in accordance with any terms and other arrangements in place between such offeror and such investor including as to price, allocations, expenses, payment and delivery arrangements.</p>

		<p>Issue specific summary:</p> <p>[Offer Price: [◆]]</p> <p>Conditions to which the offer is subject: [Not Applicable/[◆]]</p> <p>[Total amount of the offer: [Not Applicable/[◆]]]</p> <p>[Description of arrangements and timing for announcing the offer to the public: [Not Applicable/[◆]]]</p> <p>[Offer Period including any possible amendments, during which the offer will be open: [The period from [[◆] until [◆]/[the Issue Date]/[the date which falls [◆] days thereafter]]]</p> <p>Description of the application process: [Not Applicable/[◆]]</p> <p>Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable/[◆]]</p> <p>Details of the minimum and/or maximum amount of application: [Not Applicable/[◆]]</p> <p>Details of the method and time limits for paying up and delivering the Bonds: [Not Applicable/[◆]]</p> <p>Manner in and date on which results of the offer are to be made public: [Not Applicable/[◆]]</p> <p>Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable/[◆]]</p> <p>Categories of prospective investors to which the Bonds are offered and whether Tranche(s) have been reserved for certain countries: [Not Applicable/[◆]]</p> <p>Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not Applicable/[◆]]</p> <p>Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable/[◆]]</p> <p>[Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place. [None/[◆]]]</p> <p>[Name and address of any paying agents and depositary agents: [None/[◆]]]</p> <p>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:] [None/[◆]]</p>
E.4	Interests material to the issue:	Dealer(s) may be paid fees in relation to any issue of Bonds. Certain of the Dealers 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>Issue specific summary:</p> <p>[Save for [●],] so far as the Issuer is aware, no person involved in the offer of the Bonds has an interest material to the offer. [There are no conflicts of interest which are material to the offer of the Bonds.]</p>
E.7	Estimated expenses:	<p>The Issuer will not charge any of the expenses incurred in connection with an offer of Bonds to the Investor.</p> <p>Whilst, as described in section E.2b (<i>Reasons for the offer and use of proceeds</i>):</p> <p>(i) certain fees, costs and expenses will be payable to the relevant Lead Manager or Dealer(s) (as applicable) in connection with the issuance of each Tranche of Bonds (the "Issuance Costs"); and</p> <p>(ii) certain other fees and expenses will be payable to other third parties in connection with the issuance of each Tranche of Bonds,</p> <p>the amount of such Issuance Costs and other third party fees and expenses form part of the loan made to BlueZest Mortgages by the Issuer (in its capacity as lender) and are repayable by BlueZest Mortgages under the terms of the Loan Agreement.</p> <p>The amount of Issuance Costs will vary depending on the size of issue but will be specified in the Final Terms.</p> <p>Expenses may be charged by an Authorised Offeror; however, these are beyond the control of the Issuer and not set by the Issuer. They may vary depending on the size and the amount subscribed for and the Investor's arrangements with the Authorised Offeror. None of the Issuer, the Lead Manager or any Dealer are party to such terms or other arrangements.</p> <p>Issue specific summary:</p> <p>Estimated net proceeds: [◆] (being the gross proceeds less Issuance Costs of [◆])</p> <p>Estimated total expenses: [The expenses to be charged by those Authorised Offerors known to the Issuer as of the date of the Final Terms are unknown.] [The Issuer estimates that, in connection with the sale of Bonds to an investor, the expenses charged by the [Authorised Offeror(s)] will be up to [●] per cent. of the aggregate principal amount of the Bonds sold to such investor.]</p>

2. RISK FACTORS

This section describes the principal risks and uncertainties which may affect the ability of the Issuer and BlueZest Mortgages, as the case may be, to fulfil their respective obligations under the Bonds and the Loan Agreement.

Before applying for any Bonds, investors should consider whether the relevant Bonds are a suitable investment for them. There are risks associated with an investment in the Bonds, many of which are outside the control of the Issuer. These risks include those in this section.

RISK FACTORS

Prospective investors should read the entire Base Prospectus. Words and expressions defined in the "Terms and Conditions of the Bonds" below or elsewhere in this Base Prospectus have the same meanings in this section.

The following is a description of the principal risks and uncertainties which may affect the Issuer's or BlueZest Mortgages', as the case may be, ability to fulfil its obligations under the Bonds or the Loan Agreement respectively. All of these factors are contingencies which may or may not occur and neither the Issuer nor BlueZest Mortgages is in a position to express a view on the likelihood of any such contingency occurring.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Bonds issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Bonds may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Prospective investors should note that the risks relating to the Issuer or BlueZest Mortgages, as the case may be, their respective businesses and the Bonds summarised in Section 1 (Summary) are the risks that the Issuer or BlueZest Mortgages (as the case may be) believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Bonds. However, as the risks which the Issuer and BlueZest Mortgages face relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in Section 1 (Summary) but also, among other things, the risks and uncertainties described below.

Organisation of the risk factors

1. **Risks relating to the Issuer**
2. **Risks relating to BlueZest Mortgages**
3. **Risks relating to the Bonds generally**
4. **Risks relating to the market generally**

1. RISKS RELATING TO THE ISSUER

1.1 The Issuer is a special purpose vehicle with no revenue generating operations of its own

The Issuer is a special purpose vehicle with no business operations other than the issuance of the Bonds under the Programme and entering into the Loan Agreement and the transactions ancillary thereto. The proceeds of the issue of each Tranche of Bonds (being the initial principal amount of such Bonds) will be made available to BlueZest Mortgages under the Loan Agreement. Since the Issuer does not have any general income-producing business, its ability to make payments under the Bonds will depend on:

- its receipt of funds from BlueZest Mortgages under the Loan Agreement;
- its receipt of interest (if any) from amounts standing to the credit of the accounts of the Issuer at the Account Bank (being the Issuer Transaction Account and Issuer Cash Reserve Account); and
- any proceeds of enforcement of the security granted by the Issuer (the "**Issuer Security**").

Other than the foregoing, the Issuer will not have any other funds available to it to meet its obligations under the Bonds and/or any other payment obligation ranking in priority to Bondholders.

1.2 Credit risk - The Issuer's only material assets corresponding to the Bonds will be its rights under the Loan Agreement and, accordingly, prospective investors in the Bonds will take credit risk on BlueZest Mortgages

Credit risk can be described as the risk that a borrower of money will be unable to repay it. Prospective investors in the Bonds will take credit risk on BlueZest Mortgages. If BlueZest Mortgages becomes unable to pay amounts as they fall due under the Loan Agreement, an investor in the Bonds could lose some or the entire amount of its investment. Accordingly, prospective investors should have regard to the detailed information contained in this Base Prospectus in relation to BlueZest Mortgages to assess the credit risk of an investment in the Bonds. Such information includes the risks relating to BlueZest Mortgages which are described below under the heading "*2. Risks relating to BlueZest Mortgages*".

1.3 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 as provided in the Pre-Enforcement Priority of Payments and the Post-Enforcement Priority of Payments. In the event that such funds are not sufficient to pay the expenses incurred by the Issuer, 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.

1.4 Concentration risk - lack of diversification

Prospective investors should be aware that the Issuer's only investments in respect of each Tranche of Bonds are the related Advances that it makes to BlueZest Mortgages under the Loan Agreement using the proceeds of such Tranche of Bonds. The Issuer will be relying on payments by BlueZest Mortgages under the Loan Agreement to be able to make payments on the Bonds. There is no other material source of funding available to the Issuer to satisfy such payment obligations. Accordingly, the Issuer's credit risk is concentrated solely on BlueZest Mortgages.

1.5 Bonds are obligations of the Issuer only

The Bonds will be solely the obligations of the Issuer and will not be obligations or responsibilities of, or guaranteed by, any other entity. In particular, neither BlueZest Mortgages nor any other person has any obligation to Bondholders for payment of any amount due in respect of the Bonds. Furthermore, no person other than the Issuer will accept any liability whatsoever to Bondholders in respect of any failure by the Issuer to pay any amount due under the Bonds.

1.6 Bonds are corporate obligations of the Issuer

No recourse under any obligation, covenant or agreement of the Issuer under the Bonds 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 the Bonds 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.

1.7 The Issuer's reliance on third parties

The Issuer is a party to contracts with a number of third parties that have agreed to provide services to the Issuer in connection with the Loan Agreement and the Bonds. The Issuer has contracted with parties including the Corporate Services Provider, the Account Bank, the Cash Manager, the Calculation Agent, the CREST Registrar, the Servicer, the Arranger, the Lead Manager and the Dealer(s). See Section 15 (*Additional Information - 8. Material Contracts*) for a description of the services provided by each of the relevant third party providers.

The ability of the Issuer to make payments on the Bonds will depend to a significant extent upon the due performance by the third party providers of their respective services, duties, obligations and undertakings under the Transaction Documents to which they are a party. The performance by such parties of their respective services, duties, obligations and undertakings is dependent on their solvency. No assurance is given that the creditworthiness of such third parties will not deteriorate in the future.

A number of the services provided by the third parties are highly specialised and, in the event that a third party become insolvent or is otherwise unable to provide the relevant services, it may be difficult to identify a replacement service provider with the requisite skill and experience to perform these roles. Any failure of a third party to provide services to the Issuer may affect the Issuer's ability to be able to make payment of interest and principal on the Bonds.

1.8 Servicing the Mortgage Loans

BlueZest Mortgages (as Servicer) will be primarily responsible for servicing the Mortgage Loans in accordance with its collections and recoveries policy. The Issuer will rely on the collection and enforcement efforts of the Servicer, any delegate or any outsourced service provider or applicable collection agencies engaged by the Servicer for the collection of payments in respect of the Mortgage Loans, which will provide BlueZest Mortgages with the funds to be able to make payments under the Loan Agreement. For example, in the case of payments by direct debit, a third party collection agent (the "**Direct Debit Collection Agent**") has been appointed to collect direct debit payments on behalf of BlueZest Mortgages, hold such amounts in a trust account at National Westminster Bank Plc (or a replacement financial institution) (in favour of BlueZest Mortgages as beneficiary) and then transfer such funds into the Collections Account once cleared.

BlueZest Mortgages has developed and will use a set of collection policies and strategies in order to maximise the collections that are possible in respect of a particular borrower.

Any failure or delay in collection of payments on the relevant Mortgage Loans resulting from a disruption in the servicing of the Mortgage Loans could ultimately adversely affect payments of interest and principal on the Bonds.

1.9 Monitoring of compliance with the Loan Agreement

As the Issuer is a special purpose vehicle, it does not possess the resources to actively monitor whether a Loan Event of Default or Potential Loan Event of Default (each as defined in the Loan Agreement) has occurred under the Loan Agreement or whether BlueZest Mortgages is in compliance with its covenants under the Loan Agreement. See Section 3 (*Information about the Programme*) - *What are the financial covenants?*) for a summary of the financial covenants that BlueZest Mortgages is required to comply with under the terms of the Loan Agreement.

To address this risk:

- BlueZest Mortgages is required under the terms of the Loan Agreement to determine itself whether a Loan Event of Default or Potential Loan Event of Default has occurred and to promptly notify the Lender, the Bond Trustee and Borrower Security Trustee of any such default;
- BlueZest Mortgages is required to supply to the Lender (with a copy to the Bond Trustee and the Borrower Security Trustee) a compliance certificate (in the form set out in Appendix F (*Form of Loan Agreement*), Schedule 1 (*Form of Compliance Certificate*) of this Base Prospectus) on an annual basis and on the date falling 15 Business Days prior to a proposed Issue Date of a Tranche of Bonds. BlueZest Mortgages is also required to supply to the Lender, promptly on request, a certificate confirming that no default is continuing (or if a default is continuing, specifying the default and the steps, if any, being taken to remedy it);
- The Issuer has appointed Link Asset Services (UK) Limited as cash manager ("**Cash Manager**") under the Programme with responsibility for administering payments on its behalf; and
- BlueZest Mortgages has appointed an international accounting firm to act as its verification agent ("**Verification Agent**") under the Programme with responsibility for verifying BlueZest Mortgages' calculations of, and compliance with, financial covenants in the Loan Agreement. BlueZest Mortgages' compliance with financial covenants under the Loan Agreement will be tested on the date falling 15 Business Days prior to each proposed issue of Bonds under the Programme (the "**Covenant Testing Date**"). BlueZest Mortgages is required to supply a Compliance Certificate to the Lender on each Covenant Testing Date in which it confirms that it is in compliance with the relevant financial covenants. If BlueZest Mortgages fails to deliver a Compliance Certificate to the Lender on the Covenant Testing Date, BlueZest Mortgages is required to send a notice (a "**Breach Notice**") to the Lender within 2 Business Days of the Covenant Testing Date. For so long as a Breach Notice has been delivered and not been revoked, the Lender (in its capacity as Issuer) will not be permitted to issue any further Bonds under the Programme and the Borrower will not be permitted to borrow any further amounts from the Lender under this Agreement.

As a special purpose vehicle, the Lender will not be responsible for reviewing or monitoring the notices, certificates or other information received in connection with the Loan Agreement. Instead the Corporate Services Provider on the Lender's behalf will (under the terms of the Corporate Services Agreement) forward all written notices, certificates and other written information delivered or received under, or in connection with, the Loan Agreement as soon as reasonably practicable to the Cash Manager, the Issuer Security Trustee and the Bond Trustee. In the event that the Corporate Services Provider fails to perform its obligations under the Corporate Services Agreement, the Bonds may be adversely affected. In particular, the failure of the Corporate Services Provider to deliver or publish information received from BlueZest Mortgages on behalf of the Lender where it is obliged to do so could lead to losses on the Bonds.

The Lender is under no obligation to take any action (including any enforcement action following the delivery of a Loan Enforcement Notice under the Loan Agreement) in relation to BlueZest Mortgages or in respect of its rights under the Loan Agreement. The Borrower Security Trustee (as directed by the Issuer Security Trustee, acting on the instructions of the Bond Trustee for so long as any Bonds remain outstanding) may take such action in accordance with the provisions of the Transaction Documents.

2. RISKS RELATING TO BLUEZEST MORTGAGES

2.1 General

BlueZest Mortgages is permitted to use the amounts it borrows under the Loan Agreement to originate mortgage loans to borrowers which satisfy the Lending Criteria. Such mortgage loans will be originated through its network of distribution partners, such as brokers, online via the BlueZest Group's website (www.bluezest.com) or through mobile devices.

There can be no assurance that BlueZest Mortgages will receive adequate amounts in respect of such mortgage loans to be able to make payments due under the Loan Agreement to the Issuer (in its capacity as lender) and so, in turn, there can be no assurance that Bondholders will receive the full amounts payable by the Issuer under the Bonds or that they will receive any return on their investment in the Bonds. Prospective investors are therefore advised to review this entire Base Prospectus carefully and should consider, among other things, the risk factors set out in this section before deciding whether to invest in the Bonds.

2.2 Business risk - newly established business

BlueZest Mortgages is a newly established business. Since its incorporation on 22 March 2017, BlueZest Mortgages has been establishing the infrastructure and systems of the business and recruiting staff. BlueZest Mortgages will only begin active trading once it receives the first Advance under the Loan Agreement.

BlueZest Mortgages' business will involve lending money to eligible borrowers secured against property situated in England and Wales and other assets. BlueZest Mortgages utilises modern technologies and innovative solutions with the aim of significantly reducing the time it takes to apply for, process and complete on Mortgage Loans.

As a newly established business, BlueZest Mortgages will be subject to all of the business risks and uncertainties associated with any new business, including the risk that it will not achieve its business objectives. Some of the key business risks and uncertainties faced by BlueZest Mortgages as a new business include:

- the business needs to have sufficient capital to continue to trade in adverse conditions; in this regard, it is noted that Unique Funding has provided BlueZest Mortgages with a cash injection to ensure that the business can launch and continue to trade without sales for an extended period;
- the business needs to generate sufficient sales to ensure that it can establish a positive cash flow as early as possible; in this regard, it is noted that BlueZest Mortgages has established a broad distribution channel through which to market and sell its mortgage products. See Section 8 (*Mortgage Lending - 8. Distribution*) for a description of the intermediaries with which BlueZest Mortgages has contracted;
- the business needs to have access to sufficient funding to support the volume of mortgage lending that BlueZest Mortgages expects to achieve. See the risk factor below entitled "*2.11 Funding risk - increases in the cost or reductions in availability of BlueZest Mortgages' funding to finance the origination of new lending could adversely impact BlueZest Mortgages' financial performance and results from operations*" for more information regarding this risk; and
- the business needs to protect itself from being the lender of last resort, meaning that it attracts borrowers who are unable to borrow from other lenders and as such are likely to be of poor credit quality; to mitigate this risk, BlueZest Mortgages has established credit risk criteria, based on the experience of senior management in assessing and dealing with credit risk in the mortgage lending market, pursuant to which mortgage loans are only advanced to prime customers.

If the development of BlueZest Mortgages' mortgage lending business does not achieve anticipated levels, this could adversely affect BlueZest Mortgages' ability to fulfil its obligations under the Loan Agreement, which in turn could adversely affect the Issuer's ability to fulfil its obligations under the Bonds.

Members of BlueZest Mortgages' board of directors and senior management team have significant experience in establishing and running new businesses, particularly in retail financial services, and in mortgage lending. See Section 7 (*Description of BlueZest Mortgages - 8 (Directors and senior management team)*) of this Base Prospectus for more information regarding the experience of the directors and senior management in these areas.

2.3 Business risk - establishing contracts and customers

BlueZest Mortgages is permitted to use amounts borrowed under the Loan Agreement to originate three types of Mortgage Loans to eligible borrowers, these being: Buy-to-Let Loans, Business Loans and Property Development Loans. See Section 8 (*Mortgage Lending - 2. Types of mortgage products*) for more information about these products. BlueZest Mortgages has analysed the demand for each of these products and the resultant trading that may occur. However, there is a risk that such demand may not materialise which could materially affect BlueZest Mortgages' expected returns.

BlueZest Mortgages will use the amounts it receives from such Mortgage Loans to fund its payment of interest and repayment of principal on each Advance in accordance with the terms of the Loan Agreement. These payments by BlueZest Mortgages will fund the Issuer's payment of interest and repayment of the principal amount of each Tranche to Bondholders. Accordingly, if demand for BlueZest Mortgages' products does not materialise and expected returns are affected, this could adversely affect BlueZest Mortgages' ability to fulfil its obligations under the Loan Agreement, which in turn could adversely affect the Issuer's ability to fulfil its obligations under the Bonds.

2.4 Business risk - reliance on intermediaries to source the majority of its originations

BlueZest Mortgages will sell its mortgage products through one of two sales channels: (i) an approved group of intermediaries, and (ii) directly via the internet. See Section 8 (*Mortgage Lending - 8. Distribution*) of this Base Prospectus for more information regarding BlueZest Mortgages' distribution channels.

BlueZest Mortgages, in line with other lenders, relies on its network of intermediaries, and will source the majority of its originations through this channel. Initially, BlueZest Mortgages intends to originate all of its Mortgage Loans via intermediary channels and any initial direct applications (including those made online) will be unsolicited. BlueZest Mortgages already has contractual arrangements in place with a number of intermediaries and its intention is to have a geographic spread of intermediaries across the UK. The intermediaries are a sales channel to the mortgage market and do not formally provide any expertise in terms of assessing the risk profile of applicants. Whilst intermediaries have knowledge of product and criteria to help ascertain which lenders will be more likely to accept an application, the credit assessment is entirely performed by BlueZest Mortgages in accordance with its own credit risk policy.

BlueZest Mortgages has limited oversight of intermediaries' interactions with prospective customers, and if intermediaries violate applicable regulations or standards when selling BlueZest Mortgages' products, BlueZest Mortgage's reputation could be harmed. In addition, BlueZest Mortgages may fail to develop products that are attractive to intermediaries or otherwise not succeed in developing relationships with intermediaries. Furthermore, BlueZest Mortgages could lose the services of intermediaries with whom it does business; for example, as a result of market conditions causing their closure or intermediaries switching to BlueZest Mortgages' competitors due to higher commissions or other incentives. The loss or deterioration of BlueZest Mortgages' relationships with its intermediaries could have a material adverse effect on BlueZest Mortgages' business, financial condition and results of operations.

2.5 Business risk - Loss of personnel risk

The ability to successfully operate and grow the BlueZest Mortgages' business is largely dependent on the efforts, abilities and services of senior management and other key employees. BlueZest Mortgages' future success will also depend on, among other factors, its ability to attract and retain qualified personnel, either through internal training and promotion, direct hiring or the acquisition of other businesses employing such professionals.

In particular, BlueZest Mortgages' management team have developed an understanding of both the mortgage lending market and the infrastructure and systems of the business. An inability to attract and retain key employees could materially adversely affect BlueZest Mortgages' business, operating results or financial condition.

See Section 7 (*Description of BlueZest Mortgages - 8. Directors and senior management team*) for an overview of the experience and expertise of the board of directors and management team of BlueZest Mortgages as at the date of this Base Prospectus.

2.6 Business risk - Exposure to macroeconomic factors

BlueZest Mortgages' performance depends to a certain extent on a number of macroeconomic factors outside the control of BlueZest Mortgages which impact on UK house buying and mortgage lending, including political, financial and economic conditions.

Factors which impact on house buying and mortgage lending include, among other things, gross domestic product growth, unemployment rates, consumer confidence, social and industrial unrest, the availability and cost of credit, interest rates, taxation, and regulatory changes. Macroeconomic factors such as these could result in an increased risk that borrowers may face personal financial difficulties which impact their ability to service the required repayments on their mortgage loans.

The future and long-term impact that UK macroeconomic factors will have on BlueZest Mortgages is difficult to predict. The weak economic conditions in the UK over recent years have led to deterioration in consumer confidence and lower volumes of property transactions which could reduce the level of demand for BlueZest Mortgages' products.

There can be no assurance as to levels of future economic growth and any deterioration in the UK's economy could have an adverse impact on the future results of operations of BlueZest Mortgages.

2.7 Credit risk - underlying borrowers

As a mortgage lender, BlueZest Mortgages is exposed to the risk of borrowers defaulting on their payment obligations under the Mortgage Loans and, upon default in payment, the failure of the Servicer to realise or recover sufficient funds from the borrowers under its collection procedures in respect of the Mortgage Loans in order to discharge all amounts due and owing by the relevant borrower under the relevant Mortgage Loan.

Defaults by borrowers is an inherent risk of BlueZest Mortgages' business and on an individual level would not have a material impact on BlueZest Mortgages' business. However, systemic default by many borrowers would, if it occurred, have a material impact on BlueZest Mortgages' business and may adversely affect BlueZest Mortgages' ability to make payments under the Loan Agreement which may in turn adversely affect the Issuer's ability to make payments on the Bonds.

However, it is noted that both BlueZest Mortgages and AmTrust have considered the anticipated amounts of delinquency and resulting stresses on cash flows as part of their business analysis, and industry-standard cash-flow stresses have been employed both by BlueZest Mortgages and independently by AmTrust during the development of the MIG Policy. The cash flow structure of the Programme is designed to withstand severe levels of delinquency.

Adverse changes in credit quality of borrowers and loan recoverability could result from a general deterioration in UK economic conditions or increases in the interest rates and borrowing costs within the UK economy. As highlighted above in the risk factor, "2.6 Exposure to macroeconomic factors", a deterioration in UK economic conditions could lead to generally weaker than expected growth, contracting GDP, reduced business confidence, higher levels of unemployment, rising inflation, potentially higher interest rates and falling property prices which could consequently lead to an increase in delinquency rates and default rates by the borrowers.

2.8 BlueZest Mortgages' credit scoring models may be inadequate

BlueZest Mortgages gives each prospective borrower a risk rating classification at the time a Mortgage Loan request is processed. The risk rating assigned by BlueZest Mortgages is based on a number of factors, including credit data provided by third party credit reporting agencies, information from public records (including bankruptcy, liens or judgments), additional information provided by prospective borrowers and, in most cases, verification of that information by BlueZest Mortgages. Credit data produced by third party credit reporting agencies include credit balances, available credit, timeliness of payments, average payments, delinquencies and account duration. This credit data provided by credit reporting agencies, and the additional information provided by prospective borrowers to BlueZest Mortgages, may be outdated, incomplete or inaccurate. Accordingly, a risk rating assigned to a prospective borrower by BlueZest Mortgages may not reflect that prospective borrower's actual creditworthiness. BlueZest Mortgages will seek to verify the majority of the information obtained from most prospective borrowers, but such verification may not be possible or may be inaccurate or incomplete. Additionally, it is possible that, following the date of any credit information received, a prospective borrower may have defaulted on a pre-existing debt obligation, taken on additional debt or sustained other adverse financial or life events.

Because of these factors, BlueZest Mortgages may originate Mortgage Loans based upon inaccurate borrower credit information. Additionally, the interest rate for a Mortgage Loan may not be reflective of its risk profile, which may result in lower returns than might be expected in relation to the actual credit risk which is borne by BlueZest Mortgages. Consequently BlueZest Mortgages may receive lower or unpredictable level of income in respect of such Mortgage Loan.

2.9 Liquidity risk

BlueZest Mortgages is subject to the risk of having insufficient funds on any payment date under the Loan Agreement as a result of payments being made late by borrowers. This risk may adversely affect BlueZest Mortgages' ability to make payments under the Loan Agreement which may in turn adversely affect the Issuer's ability to make payments on the Bonds. This risk is mitigated to some extent by the Cash Reserve that the Issuer will hold during the Cash Reserve Accumulation Period, as described in Section 3 (*Information about the Programme*) - *What is the Cash Reserve?*). However, no assurance can be made as to the effectiveness of the Cash Reserve to provide an alternative source of funding, or that such alternative sources of funding will protect the Bondholders from all risk of loss.

2.10 Prepayment risk

Borrowers have the ability under the terms of each Mortgage Loan, and therefore may opt, to prepay all of the remaining principal amount of a Mortgage Loan at any time. A borrower prepaying all of the remaining principal amount of a Mortgage Loan will not be obliged to pay an early repayment charge but would be obliged to pay the minimum amount of interest due under the relevant Mortgage Loan, if not already paid. See Section 8 (*Mortgage Lending - 3. Repayment terms - Minimum amount of interest*) for more information regarding minimum amounts of interest.

In the event of a prepayment of the entire remaining unpaid principal amount of a Mortgage Loan, the amount prepaid will be transferred to the Issuer Transaction Account or, at the option of BlueZest Mortgages, to the Completion Account and be used by BlueZest Mortgages to originate a new Mortgage Loan.

2.11 Funding risk - increases in the cost or reductions in availability of BlueZest Mortgages' funding to finance the origination of new lending could adversely impact BlueZest Mortgages' financial performance and results from operations

BlueZest Mortgages' mortgage lending business relies on amounts borrowed from the Lender under the Loan Agreement. This in turn requires the Issuer to issue Bonds under the Programme to enable it to lend such amounts to BlueZest Mortgages by way of separate Advances of the Loan.

There is a risk that interest charged by the Lender under the Loan Agreement, which equals at least the interest paid to Bondholders, could increase in the future. There is also a risk that the Issuer is unable to issue Bonds to investors on commercially acceptable terms due to, for example, adverse market conditions, thus meaning that the Lender is unable to lend such amounts to BlueZest Mortgages under the Loan Agreement. Any significant adverse change in the availability or cost of BlueZest Mortgages' funding could have a material adverse impact on BlueZest Mortgages' business, results of operations, profitability or financial condition which could adversely impact the Issuer's ability to fulfil its obligations under the Bonds.

As BlueZest Mortgages relies on brokers and distributors in order to source new lending, if there is a significant period of time when funding is unavailable on commercially acceptable terms, there is also likely to be an adverse effect on BlueZest Mortgages' relationships with its brokers, dealers and key introducers. As a consequence, its ability to generate new business from brokers and distributors in the future, should funding become more readily available, may be more challenging.

2.12 Asset and liability management risk

Overview

Managing assets and liabilities is core to BlueZest Mortgages' business model and members of BlueZest Mortgages' management team and board have many years of experience in managing assets and liabilities. See Section 7 (*Description of BlueZest Mortgages - 8. Directors and senior management team*) of this Base Prospectus for more information regarding the experience of the senior management in this area.

BlueZest Mortgages' business model requires it to match the duration and size of its balance sheet liabilities, being for the most part its payment obligations under the Loan Agreement, with the duration and size of its balance sheet assets, being for the most part the Mortgage Loans advanced to borrowers. Successful management of assets and liabilities will assist BlueZest Mortgages in having sufficient assets available to satisfy its liabilities as they fall due.

To mitigate general asset and liability matching risk - being the risk that BlueZest Mortgages does not have sufficient assets available to satisfy its liabilities as they fall due - the Issuer will establish and hold a reserve of cash (the "**Cash Reserve**") in an account held with the Account Bank ("**Issuer Cash Reserve Account**") for a period of twelve months from the first issue of Bonds under the Programme (the "**Cash Reserve Accumulation Period**"). The Issuer will grant security over the Cash Reserve and the Issuer Cash Reserve Account in favour of the Issuer Security Trustee pursuant to the Issuer Deed of Charge. During the Cash Reserve Accumulation Period, the Issuer will only be allowed to use the Cash Reserve to fund payments under or in connection with the Bonds. After such Cash Reserve Accumulation Period, and subject to other conditions being satisfied, the Cash Manager (on behalf of the Issuer) shall pay the Cash Reserve to BlueZest Mortgages for its general corporate purposes in accordance with the terms of the Cash Management Agreement.

There has also been included in the Loan Agreement financial covenants (or ratios) which are intended (a) to restrict BlueZest Mortgages' scope for getting into financial difficulties, (b) to provide an early warning if BlueZest Mortgages does in fact get into difficulty and (c) if necessary, to trigger an event of default under the Loan Agreement. Both the "Asset Coverage Ratio" and "Interest Coverage Ratio" are different measures of BlueZest Mortgages' assets and liabilities. See Section 3 (*Information about the Programme*) - *What are the financial covenants?*) for a more detailed summary of these financial covenants. The financial covenants are tested 15 Business Days prior to a proposed issue of Bonds. For so long as either of the financial covenants has been breached and such breach is continuing, the Issuer is prohibited from issuing any further Bonds under the Programme and BlueZest Mortgages is prohibited from borrowing any further amounts from the Lender under the Loan Agreement. This means that where a mismatching of assets and liabilities has occurred to the extent that either of the financial covenants is breached, the Issuer will be prohibited from issuing any further Bonds.

Buy-to-Let Loans

An asset and liability matching risk may arise in respect of those Buy-to-Let Loans with a maturity of more than 5 years and up to the maximum of 30 years. The Issuer is unable to issue Bonds with a maturity of more than 5 years and so is unable to issue Bonds that have the same maturity as such longer term Buy-to-Let Loans. As a result there is a risk that the duration of BlueZest Mortgages' assets will not match its liabilities in respect of such longer term Buy-to-Let Loans. If such asset and liability mismatching occurs, there is a risk that BlueZest Mortgages may not have sufficient funds available to make

payments when due under the Loan Agreement which may in turn adversely affect the Issuer's ability to make payments when due on the Bonds.

However, it is noted that the above-mentioned risks are mitigated by the following factors:

- 30 year Buy-to-Let Loans will initially only be made available to borrowers who agree to a 5 year initial fixed period, which can be matched to a 5 year Bond;
- BlueZest Mortgages will actively manage its mortgage loan portfolio to ensure that there is not an over-exposure to such longer term Buy-to-Let Loans;
- a high standard variable rate applies to 30 year Buy-to-Let Loans that continue after the initial fixed period and so the directors of BlueZest Mortgages believe that it is likely that only a small proportion of this rate-sensitive borrower group will not refinance their Mortgage Loan after the initial fixed period;
- BlueZest Mortgages intends to actively market new loan products to such borrowers approaching the end of their fixed term to minimise the number that do not switch after the initial fixed period;
- BlueZest Mortgages intends to seek alternative ways of funding those Buy-to-Let Loans which continue beyond the initial 5 year fixed period. The directors of BlueZest Mortgages believe that such alternative funding is likely to be provided by way of a warehouse facility (which is short-term funding provided by a financial institution to mortgage lenders to finance the origination of mortgage loans). The BlueZest Mortgages' management team has many years of experience in the arrangement and management of warehouse facilities with financial institutions;
- in the absence of a suitable warehouse facility due to prevailing market conditions, BlueZest Mortgages would consider refinancing such longer term Buy-to-Let Loans by disposing of that segment of the mortgage loan portfolio via either a whole loan sale or another method of disposal. The directors of BlueZest Mortgages consider there would be sufficient demand from the market for such Buy-to-Let Loans with higher interest rates (which will have reverted to the standard variable rate referred to above) and a track record of repayments.

Mandatory redemption to cure a Maturity Mismatch

If applicable to a Series of Bonds as specified in the relevant Final Terms, the occurrence of Maturity Mismatch (as calculated by the Calculation Agent (in accordance with the terms of the Cash Management Agreement) on the date falling 8 Business Days prior to each Interest Payment Date (each a "**Determination Date**") and notified to the Issuer, the Cash Manager (if not also the Calculation Agent) and the Bond Trustee) will require the Issuer to redeem such amount of Bonds (as determined by BlueZest Funding Limited) as will cure the Maturity Mismatch on the relevant redemption date. If Bonds are so redeemed, an amount equal to the outstanding principal amount of such Bonds plus any accrued and unpaid interest would become due to the relevant holder.

A "Maturity Mismatch" shall occur if, when calculated by the Calculation Agent on the relevant Determination Date: (a) the average life of all Series of Bonds issued under the Programme, exceeds (b) the weighted average life of all outstanding Mortgage Loans.

Investors should be aware that this redemption feature is likely to limit the market value of Bonds which may not rise substantially above the price at which the Bonds can be redeemed. If the Issuer is required to redeem Bonds when the cost of borrowing is lower than the interest rate on the Bonds, an investor will not generally be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds being redeemed and may only be able to do so at a significantly lower rate. Prospective investors should consider reinvestment risk in light of other investments available at that time.

2.13 Interest rate risk - changes and mismatches in interest rates may adversely impact BlueZest Mortgages' revenue and/or profits

One of the primary components of BlueZest Mortgages' revenue and profits is the difference between the rate at which it borrows and the rate at which it lends.

The amount of interest payable by BlueZest Mortgages' borrowers is fixed. By contrast, the interest that BlueZest Mortgages is required to pay under the Loan Agreement may be subject to a floating rate where Bonds are issued under the Programme bearing a floating rate of interest. A substantial increase in the amount of interest required to be paid by BlueZest Mortgages under the Loan Agreement is likely to result in BlueZest Mortgages seeking to preserve its net margins, where possible, by increasing the rates it applies to its mortgage products. An increase in rates available for potential borrowers could adversely affect BlueZest Mortgages' ability to originate Mortgage Loans by weakening demand for its products.

2.14 Risk of losses associated with interest-only Mortgage Loans

Many of BlueZest Mortgages' Buy-to-Let Loans and some of its Property Development Loans are expected to be 'interest-only' loans - meaning that the borrower is only required to pay interest during the term of the loan and then pay a single repayment of principal at the end of the loan which represents the entire outstanding balance of the Mortgage Loan. The ability of a borrower to repay the outstanding balance of an interest-only Mortgage Loan usually depends on the borrower being able to enter into a new loan (i.e. to 're-finance') or sell the Mortgaged Property. The ability of a borrower to refinance or sell the Mortgaged Property will be affected by a number of factors, including the value of the Mortgaged Property, the amount of the borrower's ownership in the Mortgaged Property, the financial condition and payment history of the borrower, tax laws and general economic conditions at that time.

Interest-only mortgage loans carry greater risk for lenders, particularly in the residential loan market, as the entire principal balance is only repaid at the end of the loan. A significant downturn in the property markets or the economy could lead to a greater increase in borrowers being unable to repay interest-only mortgage loans when due. However, the 'interest only risk' is perceived as less of a risk in the non-residential loan market. Whilst Buy-to-Let Loans can be either interest-only or capital repayment (meaning that borrowers are required to pay interest and repay principal during the term of the loan), the majority of the buy-to-let market comprises interest-only loans, with properties either being sold or refinanced at loan maturity. A Property Development Loan is a short term loan and it not considered commercially viable for a developer to pay back capital while they are developing the property. As such, most Property Development Loans are expected to be interest-only loans. BlueZest Mortgages mitigates the 'interest-only risk' for Property Development Loans by requiring additional security to be granted by the borrower over the development property.

BlueZest Mortgages has also entered into a mortgage indemnity guarantee policy with AmTrust Europe Limited as a means of further mitigating the 'interest-only risk' to which BlueZest Mortgages and accordingly Bondholders are exposed. The mortgage indemnity guarantee policy is designed to protect a lender by covering a certain percentage of losses that a lender may otherwise incur following a repossession and sale of mortgaged property. See Section 9 (*Mortgage indemnity guarantee policy (MIG Policy)*) for more information in this regard.

2.15 Competition in BlueZest Mortgages' markets

The UK mortgage lending market is highly competitive. BlueZest Mortgages expects its main competitors in this market to be established banks and building societies and challenger banks - often being smaller and specialist lenders - all of which currently offer mortgage loans with characteristics similar to BlueZest Mortgages' Buy-to-Let Loans, Business Loans and Property Development Loans. BlueZest Mortgages' mortgage operations exist in areas of the market that are at present unregulated. This limits barriers to entry to the market which creates the potential for an increase in the number of new competitors, or speed with which existing competitors can launch new products.

To mitigate this risk, BlueZest Mortgages aims to differentiate itself from its competitors by using innovative technologies to significantly reduce the time it takes to process, assess and approve (or decline) loan applications. However, no assurance can be given that such differentiating features will enable BlueZest Mortgages to compete successfully in the UK mortgage lending market.

The market is expected to remain highly competitive, which could adversely affect BlueZest Mortgages' business, results of operations and financial condition.

2.16 Operational risk - reliance on third party service providers

BlueZest Mortgages' ability to operate and grow its business in a controlled manner is significantly dependent on people, processes and systems provided by third party outsource providers and suppliers. Third parties provide a wide range of services for BlueZest Mortgages including (i) in relation to its mortgage products (such as valuations and conveyancing); (ii) in relation to its servicing of Mortgage Loans (such as direct debit collection services); (iii) hosting of IT systems; and (iv) provision of data services (such as credit bureau data and property data). Any significant or persistent failure by any third party to deliver services in accordance with their contractual obligations to BlueZest Mortgages could result in adverse publicity, reputational damage or otherwise materially adversely impact BlueZest Mortgages' business, operating results or financial condition.

2.17 Operational risk - dependence on IT systems, which are subject to potential disruption or failure

BlueZest Mortgages' operations are dependent on its IT systems, which could suffer significant disruptions or even failure. Although BlueZest Mortgages believes that its IT systems have been developed to allow BlueZest Mortgages to scale up its business, there can be no assurance that its IT systems are or will continue to be able to support a significant increase in business, including online traffic.

Although BlueZest Mortgages has in place business continuity procedures in the event of IT failures or disruption, including back-up IT systems for business critical systems and applications, these back-ups are not, and are not intended to be, a full

duplication of BlueZest Mortgages' operational systems. Should any of these procedures and measures not anticipate, prevent or mitigate a failure, BlueZest Mortgages could experience a material adverse effect on its business, financial conditions and prospects.

BlueZest Mortgages' processes and systems may not detect or prevent all frauds and attempts to compromise its systems, including denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks that may compromise the security of the information stored in and transmitted by BlueZest Mortgages' systems.

Because techniques used to obtain unauthorised access to or sabotage systems change frequently and may not be known until launched against BlueZest Mortgages or its third party service providers, BlueZest Mortgages may be unable to fully anticipate these attacks or to implement adequate preventative measures. While BlueZest Mortgages has not suffered any material breach of its cyber security, an actual or perceived breach could damage BlueZest Mortgages' reputation, expose it to risk of loss, fine or litigation and possible liability, require BlueZest Mortgages to expend significant resources to alleviate problems caused by such breaches.

2.18 Operational risk - BlueZest Mortgages may be subject to privacy or data protection failures and cyber-theft

BlueZest Mortgages is subject to regulation regarding the use of personal customer data. BlueZest Mortgages processes personal customer data as part of its business and therefore must comply with strict data protection and privacy laws. BlueZest Mortgages 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, BlueZest Mortgages is exposed to the risk that data could be wrongfully appropriated, lost or disclosed, stolen or processed in breach of data protection regulations. If BlueZest Mortgages 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, BlueZest Mortgages 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 BlueZest Mortgages' business, financial conditions and results of operations.

2.19 Operational risk - BlueZest Mortgages may face online security breaches including hacking and vandalism

BlueZest Mortgages relies on encryption and authentication technology to provide the security necessary to effect the secure transmission of information from its customers, such as credit or debit card numbers. BlueZest Mortgages cannot guarantee absolute protection against unauthorised attempts to access its IT systems, including malicious third party applications that may interfere with or exploit security flaws in its products and services. Viruses, worms and other malicious software programs could, among other things, jeopardise the security of information stored in a user's computer or in BlueZest Mortgages' computer systems or attempt to change the internet experience of users by interfering with BlueZest Mortgages' ability to connect with its users. If any compromise in BlueZest Mortgages' security measures were to occur and BlueZest Mortgages' efforts to combat this breach are unsuccessful, BlueZest Mortgages' reputation may be harmed leading to an adverse effect on BlueZest Mortgages' financial condition and future prospects.

BlueZest Mortgages also processes personal data (some of which may be sensitive) as part of its business. There is a risk that such data could become public if there were a security breach in respect of such data and, if one were to occur, BlueZest Mortgages could face liability under data protection laws and lose the goodwill of its customers, which may have an adverse effect on BlueZest Mortgages' financial condition and future prospects.

2.20 Technology risk - BlueZest Mortgages may not keep pace with new technological developments

BlueZest Mortgages' success depends in part upon its ability to store, retrieve, process and manage substantial amounts of information. To achieve its strategic objectives and remain competitive, BlueZest Mortgages must continue to develop and enhance its information systems. This may require the acquisition of equipment and software and the development, either internally or through independent consultants, of new proprietary software. No assurance can be given that BlueZest Mortgages will be able to continue to design, develop, implement or utilise, in a cost-effective manner, information systems that provide the capabilities necessary for BlueZest Mortgages to compete effectively. Any failure to adapt to technological developments could mean that BlueZest Mortgages fails to capture what may become an increasingly important part of the online financial services market and this may have an adverse effect on BlueZest Mortgages' financial condition and future prospects.

2.21 Security risk - risk of losses associated with declining property values

As a condition to entering into a Mortgage Loan with BlueZest Mortgages, each borrower and/or one or more of its directors is required to grant a legal mortgage (a "**Mortgage**") over the property in respect of which the Mortgage Loan has been granted or, as the case may be, another property owned by the director (such property being, the "**Mortgaged Property**").

In the event that the borrower is unable to make payments on the Mortgage Loan, BlueZest Mortgages has the right to sell the Mortgaged Property to recover any amounts outstanding under the Mortgage Loan.

Part of the security granted by BlueZest Mortgages to the Borrower Security Trustee (to hold on behalf of itself and the other Borrower Secured Parties) in support of BlueZest Mortgages' obligations under the Loan Agreement includes security over its rights to all Mortgages and Mortgaged Property.

The value of the security granted by BlueZest Mortgages may be affected by, among other things, a decline in the value of the Mortgaged Properties. This is particularly the case for Mortgage Loans having a high loan-to-value (LTV) such as those Buy-to-Let Loans available to experienced landlords in the South East of England at an LTV of up to 85 per cent.

No assurance can be given that the values of the Mortgaged Properties will remain at the level at which they were on the dates of origination of the related Mortgage Loans. Declines in property values could in certain circumstances result in the value of the Mortgages supporting the Mortgage Loans being significantly reduced and, ultimately, may result in losses to the Bondholders if the security granted by BlueZest Mortgages is required to be enforced. To mitigate this risk BlueZest Mortgages has entered into a mortgage indemnity guarantee policy (the "**MIG Policy**") with AmTrust Europe Limited ("**AmTrust**" or "**MIG Provider**") in respect of all Mortgage Loans that it grants which satisfy the criteria set out in the MIG Policy. AmTrust Europe Limited is the UK regulated insurance company of the AmTrust Group and is rated "A" (Excellent) by A.M. Best as at the date of this Base Prospectus (*source: AmTrust's website (<https://www.amtrusteurope.com/en-GB/about>)*). See Section 2 (*Risk Factors - 2.22 Security and insurance risk - mortgage indemnity guarantee policy (MIG Policy)*) of this Base Prospectus for risks associated with the MIG Policy.

In addition, the ability of BlueZest Mortgages to dispose of a Mortgaged Property, in the event of enforcement against a borrower, at a price sufficient to repay the amounts outstanding under the relevant Mortgage Loan will depend upon a number of factors including the availability of buyers for the Mortgaged Property.

2.22 Security and insurance risk - mortgage indemnity guarantee policy (MIG Policy)

BlueZest Mortgages will obtain mortgage indemnity guarantee insurance from the MIG Provider in respect of all Mortgage Loans that it grants which satisfy the criteria set out in the MIG Policy.

In summary, the MIG Provider has agreed to indemnify BlueZest Mortgages, subject to the terms and conditions of the MIG Policy, for a certain percentage of losses that BlueZest Mortgages may incur in the event that a borrower fails to repay its Mortgage Loan, the Mortgaged Property securing the Mortgage Loan is repossessed and sold, and the value of the Mortgaged Property has declined since the date of origination of the Mortgage Loan. For more information regarding the MIG Policy see Section 9 (*Mortgage indemnity guarantee policy (MIG Policy)*) of this Base Prospectus.

The MIG Policy is limited in that such insurance is subject to certain caps on claims that may be made under the MIG Policy by BlueZest Mortgages. Firstly, each Mortgage Loan that is subject to the MIG Policy is subject to a cap on the amount of the claim that may be made in respect of that Mortgage Loan. In addition, all Mortgage Loans that were originated in any one year and that are subject to the MIG Policy are also subject to an aggregate cap on claims that can be made in respect of that group of Mortgage Loans. However, it is noted that the individual and aggregate caps on the amount of claims were agreed between BlueZest Mortgages and AmTrust following detailed commercial analysis and based on anticipated amounts of delinquency. The MIG Policy is also limited in that claims are subject to a minimum claim threshold, meaning that a claim can only be made once the aggregate amount of claims has exceeded the relevant threshold and to the extent that the threshold is exceeded by the relevant claim.

Insurance under the MIG Policy can lapse and ultimately the MIG Policy can be closed by the MIG Provider in the event that certain conditions under the MIG Policy are not satisfied, including if the insurance premia, which are payable throughout the life of the policy, are not paid when due. The MIG Provider also has the option to close the MIG Policy on giving 90 days' notice to BlueZest Mortgages. Whilst any closure of the MIG Policy does not affect insurance already extended under the MIG Policy, it would mean that BlueZest Mortgages would not be able to obtain further insurance which in turn would expose it to the risks otherwise mitigated by having the MIG Policy in place.

The MIG Policy is intended to provide only limited cover in the event of losses being incurred following repossession and sale of a Mortgaged Property. No assurance can be made that the MIG Policy will protect BlueZest Mortgages and accordingly Bondholders from all risk of loss.

2.23 Counterparty risk - AmTrust

In the event of an economic downturn, it is more likely that borrowers will default on their Mortgage Loans and, upon enforcement, the value of the Mortgaged Property securing the Mortgage Loan may have declined since the date of origination of the Mortgage Loan. In these circumstances, BlueZest Mortgages would look to claim on the MIG Policy provided by AmTrust. In such a downturn, each of BlueZest Mortgages, the Issuer and Bondholders will be exposed to the capital position of AmTrust.

Insurance firms in the UK are regulated by the Bank of England, and are subject to several stringent requirements to ensure consumer protection. One of these in particular requires them to hold sufficient capital so that there is less than a 1-in-200 chance that, in one year's time, the firm will not be able to pay all future claims on all the insurance policies it has underwritten. In addition, AmTrust's Financial Condition Report for the year ending 31 December 2016 shows its solvency margin of around 136%, meaning that it holds 1.36 times the amount of capital the Bank of England requires it to hold to protect policy holders.

Whilst AmTrust's capital position is strong, and it has withstood several market disruptions in the U.S. and across continental Europe, no assurances can be made that AmTrust would survive an extreme economic downturn. Any failure by AmTrust under the MIG Policy may have a material adverse effect on the ability of BlueZest Mortgages to make payments due under the Loan Agreement and in turn have a material adverse effect on the ability of the Issuer to make payments on the Bonds when the same become due.

2.24 Security risk - no certain access to RICS valuation reports

The value of each property will be assessed independently in all cases in accordance with BlueZest Mortgages' internal valuation procedures. BlueZest Mortgages adopts an automated valuation model (or "AVM") for initial property valuations (the "Initial Valuation"), which involves a dual valuation by two leading online valuation providers. Data from each valuation provider feeds into the BlueZest Mortgages' own decision-making software solution (the "Zest Engine") via an application programming interface. This is processed by the Zest Engine (alongside other data sources which may highlight additional risk) in order to ascertain a confidence level which can be attributed to the Initial Valuation. If the Initial Valuation does not meet the requisite confidence level for the LTV banding of the prospective Mortgage Loan, then BlueZest Mortgages will carry out a physical Royal Institute of Chartered Surveyors ("RICS") valuation through a market-leading property valuation agency.

Where an Initial Valuation is provided by the AVM rather than a manual RICS valuation, Investors will not be provided with the same level of information regarding the Mortgaged Property as would be provided for certain other mortgage loan-related transactions. For example, on properties with a valuation of less than £500,000 where an AVM has been used, the information on the property is limited to the basic attributes of the property that determine the valuation (such as number and type of rooms). However, the policy for use of AVM valuations has been agreed with AmTrust to ensure that the MIG Policy covers all Mortgage Loans, including those in respect of which an AVM valuation was conducted.

2.25 Business risk - servicing loans internally during the initial period

BlueZest Mortgages will service the Mortgage Loans internally for an initial period (expected to be at least the first 6 months after the establishment of the Programme) while the volumes are low and then intend to outsource servicing to a third-party specialist loan servicer, Link Mortgage Services Limited. The principal risk arising from initially servicing Mortgage Loans internally is a lack of experience of the administration staff. However, during this initial period the volume of Mortgage Loans will be low and delinquency rates are also expected to be low. BlueZest Mortgages will be mitigating this risk by operating strictly to its collections and recoveries policy and processes which are agreed with the MIG Provider. The risk arising from the skills of the individual administrators will be addressed by operating a single mortgage support team where the team initially supports all aspects of the mortgage lifecycle, including broker management, application support and loan servicing. This broad-based team ensures that the overheads of servicing the mortgages internally are not disproportionate. The team success is strengthened by developing knowledge of all aspects of the business within the mortgage support team over a development period starting in May 2017; proactively involving the team in the development of all procedures and policies; having the mortgage support team co-located with the executives responsible for the relevant policies; and proactively recording all support calls in a Customer Relationship Management (CRM) system to ensure that all calls and actions are recorded.

2.26 Business risk - Possible exposure of BlueZest Mortgages to fraud

As an originator of mortgage loans, BlueZest Mortgages is exposed to possible fraud by borrowers, purported borrowers, their professional advisors such as solicitors, accountants or valuers as well as by employees.

Two types of fraud that are seen in the mortgage lending market are:

- 'fraud for property', where a borrower does intend to repay the loan but provides false information in order to get a larger loan to buy the relevant property; and
- 'fraud for profit', where a borrower does not intend to repay the loan and intends instead to steal the money from the lender.

To mitigate this risk, BlueZest Mortgages has in place procedures and controls to counteract both categories of fraud mentioned above. In particular, BlueZest Mortgages uses anti-fraud systems to cross-reference data provided by applicants against multiple data sources including house sales data, shared fraud data and dedicated watch lists. Cross-referencing these

sources highlights potential acts of fraud. BlueZest Mortgages' strict credit risk controls including detailed digital checks on applicants' circumstances also enable detection of 'fraud for property' through identifying exaggerated financial information.

BlueZest Mortgages requires all valuers to have professional indemnity insurance in place thereby protecting against losses arising from dishonest, fraudulent or malicious acts committed by its staff. However it is possible that large scale fraud could adversely affect the BlueZest Mortgages' revenues and/or profits which could in turn adversely impact the Issuer's ability to fulfil its obligations under the Bonds.

2.27 Intellectual property risk - BlueZest Mortgages may not have adequate protection for its intellectual property rights

The business and IT systems operating key proprietary intellectual property are not protected by patents or registered design rights which means that BlueZest Mortgages cannot preclude or inhibit competitors from entering the same market if they develop the same or similar technology independently.

BlueZest Mortgages is therefore particularly reliant on copyright, trade secret protection and confidentiality and license agreements with its employees, customers, suppliers, consultants and others to protect its intellectual property rights. Although BlueZest Mortgages has taken steps consistent with industry practice to reduce these risks, such steps may be inadequate.

In addition, third parties may independently discover BlueZest Mortgages' proprietary information or systems, and, in such cases, BlueZest Mortgages may not be able to rely on any intellectual property rights to prevent the use of such information or systems by such parties. Costly and time-consuming litigation could be necessary to determine and enforce the scope of BlueZest Mortgages' proprietary rights and the outcome of such litigation could not be guaranteed. Failure to prevent the use of such information or systems by such third parties could adversely affect BlueZest Mortgages' competitive business position, financial condition and future prospects.

2.28 Changes in laws or regulations affecting BlueZest Mortgages or the Issuer

The regulatory environment surrounding the mortgage lending market is susceptible to change. The body of law and regulation in respect of the mortgage lending market is continuously evolving and may in the future require market participants to hold certain permissions in relation to loans such as Buy-to-Let Loans, Business Loans and Property Development Loans, which are in excess of those required by the intended scope of legislation. BlueZest Mortgages is subject to laws and regulations enacted by national, state and local governments (as applicable) and the Issuer is, or may be in future, affected by such laws and regulations. Any change in the law and regulation affecting BlueZest Mortgages or the Issuer may have a material adverse effect on the ability of BlueZest Mortgages and the Issuer to carry on their businesses.

An example of such change in law and regulation was the Bank of England Act 1998 (Macro-prudential Measures) Order 2016 dated 15 December 2016 which provides the Bank of England's Financial Policy Committee (the "FPC") with additional powers to direct the Prudential Regulation Authority and Financial Conduct Authority to require regulated lenders to place limits on buy-to-let mortgages in relation to loan-to-value ratios and interest coverage ratios (being the amount of rent received to cover interest payments), limiting the proportion of these mortgages above a specified amount. The measures will apply where the FPC considers it to be proportionate on the basis of a cost-benefit analysis. While BlueZest Mortgages is not a regulated lender, these additional powers may affect BlueZest Mortgages' business should it become a regulated lender in future. However, the flexible nature of the BlueZest Mortgages' platform makes it easier to adjust the profile of mortgage loans being originated by any factor determined by the regulator, be it loan-to-value, interest coverage ratio, or any other factor. As such, BlueZest Mortgages believes it is well placed to adapt to any such changes to the regulatory landscape.

2.29 Any failure to comply with anti-money laundering and anti-bribery regulations could have a material adverse effect on BlueZest Mortgages.

BlueZest Mortgages is subject to laws regarding money laundering and the financing of terrorism, as well as laws that prohibit BlueZest Mortgages, 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. BlueZest Mortgages 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 BlueZest Mortgages 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 actions by BlueZest Mortgages' employees, for which BlueZest Mortgages 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 BlueZest Mortgages' business, financial condition, results of operations and prospects.

2.30 Tax risk - Taxes

There can be no assurance that changes will not be made to UK and/or EU tax laws and practice, such as regarding the use of carried forward corporation tax losses and group relief, and claims for capital allowances (including enhanced capital allowances). There can be no assurance that the current UK rate of corporation tax, which BlueZest Mortgages is subject to, will not subsequently rise. Any increase in the tax burden incurred by BlueZest Mortgages may have a material adverse effect on BlueZest Mortgages' business operations, prospects, financial condition and operational results.

As a consequence of the significant growth experienced in the buy-to-let loan market, the UK Government announced a range of measures affecting the buy-to-let loan market, such as the 3 per cent. stamp duty land tax surcharge on second homes introduced in April 2016 and the restrictions of tax relief on mortgage interest payments to the basic rate of tax, to be phased in between 2017 and 2020. The full impact of recent and forthcoming initiatives remains unknown and these initiatives may constrain growth in the buy-to-let loan market, which could have a material adverse impact on BlueZest Mortgages's business operations, prospects, financial condition and operational results.

2.31 Insurance risk - BlueZest Mortgages' insurance coverage may not be adequate to cover all possible losses that it could suffer and its insurance costs could increase in the future.

BlueZest Mortgages' insurance policies are comprehensive but cannot cover all types of potential losses and liabilities and are subject to limits and excesses. There can be no assurance that BlueZest Mortgages' insurance will be sufficient to cover the full extent of all losses or liabilities for which it is ultimately responsible and BlueZest Mortgages cannot guarantee that it will be able to renew its current insurance policies on favourable terms, or at all.

2.32 Insurance risk - Buildings insurance

No assurance can be given that BlueZest Mortgages will always receive the benefit of any claims made under any applicable buildings insurance policy or that the amounts received in respect of a successful claim will be sufficient to reinstate affected Mortgaged Property. This could adversely affect BlueZest Mortgages' ability to make payments under the Loan Agreement.

2.33 Force majeure

BlueZest Mortgages' operations now or in the future may be adversely affected by risks outside the control or anticipation of the BlueZest Group including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

3. RISKS RELATING TO BONDS GENERALLY

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

3.1 Suitability - Investors' capital is at risk

An investment in the Bonds 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 Bonds should ensure that they understand the nature of such Bonds 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 Bonds and that they consider the suitability of such Bonds as an investment in light of their own circumstances and financial condition. Investors may lose all or part of their investment in the Bonds if the Issuer or BlueZest Mortgages goes out of business or becomes insolvent.

3.2 Bonds subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Bonds. During any period when the Issuer may elect to redeem Bonds, the market value of those Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Bonds when the cost of borrowing is lower than the interest rate on the Bonds. At those times, an Investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds being redeemed and may only be able to do so at a significantly lower rate. Prospective investors should consider reinvestment risk in light of other investments available at that time.

3.3 The Bonds are not protected by the Financial Services Compensation Scheme

The Financial Services Compensation Scheme (the "FSCS") is the UK statutory compensation fund of last resort for customers of authorised financial services firms. In the event of the failure of a bank or certain other institutions, the customers of the relevant institution may be able to obtain compensation from the FSCS for certain of their losses. For example, deposits in a bank account are protected by the FSCS up to certain limits.

Unlike a bank deposit, the Bonds are not protected by the FSCS or any other government savings or deposit protection scheme. As a result, the FSCS will not pay compensation to an Investor upon the failure of the Issuer. If the Issuer goes out of business or becomes insolvent, Bondholders may lose all or part of their investment in the Bonds.

3.4 Investors in the Bonds will have limited recourse to the assets of the Issuer in the event that it fails to make any payments on the Bonds and, further, the rights of enforcement for Investors are limited, including that there are restrictions on the ability of Investors to petition for bankruptcy of the Issuer

The Bonds will be limited recourse obligations of the Issuer.

This means that if the proceeds of realising the security granted by the Issuer (the "**Issuer Security**") is insufficient to enable payments to be made to Bondholders and other secured creditors in respect of its obligations under the Bonds and other Transaction Documents, no other assets of the Issuer will be available for payment of any shortfall and no debt shall be owed by the Issuer in respect of any such shortfall.

Each of the parties to the Transaction Documents (other than the Issuer) have acknowledged and agreed under the terms of the relevant Transaction Documents to the limited recourse nature of the obligations as described above.

The assets that are subject to the security granted by the Issuer (the "**Issuer Charged Assets**") are as follows:

- all of the Issuer's rights, title and interest arising under the Loan Agreement and each of the Transaction Documents to which the Issuer is a party;
- all of the Issuer's rights, title and interest in any other bank accounts of the Issuer from time to time (other than amounts standing to the credit of the Issuer Profit Ledger of the Issuer Transaction Account) including all monies and/or securities from time to time standing to the credit of such accounts and all debts represented thereby; and
- the whole of the Issuer's undertaking and assets (other than amounts standing to the credit of the Issuer Profit Ledger of the Issuer Transaction Account), present and future and wherever situated, which are not otherwise charged or assigned under the Issuer Deed of Charge.

Following the delivery of a Bond Enforcement Notice by the Bond Trustee and subject to the Bond Trust Deed, the Security Trust Deed and the Issuer Deed of Charge, the Bond Trustee may give instructions to the Issuer Security Trustee to enforce the Issuer Security. Any amounts received by the Issuer Security Trustee in respect of the Issuer Security are available to be

applied in accordance with the Post-Enforcement Priority of Payments including (if sufficient monies are received) for making payments in respect of the Bonds.

The other parties to the Transaction Documents (other than the Issuer) also acknowledge and agree that they (or any party on their behalf) shall not be entitled to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, reorganisation, arrangement, insolvency or liquidation proceedings or other proceedings under any applicable bankruptcy or similar law in connection with any obligations of the Issuer relating to the Bonds or the Transaction Documents, except for lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer in relation thereto. For the avoidance of doubt, this shall not prevent the Issuer Security Trustee enforcing the Issuer Security in accordance with the terms of the Transaction Documents.

3.5 Bondholders will have no direct recourse to BlueZest Mortgages in the event that BlueZest Mortgages fails to make payments under the Loan Agreement

The Issuer will assign by way of security its rights, title and interest in the Loan Agreement in favour of the Issuer Security Trustee for the benefit of the Bondholders (and certain other Issuer Secured Parties under the Issuer Deed of Charge), and the Issuer Security Trustee may enforce the security over the Issuer Charged Assets including taking action against BlueZest Mortgages on behalf of the Bondholders. However, the Bondholders will not have any direct recourse against BlueZest Mortgages in respect of any failure by BlueZest Mortgages to make payments under the Loan Agreement.

As a function of the logistical challenges in organising a large number of disparate Investors, the terms and conditions of the Bonds provide that the Bond Trustee, the Issuer Security Trustee and the Borrower Security Trustee will not be bound to take any such enforcement action unless it has been indemnified and/or secured and/or pre-funded to its satisfaction. It may not be possible for Bondholders to arrange for the Bond Trustee, the Issuer Security Trustee and the Borrower Security Trustee to be so indemnified or secured or pre-funded, which may result in a delay or failure by the Bond Trustee, the Issuer Security Trustee and the Borrower Security Trustee to take enforcement action and Bondholders may incur losses on the Bonds.

3.6 The Servicer is under no obligation to take enforcement action in relation to the Loan Agreement

The Servicer does not have any duties in relation to taking enforcement action or seeking to make recoveries under the Loan Agreement. In the event that BlueZest Mortgages has defaulted under the Loan Agreement giving rise to the occurrence of a Loan Event of Default, the Borrower Security Trustee (subject to it being indemnified, secured and/or pre-funded to its satisfaction and acting in accordance with the Borrower Deed of Charge and the Conditions) shall be responsible for accelerating the Loan Agreement and taking action against BlueZest Mortgages to enforce the Lender's rights under the Loan Agreement (including, without limitation, the appointment of a receiver in respect of the Loan Agreement). Prospective investors should note that the Issuer is not responsible for and will not itself enforce the terms of, or seek to make recoveries under, the Loan Agreement.

3.7 Taxation generally

Prospective investors and sellers of the Bonds 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 Bonds 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 Bonds. 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.

3.8 Withholding tax on the Bonds and on payments under the Loan Agreement

Although no withholding tax is currently imposed under the laws of the United Kingdom on payments of interest or principal on the Bonds (for so long as the Bonds remain listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007), there can be no assurance that the law will not change and pursuant to Condition 14 (*Taxation*) of Appendix B (*Terms and Conditions of the Bonds*) the Issuer shall withhold or deduct from any such payments any amounts on account of tax where so required by applicable law. The Issuer is not required to make any "gross up" payments in respect of any withholding or deduction for or on account of tax applied in respect of payments on the Bonds.

In addition, BlueZest Mortgages will not be obliged to pay any additional amounts to the Issuer to reimburse the Issuer for any tax, assessment or charge required to be withheld or deducted from payments by BlueZest Mortgages under the Loan Agreement.

3.9 Changes in taxation may affect the value of the investments held by an Investor

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 Loan Agreement, the Issuer's ability to achieve the stated investment objective of each Series and/or alter the post-tax returns to Investors. Statements in this document concerning the taxation of Investors resident in the UK are based upon current UK tax law and practice which is subject to change, possibly with retrospective or retroactive effect. Any such change could adversely affect the ability of the Issuer to meet the stated investment objective or adversely affect the ability of the Issuer to pay the Interest Amount or the Final Redemption Amount in relation to the Bonds on the relevant final repayment date (as specified in the applicable Final Terms) to Investors. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment is made will endure indefinitely.

Bonds qualify to be held by Investors in a self-invested personal pension ("**SIPP**") or individual savings account ("**ISA**") to shelter them from tax that might otherwise be payable. There is a risk that regulations may change or HMRC's rules may change such that Bonds could become ineligible to be held in a SIPP or ISA, or any gains from the Bonds held in a SIPP or ISA may become taxable.

It is not currently anticipated that BlueZest Mortgages will be required to make any deduction or withholding for or on account of tax from payments made under the Loan Agreement, 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 BlueZest Mortgages to deduct or withhold for or on account of tax from payments to the Issuer under the Loan Agreement, the amount payable by BlueZest Mortgages may be reduced by the amount of such deduction or withholding. This may affect the ability of the Issuer to pay the Interest Amount and/or Final Redemption Amount to Investors. **In particular, it should be noted that if a change in taxation law were to result in an obligation to deduct or withhold for or on account of tax from payments to Investors under the Bonds, the Interest Amount and Final Redemption Amount actually received by Investors would be reduced. The Issuer will not make any additional payments to Investors in the event that any deduction or withholding obligation is imposed on payments by the Issuer under the Bonds issued in respect of any Series.**

3.10 The Issuer may benefit from specific UK tax treatment given the specific nature of the transactions it conducts. However, if the Issuer does not benefit, or ceases to benefit, from such tax treatment, the Issuer's ability to make payments in full on the Bonds may be adversely affected

The Issuer could fall within the permanent regime for the taxation of securitisation companies under Chapter 4 of Part 13 of the Corporation Tax Act 2010 and the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) (the "**Securitisation Regulations**"). If so, the Issuer will be taxed only on the amount of its "retained profit" (as that term is defined in the Securitisation Regulations), for so long as it satisfies the conditions of the Securitisation Regulations. However, if the Issuer does not satisfy the conditions to be taxed in accordance with the Securitisation Regulations (or subsequently does not), then the Issuer could be subject to additional tax liabilities not contemplated in the cashflows for the transaction described in this Base Prospectus which could adversely affect its ability to make payments on the Bonds.

In addition, even if the Issuer does satisfy the conditions to be taxed in accordance with the Securitisation Regulations, in certain limited circumstances, taxes which are due from, but remain unpaid by, persons connected with the Issuer for certain tax purposes may become payable by the Issuer, which could adversely affect its ability to make payments on the Bonds.

3.11 U.S. Foreign Account Tax Compliance Withholding

Whilst the Bonds are in global form and held by Euroclear Bank SA/NV or Clearstream Banking, *société anonyme* or their agents (collectively the "**ICSDs**"), it is not expected that the withholding tax imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (or any amended or successor provisions), pursuant to any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("**FATCA**") will affect the amount of any payment received by the ICSDs (see Section 5 (*Taxation - E. Foreign Account Tax Compliance Act*)) of this Base Prospectus. However, FATCA may affect payments received by financial institutions which participate in the ICSDs or by custodians and intermediaries in the subsequent payment chain leading to the ultimate investor if any such participant, custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or to an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose their custodians or other intermediaries with care (to ensure that each is compliant with FATCA and other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Also, if Bonds are

exchanged into definitive form and taken out of the ICSDs, holders could be subject to withholding tax under FATCA in certain circumstances. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer has no responsibility to gross up any amount deducted under FATCA from payments through to the ultimate investors.

3.12 Change of law

The Conditions are based on English law in effect as at the date of issue of the relevant Bonds. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Bonds.

3.13 United Kingdom political uncertainty

On 23 June 2016, the United Kingdom held a referendum to decide on its membership in the European Union (the "EU"). The resulting vote was to leave the EU. The UK Government exercised its right under Article 50 of the Lisbon Treaty to leave the EU at the end of March 2017. There are a number of uncertainties in connection with the future of the United Kingdom and its relationship with the EU, including the terms of the agreement it reaches in relation to its withdrawal from the EU. While Article 50 of the Lisbon Treaty envisages a two-year timeframe for negotiating a withdrawal from the EU, the exact timing and the manner of the UK's withdrawal from the EU is currently unknown and may not become clear in the short-term. While there will be commercial, operational and legal impacts from the UK's exit from the EU, it is too early to conclude how the UK's exit from the EU will affect the BlueZest Group's businesses, customers and employees, or any of the Bonds (including the market value or the liquidity thereof in the secondary market), or on the other parties to the transaction documents. The BlueZest Group will continue to monitor the situation closely to assess the impact that the UK's decision to leave the EU is having and may in future have on its business, financial condition and results of operations.

3.14 Defined voting majorities bind all Bondholders

The Conditions contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

3.15 The Bond Trustee may agree to certain modifications, waivers and substitutions

The Conditions provide that Link Corporate Trustees (UK) Limited (the "**Bond Trustee**") may, without the consent of the Bondholders, agree to (a) any modification of the Bonds, the Conditions, the Bond Trust Deed or the Agency Agreement which is, in the opinion of the Bond Trustee, of a formal, minor or technical nature or is to correct a manifest or proven error or to comply with mandatory provisions of law, (b) any other modification and/or any waiver or authorisation of any breach or proposed breach of the Bonds, the Conditions or the Bond Trust Deed which is, in the opinion of the Bond Trustee, not materially prejudicial to the interests of the Bondholders, or (c) the substitution of another company as principal debtor under the Bonds and the Bond Trust Deed in place of the Issuer, in the circumstances described in Condition 19(c) (*Substitution*) of the Bonds. The Bond Trustee is entitled to seek professional advice (including financial advice) before agreeing to a modification or waiver without the consent of Bondholders.

3.16 Bonds where denominations involve integral multiples: definitive Bonds

In relation to any issue of Bonds which have denominations consisting of a minimum denomination specified in the applicable Final Terms ("**Specified Denomination**") plus one or more higher integral multiples of another smaller amount, it is possible that such Bonds may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Bond in respect of such holding (should such definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that its holding amounts to a Specified Denomination.

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

3.17 Risks relating to holding CREST Depository Interests

Bondholders may hold interests in the Bonds through Euroclear UK & Ireland Limited (formerly known as CREST Co Limited) ("**CREST**") through the issuance of dematerialised depository interests (dematerialised here means that they are represented by electronic interests in the records of the depository – as opposed to being represented by physical certificates), held, settled and transferred through CREST ("**CDIs**"), representing the interests in the relevant Bonds underlying the CDIs (the "**Underlying Bonds**"). 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 Bonds. The rights of CDI Holders to the Underlying Bonds 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 Bonds. Accordingly, rights under the Underlying Bonds cannot be enforced by CDI Holders except indirectly through the intermediary depositaries and custodians. The enforcement of rights under the Underlying Bonds 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 Bonds in the event of any insolvency or liquidation of any of the relevant intermediaries, in particular where the Underlying Bonds held in clearing systems are not held in special purpose accounts and are fungible (in other words, interchangeable because of common characteristics) 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, Euroclear, Clearstream, Luxembourg and the Issuer, including the global deed poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated) ("**CREST Deed Poll**"). Prospective investors 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 Bonds 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. 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 Bonds through the CREST International Settlement Links Service.

Prospective investors should note that none of the Issuer, BlueZest Mortgages, the Arranger, the Bond Trustee, the Borrower Security Trustee, the Issuer Security Trustee or the Principal Paying Agent 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.

For further information on the issue and holding of CDIs see Appendix G (*Book-entry clearance systems - CREST Depository Interests*) to this Base Prospectus.

3.18 Fixed charges may take effect under English law as floating charges

Pursuant to the terms of (i) the Issuer Deed of Charge, the Issuer has purported to grant fixed charges over the Issuer Transaction Account (other than amounts standing to the credit of the Issuer Profit Ledger) and the Issuer Cash Reserve Account; and (ii) the Borrower Deed of Charge, BlueZest Mortgages has purported to grant fixed charges over the Collections Account and the Completions Account (once opened).

The law in England and Wales relating to the characterisation of fixed charges is not settled. The fixed charges purported to be granted by the Issuer and BlueZest Mortgages may take effect under English law as floating charges only, if, for example, it is determined that the Issuer Security Trustee or Borrower Security Trustee (as applicable) does not exert sufficient control over the charged property for the security to be said to "fix" over those assets. It should be assumed by Bondholders that the fixed charges will take effect as floating charges. If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Issuer Security Trustee or Borrower Security Trustee (as applicable) in respect of the floating charge assets. In particular, the expenses of any administration, and the claims of any preferential creditors and the claims of unsecured creditors would rank ahead of the claims of the Issuer Security Trustee or Borrower Security Trustee (as applicable) in this regard. The Enterprise Act 2002 abolished the preferential status of certain Crown debts (including the claims of the United Kingdom tax authorities). However, certain employee claims (in respect of contributions to pension schemes and wages) still have preferential status. In this regard, it should be noted that the Issuer has agreed in the Transaction Documents not to have any employees.

In addition, any administrative receiver, administrator or liquidator appointed in respect of the Issuer or BlueZest Mortgages will be required to set aside the prescribed percentage or percentages of the floating charge realisations contained in the Issuer Deed of Charge or Borrower Deed of Charge (as applicable).

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 Lower than expected volumes of issuance

No assurance is provided that investors will subscribe for the full amount of Bonds which are made available for subscription during a particular offer period. The volume of issuance of a particular Tranche of Bonds 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 Bonds are lower than expected, the liquidity of the Bonds in the secondary market will be limited.

4.2 The secondary market generally

The Bonds do not have an established trading market when issued, and one may never develop. Whilst the Issuer will make an application for the Bonds to be admitted to the London Stock Exchange's order book for fixed income securities ("**OFIS**"), and one or more market makers may be appointed in respect of the Bonds, there can be no guarantee that a significant market in the Bonds will develop. If a market does develop, it may not be very liquid. Further, whilst the market maker(s) in respect of the Bonds will be required to quote buy and sell prices during normal business hours, there is no restriction on the prices which they can quote. If the secondary market in the Bonds is not liquid, the prices quoted may be unfavourable to Investors, and the prices quoted over time may be volatile. Therefore, Investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. There is no guarantee of what the market price for selling or buying the Bonds will be at any time. Any actual or perceived weaknesses in the creditworthiness of the Issuer or BlueZest Mortgages, the absence of a liquid market in the Bonds and prevailing market conditions generally can all affect the market price of the Bonds and, accordingly, if an Investor elects or is required to sell its Bonds in the market, it may achieve a price for its Bonds which is significantly lower than the price it paid for them.

4.3 Realisation from sale of Bonds

In the case of Bonds issued under the Programme which are tradable on the London Stock Exchange plc's OFIS, a registered market-maker will be appointed in respect of the relevant Bonds from the date of admission of those Bonds 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 Bonds. 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 Bonds.

If an Investor chooses to sell its Bonds in the open market at any time prior to maturity of the Bonds, 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 Bonds if the Investor were to hold onto the Bonds until then. Factors that will influence the price received by Investors who choose to sell their Bonds in the open market may include, but are not limited to, market appetite, inflation, the period remaining to maturity of the Bonds, prevailing interest rates and the financial position of the Issuer.

4.4 Exchange rate fluctuations and exchange controls may adversely affect an Investor's return on investments in the Bonds and/or the market value of the Bonds

The Issuer will pay principal and interest on the Bonds in sterling (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an Investor's 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 (i) the Investor's Currency equivalent yield on the Bonds, (ii) the Investor's Currency equivalent value of the principal payable on the Bonds and (iii) the Investor's Currency equivalent market value of the Bonds.

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, Investors may receive less interest or principal than expected, or no interest or principal.

4.5 Changes in interest rates or inflation rates may adversely affect the value of Fixed Rate Bonds

The Bonds may bear interest at a fixed rate. Prospective investors should note that if interest rates rise, then the income payable on such Bonds might become less attractive and the price that Investors could realise on a sale of the Bonds may fall. However, the market price of the Bonds from time to time has no effect on the total income Investors receive on

maturity of the Bonds if the Investor holds the Bonds until the maturity date. Further, inflation will reduce the real value of the Bonds over time, which may affect what Investors could buy with their investment in the future and may make the fixed rate payable on the Bonds less attractive in the future, again affecting the price that Investors could realise on a sale of the Bonds.

4.6 Credit ratings may not reflect all risks

Bonds issued under the Programme may be rated or unrated. Where an issue of Bonds 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 Bonds 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 the Bonds 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 the Bonds may be lowered. If any of the ratings assigned to the Bonds is lowered or withdrawn, the market value of the Bonds 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 the Bonds. 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 the Bonds 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 Bonds.

4.7 A credit rating reduction may result in a reduction in the trading value of the Bonds

The value of the Bonds is expected to be affected, in part, by Investors' general appraisal of the creditworthiness of the Issuer. Such perceptions are generally influenced by the ratings accorded to the outstanding Bonds of such Issuer by standard statistical rating services. A reduction in, or a placing on credit watch of the rating, if any, accorded to outstanding Bonds of the Issuer by a rating agency could result in a reduction in the trading value of the Bonds.

4.8 Yield

Prospective investors should note that any indication of yield (i.e. income return on the Bonds) stated in the Final Terms of the Bonds applies only to investments made at the Issue Price of the relevant Bonds, and not to investments made above or below the Issue Price of those Bonds. This is because the stated yield is calculated as a "current yield", which is determined as at the issue date of the Bonds by reference to the following formula:

$$\text{Current yield} = \frac{\text{Annual interest rate}}{\text{Issue Price}}$$

If an investor purchases Bonds at a price above or below the Issue Price of those Bonds, the yield on that investment will be different from any indication of the yield set out in the relevant Final Terms. No indication of yield will be included in the relevant Final Terms in respect of any Floating Rate Bonds.

4.9 Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each prospective investor should consult its legal advisers to determine whether and to what extent (i) Bonds are legal investments for it, (ii) Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk based capital or similar rules.

4.10 The clearing systems

Because the Global Registered Bond relating to each Series of Bonds may be held by or on behalf of Euroclear or Clearstream, Luxembourg, Bondholders will have to rely on their procedures for transfer, payment and communication with the Issuer.

The Registered Bonds in each Series of Bonds (other than Uncertificated Registered Bonds) will be represented by either Definitive Registered Bonds or a Global Registered Bond, in each case as specified in the relevant Final Terms. Such Global Registered Bonds may be deposited with a common depository (or, in the case of Bonds held under the New Safekeeping Structure, a common safekeeper) for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). In addition, Bonds may be issued as Uncertificated Registered Bonds, in which case CREST will maintain records of the interests in such Bonds.

Except in the circumstances described in the Global Registered Bond, Bondholders will not be entitled to receive Definitive Registered Bonds. Euroclear and Clearstream, Luxembourg will maintain records of the interests in the relevant Global

Registered Bond. While any Bonds issued under the Programme are represented by a Global Registered Bond, Bondholders will be able to trade their interests only through Euroclear or Clearstream, Luxembourg.

While Bonds are represented by a Global Registered Bond, the Issuer will discharge its payment obligations under such Bonds by making payments to the common depositary (or common safekeeper) for Euroclear and Clearstream, Luxembourg for distribution to the relevant account holders. A holder of an interest in the relevant Global Registered Bond or Uncertificated Registered Bond must rely on the procedures of Euroclear and Clearstream, Luxembourg or CREST, as the case may be, to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, interests in any Global Registered Bonds or Uncertificated Registered Bonds.

Holders of interests in a Global Registered Bond or Uncertificated Registered Bond will not have a direct right to vote in respect of the Bonds represented by such Global Registered Bond. Instead, such holders will be permitted to act only to the extent they are enabled by Euroclear or Clearstream, Luxembourg or CREST, as the case may be.

4.11 Bond Trustee, Borrower Security Trustee and Issuer Security Trustee indemnity

In certain circumstances, the Bondholders may be dependent on the Bond Trustee or the Borrower Security Trustee or the Issuer Security Trustee taking certain actions in respect of the Bonds. Prior to taking such action, pursuant to the Conditions the Bond Trustee or the Borrower Security Trustee or the Issuer Security Trustee may require to be indemnified and/or secured and/or pre-funded to its satisfaction. If so, and the Bond Trustee or the Borrower Security Trustee or the Issuer Security Trustee is not indemnified and/or secured and/or pre-funded to its satisfaction, it may decide not to take any action and such inaction will not constitute a breach by it of its obligations under the relevant Transaction Document. Consequently, the Bondholders would have to either provide such indemnity and/or security and/or pre-funding or accept the consequences of such inaction by the Bond Trustee, the Borrower Security Trustee or Issuer Security Trustee. Bondholders 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 Bond Trustee, the Borrower Security Trustee or Issuer Security Trustee. Such inaction by the Bond Trustee, the Borrower Security Trustee or the Issuer Security Trustee will not entitle Bondholders to take action directly against the Issuer to pursue remedies for any breach by it of the terms of the relevant Transaction Document or the Bonds unless the Bond Trustee or the Borrower Security Trustee or the Issuer Security Trustee has failed within a reasonable time to do so.

3. INFORMATION ABOUT THE PROGRAMME

The following is an overview of the Programme.

The full terms and conditions of the Bonds are contained in Appendix B (*Terms and Conditions of the Bonds*). It is important that prospective investors read the entirety of this Base Prospectus, including the terms and conditions of the Bonds, together with any supplement to this Base Prospectus and the applicable Final Terms, before deciding to invest in any Bonds issued under the Programme. If prospective investors have any questions, they should seek advice from their financial adviser or other professional adviser before deciding to invest.

INFORMATION ABOUT THE PROGRAMME

		Refer to
What is the Programme?	<p>The Programme is a debt issuance programme under which BlueZest Secured Retail Bond PLC (the "Issuer") as the issuer may, from time to time, issue debt instruments which are referred to in this Base Prospectus as "the Bonds".</p> <p>The Programme is governed by a set of master documents containing terms and conditions and other contractual provisions that can be used by the Issuer to undertake issues of Bonds from time to time in the future, subject to a maximum limit of £1,500,000,000 in principal amount of Bonds outstanding at any time under the Programme. The Issuer intends, subject to prevailing market conditions, to issue £250,000,000 in principal amount of Bonds in the period of 12 months immediately following the date of this Base Prospectus.</p> <p>The terms and conditions that can be used by the Issuer to undertake each issue of Bonds are contained in a set of provisions referred to as "the Terms and Conditions", as set out in this Base Prospectus in Appendix B (<i>Terms and Conditions of the Bonds</i>) (the "Conditions").</p> <p>The Programme was established on 22 November 2017.</p>	Appendix B (<i>Terms and Conditions of the Bonds</i>)
Who is issuing the Bonds?	<p>The Bonds will be issued by BlueZest Secured Retail Bond PLC.</p> <p>The Issuer is an entity which has been established for the purpose of issuing asset-backed securities, which means that it has been incorporated for specific purposes only (i.e. to issue the Bonds), will not conduct business more generally and has few material assets. The Issuer will not engage in any activities which are not related to the issue of Bonds.</p> <p>The proceeds of each issue of Bonds under the Programme will be made available to BlueZest Mortgages as a committed loan facility and will be loaned by the Issuer to BlueZest Mortgages as one or more advances (each an "Advance") of a loan (the "Loan") on the terms of a loan agreement (the "Loan Agreement"). The Issuer will depend on BlueZest Mortgages to make payments under the Loan Agreement in order for it to be able to make payments on the Bonds. Therefore, Investors in the Bonds will be assuming credit risk on BlueZest Mortgages as to which, Investors should see Section 2 (<i>Risk Factors</i>) of this Base Prospectus.</p> <p>The amounts of interest and principal payable under the Loan will equal (or in the case of interest, may exceed) the amounts of interest and principal due on the Bonds.</p> <p>Payments of interest and principal under the Loan will be required to be paid at least five Business Days prior to each interest payment date or redemption date, as the case may be, on the Bonds so that payments of interest and repayment of the Loan by BlueZest Mortgages will provide the Issuer with funds to make the corresponding payment on the related Bonds.</p>	Appendix B (<i>Terms and Conditions of the Bonds</i>)

Who is BlueZest Mortgages? The borrower under the Loan Agreement is BlueZest Mortgages and Loans Limited, a private limited liability company incorporated in England and Wales and a wholly-owned subsidiary of Unique Funding Limited. BlueZest Mortgages is permitted use Advances of the Loan to grant Mortgage Loans to borrowers which comply with its then applicable Lending Criteria and to pay the fees, costs and expenses incurred in connection with the issue of Bonds under the Programme. BlueZest Mortgages will use the amounts received in respect of the Mortgage Loans, Mortgages, Related Security and MIG Policy, as the case may be, to fulfil its obligations under the Loan Agreement to the Issuer.

Section 7
(Description of
BlueZest Mortgages)

How are Bonds issued under the Programme? Whenever the Issuer decides to issue Bonds, 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 Bonds to be issued under the drawdown. The key supplementary documents which prospective investors will need to be aware of when deciding whether to invest in Bonds issued as part of a drawdown over the 12 month period from the date of this Base Prospectus are: (a) any supplement to this Base Prospectus and (b) the applicable Final Terms.

Appendix B
(Terms and
Conditions of the
Bonds)
and
Appendix E
(Form of Final
Terms)

In the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Bonds and whose inclusion or removal from this Base Prospectus 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 or BlueZest Mortgages and the rights attaching to the Bonds, the Issuer will prepare and publish a supplement to this Base Prospectus or prepare and publish a new base prospectus, in each case, for use in connection with such Bonds and any subsequent issue of Bonds.

The Conditions cater for all the permutations of provisions that the Issuer envisages being likely to be applicable to issues under the Programme, with the final terms document for each issue (referred to herein as the Final Terms) setting out the specific commercial terms applicable to the issue and the extent to which the provisions in the Conditions are applicable. Each Final Terms is intended to be read alongside the Conditions, and the two together provide the specific terms of the Bonds relevant to a specific drawdown.

Each Final Terms may be submitted to the Financial Conduct Authority (the "FCA") and the London Stock Exchange plc (the "**London Stock Exchange**") or to another stock exchange and published by the Issuer in accordance with Directive 2003/71/EC, as amended, (the "**Prospectus Directive**").

What types of Bonds may be issued under the Programme? The following types of Bonds, or a combination of them, may be issued under the Programme: Fixed Rate Bonds and Floating Rate Bonds (as defined below).

Appendix B
(Terms and
Conditions of the
Bonds)
and
Appendix E
(Form of Final
Terms)

"Fixed Rate Bonds" are Bonds where the interest rate payable by the Issuer on the Bonds is fixed as a set percentage at the time of issue. See Section 4 (*How the return on your investment is calculated*) of this Base Prospectus for a worked example showing how the return on an issue of Fixed Rate Bonds is calculated.

"Floating Rate Bonds" are Bonds where the interest rate is calculated by reference to a fluctuating benchmark rate. Under the

Programme, that benchmark rate will be one of an ISDA defined rate, the London Interbank Offered Rate ("**LIBOR**") or the Bank of England's Base Rate. 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 Bonds 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 (or subtracted from) the benchmark rate. See Section 4 (*How the return on your investment is calculated*) of this Base Prospectus for a worked example showing how the return on an issue of Floating Rate Bonds is calculated.

The specific details of each Bond issued will be specified in the applicable Final Terms.

Why has the Programme been established? What will the proceeds be used for?

The Programme has been established as a means of providing a source of funding to BlueZest Mortgages to enable it to grant Mortgage Loans to borrowers which comply with the Lending Criteria, whilst also providing investors with an investment opportunity which is secured against property situated in England and Wales. The proceeds from the issue of the Bonds will be made available by the Issuer to BlueZest Mortgages as a committed loan facility on the terms of the Loan Agreement. The terms of the Loan and those of the Bonds will be aligned such that payments of interest and principal under the Loan will equal (or in the case of interest, may exceed) the amounts of interest and principal due on the Bonds. Also, payments of interest and repayments of principal under the Loan will be required to be paid at least five Business Days prior to each interest payment date or redemption date, as the case may be, on the Bonds, so that payments of interest and principal by the Issuer in respect of the Bonds will be funded by the interest and principal which the Issuer receives from BlueZest Mortgages under the Loan Agreement.

Have any Bonds been issued under the Programme to date?

As of the date of this Base Prospectus, no Bonds have been issued under the Programme. N/A

How will the price of the Bonds be determined?

Bonds may be issued at their nominal amount. The price and amount of Bonds to be issued under the Programme will be determined by the Issuer and the Lead Manager or relevant Dealer (as applicable) at the time of "pricing" of the Bonds 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 Bonds?

The yield in respect of each issue of Fixed Rate Bonds 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 Bonds will not include any indication of yield. N/A

How will interest payments on the Bonds be funded?

Payments of interest by the Issuer in respect of the Bonds will be funded by the interest which the Issuer receives from BlueZest Mortgages under the Loan Agreement. The amounts of interest and principal payable under the Loan will equal (or in the case of interest, may exceed) the amounts of interest and principal due on the Bonds, and accordingly the Loan Agreement has characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Bonds. Payments of interest and principal N/A

under the Loan will be required to be paid at least five Business Days prior to each interest payment date or redemption date, as the case may be, on the Bonds.

Will the Bonds issued under the Programme be guaranteed? No Bonds issued under the Programme will be guaranteed. N/A

What protections exist within the structure for Bondholders? The Programme includes a number of protections for Bondholders including the features summarised below and described in further detail in the rest of this section of the Base Prospectus.

Firstly - Bondholders together with other secured parties benefit from security granted by BlueZest Mortgages and the Issuer. Please refer to the question below, "*Will the Bonds issued under the Programme be secured?*" for more information in this regard.

Section 13
(*Security for the Issuer's and BlueZest Mortgages' obligations*)

Secondly - BlueZest Mortgages has entered into a mortgage indemnity guarantee policy with AmTrust Europe Limited as a way of reducing its exposure (and correspondingly the exposure of Bondholders) to a potential future decline in the value of the property securing the Mortgage Loans. BlueZest Mortgages' rights under the mortgage indemnity guarantee policy form part of the security granted for the benefit of Bondholders and other secured parties. Please refer to the question below, "*What happens if there is a downturn in the property market?*" for more information in this regard.

Section 9 (*Mortgage indemnity guarantee policy (MIG Policy)*)

Thirdly - the net proceeds of each issue of Bonds under the Programme will be held in accounts secured for the benefit of Bondholders and other secured parties until such time as they are advanced to the borrower by way of a Mortgage Loan or used to pay fees, costs and expenses incurred in connection with the issue of Bonds under the Programme.

The proceeds of each issue of Bonds will be held in the Issuer Transaction Account (until such time as such monies are advanced on behalf of BlueZest Mortgages to a borrower by way of a Mortgage Loan, transferred to BlueZest Mortgages' Completion Account (once opened) to be advanced by BlueZest Mortgages to borrowers as Mortgage Loans, or transferred to pay fees and expenses incurred by the Issuer in connection with the issue of Bonds). Any such amount so transferred out of the Issuer Transaction Account will be treated as an Advance of the Loan. The Issuer has granted security over the Issuer Transaction Account (other than amounts standing to the credit of the Issuer Profit Ledger) and BlueZest Mortgages will grant security over the Completions Account (once opened) as part of the security granted for the benefit of Bondholders and other secured parties.

Appendix F
(*Form of Loan Agreement*)

Fourthly - the Loan Agreement contains financial covenants which are intended to restrict BlueZest Mortgages' scope for getting into financial difficulties, to provide an early warning if BlueZest Mortgages does get into difficulty and, if necessary, trigger an event of default under the Loan Agreement and enforcement of the security granted by BlueZest Mortgages. Please refer to the question below, "*What are the financial covenants?*" for more information in this regard.

Appendix F
(*Form of Loan Agreement*)

Fifthly - the Issuer has agreed to hold a cash reserve in a specific cash reserve account, for a period of twelve months following the first issuance of Bonds under the Programme, as an extra source of

funds to enable it to satisfy its payment obligations under or in connection with the Bonds at times when it otherwise would have insufficient funds available. Please refer to the question below, "What is the cash reserve?" for more information in this regard.

Will the Bonds issued under the Programme be secured?

The Issuer's obligations to pay interest and principal on the Bonds issued under the Programme will be secured.

Section 13
(Security for the Issuer's and BlueZest Mortgages' obligations)

The Issuer has granted security over its rights in respect of the Loan Agreement and the other transaction documents to which it is a party; all of its bank accounts; and all of its other assets and undertaking from time to time to Link Corporate Trustees (UK) Limited (the "Issuer Security Trustee") for the benefit of itself, the Bondholders and the other Issuer Secured Parties.

In addition, BlueZest Mortgages has granted security over, amongst other things, its rights in respect of the Mortgage Loans, Mortgages, Related Security and MIG Policy (to the extent that such rights relate to Mortgage Loans); the Loan Agreement and the other transaction documents to which it is a party; and certain of its bank accounts in favour of Link Corporate Trustees (UK) Limited (the "Borrower Security Trustee") for the benefit of itself, the Issuer (in its capacity as Lender under the Loan Agreement) and the other Borrower Secured Parties.

This means that if BlueZest Mortgages fails to make payments of interest or principal under the Loan Agreement and this results in the occurrence of a Bond Event of Default, the Issuer Security Trustee (acting on the instructions of the Bond Trustee) shall give instructions to the Borrower Security Trustee to enforce the Borrower Security, and if any amounts are recovered under the Loan or Borrower Security they will be available for payment to the Bondholders in accordance with a post-enforcement priority of payments.

What will Bondholders receive in a winding up of the Issuer?

The Issuer has been established for the specific purpose of issuing the Bonds, which means that it does not conduct business more generally. This means that if Issuer does become insolvent, it does not have any other financial or trade creditors which would rank ahead of the Bondholders (other than as contemplated under the Bond Trust Deed and summarised in the diagram below entitled, "Post-Enforcement Priority of Payments").

Section 6
(Description of the Issuer)

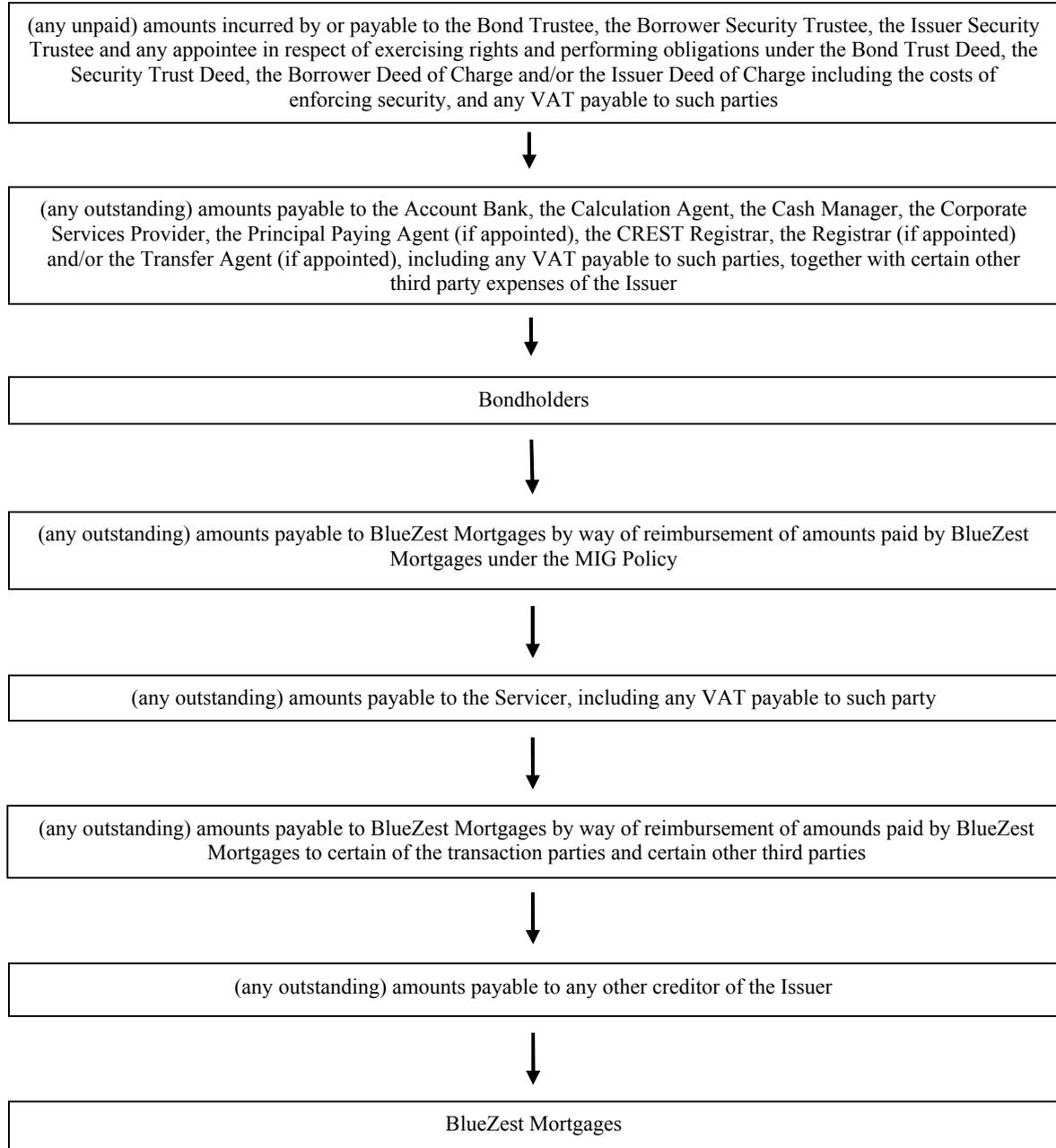
and

Section 13
(Security for the Issuer's and BlueZest Mortgages' obligations)

If BlueZest Mortgages does not meet its obligations under the Loan Agreement and this results in the occurrence of a Loan Event of Default or a Bond Event of Default and delivery of a Loan Enforcement Notice or a Bond Enforcement Notice under the terms and conditions of the Bonds, the security granted by the Issuer and BlueZest Mortgages will become enforceable and the Borrower Security Trustee and Issuer Security Trustee (as applicable) shall take such steps as they consider appropriate to maximise the amount recoverable from such security. Such steps may include accelerating the Loan and the Bonds (which means that the Loan and the Bonds become immediately due and payable) and, if necessary, the Borrower Security Trustee (if directed to do so in writing by the Issuer Security Trustee) (acting on the instructions of Bond Trustee) or the Issuer Security Trustee (acting on the instructions of the Bond Trustee) (as applicable) taking action against BlueZest Mortgages to enforce their rights under the Transaction Documents. However, none of the Borrower Security Trustee, the Issuer Security Trustee or the Bond Trustee will be bound to take any such enforcement action unless it has been indemnified and/or secured and/or pre-funded to its satisfaction.

In such a post-enforcement scenario, any monies received by the Borrower Security Trustee, the Issuer Security Trustee or the Bond Trustee will be used to make payments to the following parties in the order of priority below (the "**Post-Enforcement Priority of Payments**"):

Diagram: Post-Enforcement Priority of Payments



Further information is contained in the detailed provisions of Condition 7 (*Order of payments*) of Appendix B (*Terms and Conditions of the Bonds*).

What happens if there is a downturn in the property market?

If there is a downturn in the property market affecting the value of property situated in England and Wales, this will not affect the borrowers' obligations to make payments under the Mortgage Loans. However, the value of the property securing the Mortgage Loans may be affected which in turn may affect the value of the security granted by BlueZest Mortgages in respect of its obligations under the Loan Agreement.

Section 9 (*Mortgage indemnity guarantee policy (MIG Policy)*)

In order to reduce its exposure (and correspondingly the exposure of Bondholders) to a potential future decline in the value of the Mortgaged Properties, in addition to the equity provided by the borrower, BlueZest Mortgages has entered into a mortgage indemnity guarantee policy with AmTrust Europe Limited.

A mortgage indemnity guarantee policy is designed to protect a lender by covering a certain percentage of losses that a lender may otherwise incur following a repossession and sale of mortgaged property.

By way of example, assuming that:

1. the mortgaged property was valued at £500,000 prior to the date of the mortgage loan (the "**Original Value**");
2. the borrower provided £125,000 from alternative sources resulting in a mortgage loan amount of £375,000 (representing a loan-to-value (or LTV) of 75 per cent.);
3. the mortgage indemnity guarantee policy covers losses that would occur if the mortgaged property declined in value to 60 per cent. (or 65 per cent. in the case of a Buy-to-Let Loan) of its Original Value, being £300,000; (such level is referred to as the "**Attachment Percentage**"); and
4. all other terms and conditions under the policy are satisfied,

the value of the mortgaged property would have to decline by more than 40 per cent. from its Original Value (i.e. decline by £200,000) before the lender bears any losses that may result following a repossession and sale of the mortgaged property.

What are the financial covenants?

The Loan Agreement contains financial covenants (or ratios), which are intended (a) to restrict BlueZest Mortgages' scope for getting into financial difficulties, (b) to provide an early warning if BlueZest Mortgages does in fact get into difficulty and (c) if necessary, to trigger an event of default under the Loan Agreement. They provide a mechanism whereby both the Issuer and Bondholders can monitor the on-going financial condition and credit-worthiness of BlueZest Mortgages' financial position.

Appendix F
(Form of Loan Agreement)

The Asset Coverage Ratio

In summary, the "Asset Coverage Ratio" measures:

- the sum of (a) the aggregate principal balance of all performing Mortgage Loans then outstanding, (b) the aggregate minimum interest amounts applicable to all performing Mortgage Loans then outstanding which are payable (but not yet paid), (c) amounts standing to the credit of the Collections Account, (d) amounts standing to the credit of the Issuer Cash Reserve Account, (e) amounts standing to the credit of the Issuer Transaction Account (other than amounts standing to the credit of the Issuer Profit Ledger), and (f) amounts standing to the credit of the Completions Account (if any),

against

- the aggregate principal balance of all Bonds then outstanding under the Programme.

The "Asset Coverage Ratio" will be tested prior to each issue of

Bonds under the Programme, on the date falling 15 Business Days prior to the proposed Issue Date (being, the "**Covenant Testing Date**").

This ratio is intended to highlight whether there are sufficient current assets in the structure to satisfy payment obligations under the Loan and Bonds from time to time. BlueZest Mortgages has agreed to ensure that the Asset Coverage Ratio is not less than 1.0 : 1.0 on any Covenant Testing Date.

The Interest Coverage Ratio

In summary, the "Interest Coverage Ratio" measures:

- the weighted average margin of all Mortgage Loans then outstanding,

against

- the weighted average margin of all Bonds then outstanding under the Programme.

The "Interest Coverage Ratio" will be tested on the Covenant Testing Date prior to each issue of Bonds to occur following the first anniversary of the issue date of the initial Series of Bonds to be issued under the Programme.

This ratio is intended to show BlueZest Mortgages' ability to meet its interest payments on the Loan, and so in turn allow the Issuer to satisfy its obligations to pay interest on the Bonds and fees, costs and expenses to third parties in connection with the Bonds. BlueZest Mortgages has agreed to ensure that the Interest Coverage Ratio is not less than 1.1 : 1.0 on such Covenant Testing Date.

What is the Cash Reserve?

During the period of twelve months from the first issue of Bonds under the Programme (the "**Cash Reserve Accumulation Period**"), the Issuer shall hold a cash reserve (the "**Cash Reserve**") in a cash reserve account in the Issuer's name at the Account Bank (the "**Issuer Cash Reserve Account**").

Appendix F
(Form of Loan
Agreement)

On each Interest Payment Date, amounts shall be credited to the Issuer Cash Reserve Account under limb *ten* of the Pre-Enforcement Priority of Payments provided that all payments ranking above such limb in the Pre-Enforcement Priority of Payments have been made in full.

During the Cash Reserve Accumulation Period, the amounts in the Issuer Cash Reserve Account shall only be used to fund payments due under and in connection with the Bonds in accordance with the relevant Priority of Payments.

After the Cash Reserve Accumulation Period, and provided that no Bond Event of Default (as defined in the terms and conditions of the Bonds) has occurred and is continuing, the amount of the Cash Reserve shall be paid to BlueZest Mortgages for its general corporate purposes.

Will the Bonds issued under the Programme have a credit rating?

The Programme is not currently rated by any credit rating agency; however, issues of Bonds issued under the Programme may be specifically rated. Any such ratings will not necessarily be the same as the rating assigned to the Issuer or to any other issues of Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any

N/A

time by the assigning rating agency. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the "**CRA Regulation**").

Will the Bonds issued under the Programme have voting rights?	Bondholders have certain rights to vote at meetings of Bondholders of the relevant Series, but are not entitled to vote at any meeting of shareholders of the Issuer or of any other member of the BlueZest Group.	Appendix B <i>(Terms and Conditions of the Bonds)</i>
Will I be able to trade the Bonds issued under the Programme?	Applications have been made (i) to the FCA in its capacity as competent authority for Bonds 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 FCA and (ii) to the London Stock Exchange for such Bonds to be admitted to trading on the London Stock Exchange's regulated market through the order book for fixed income securities (" OFIS ").	Section 15 <i>(Additional Information - 9 Listing and admission to trading of the Bonds)</i>
	Once listed, Bonds may be purchased or sold through a broker. The market price of Bonds may be higher or lower than their Issue Price depending on, among other things, the level of supply and demand for such Bonds, movements in interest rates and the financial performance of the Issuer and BlueZest Mortgages. See Section 2 (<i>Risk Factors</i>) of this Base Prospectus.	
Who will represent the interests of the Bondholders?	Link Corporate Trustees (UK) Limited (the " Bond Trustee ") is appointed to act on behalf of the Bondholders as trustee in respect of the Bonds throughout the life of any Bonds issued under the Programme, subject as provided in the Bond Trust Deed. The main obligations of the Issuer (such as the obligation to pay and observe the various covenants in the Conditions) are owed to the Bond Trustee. These obligations are, in the normal course, enforceable by the Bond Trustee only, not the Bondholders themselves. Although the entity chosen to act as Bond Trustee is chosen and appointed by the Issuer, the Bond Trustee's role is to represent the interests of the Bondholders as a class.	Appendix B <i>(Terms and Conditions of the Bonds)</i>
What is the role of the Cash Manager?	Link Asset Services (UK) Limited (the " Cash Manager ") is appointed to provide cash management services to the Issuer and BlueZest Mortgages in relation to cash flows arising from or otherwise relating to the Loan Agreement and the Bonds.	
What is the role of the Calculation Agent?	A Calculation Agent will be appointed in respect of each Series of Bonds (being either the Cash Manager or such other person as may be specified in the relevant Final Terms) and be responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms.	
Can the Terms and Conditions of the Bonds be amended?	The Conditions provide that the Bond Trustee and the Issuer may, without the consent of Bondholders, agree to: (a) any modification of the Bonds, the Conditions, the Bond Trust Deed or Agency Agreement which, in the opinion of the Bond Trustee, is not materially prejudicial to the interests of the Bondholders or is of a formal, minor or technical nature or is to correct a manifest or proven error or to comply with mandatory provisions of law; (b) authorise or waive any proposed breach or breach of the Bonds, the Conditions or the Bond Trust Deed which, in the opinion of the Bond Trustee, is not materially prejudicial to the interests of the	Appendix B <i>(Terms and Conditions of the Bonds)</i>

Bondholders; or (c) the substitution of another company as principal debtor under the Bonds in place of the Issuer, in certain circumstances, and subject to the satisfaction of certain conditions. Bondholders may also sanction a modification of the Conditions of the Bonds by passing an Extraordinary Resolution. The Bond Trustee is entitled to seek professional advice (including financial advice) before agreeing to a modification or waiver without the consent of Bondholders.

What if I have further queries? If prospective investors are unclear in relation to any matter, or uncertain if the Bonds issued under the Programme are a suitable investment, they should seek professional advice from their broker, solicitor, accountant or other independent financial adviser before deciding whether to invest. ^{N/A}

4. HOW THE RETURN ON YOUR INVESTMENT IS CALCULATED

The following section sets out worked examples of how the interest amounts are calculated under a variety of scenarios and how the redemption provisions will affect the Bonds.

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 THE BONDS ARE CALCULATED UNDER A VARIETY OF SCENARIOS. THE ACTUAL AMOUNTS PAYABLE (IF ANY) WILL BE CALCULATED IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE BONDS AS SET OUT IN APPENDIX B (*TERMS AND CONDITIONS OF THE BONDS*) AND THE FINAL TERMS RELATING TO THE BONDS.

Interest

For the purposes of the scenarios below, the principal amount per Bond is assumed to be £1,000 and the Issue Price is 100 per cent. (100%) of the aggregate principal amount.

Two types of Bonds may be issued pursuant to this Base Prospectus: Fixed Rate Bonds which bear periodic fixed rate interest and Floating Rate Bonds which bear periodic floating rate interest. Upon maturity, the Bonds will pay a fixed redemption amount. Bonds may provide for early redemption at the option of the Issuer (a call option) or at your option (a put option). The Issuer shall also redeem the Bonds early in certain circumstances as specified in the Final Terms.

The examples below are intended to demonstrate how the return on your investment will be calculated depending on the interest type and the relevant redemption provisions specified to be applicable for your Bonds.

Fixed Rate Bonds

Fixed Rate Bonds pay a periodic and predetermined fixed rate of interest over the life of the Bond.

Unless your Bonds are redeemed early, in respect of each Bond and on each interest payment date you will receive an amount calculated by applying the relevant fixed rate to the principal amount, and then multiplying such amount by the applicable 'day count' fraction (which is a fraction used to reflect the number of days over which interest has accrued).

WORKED EXAMPLE: FIXED RATE BONDS

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

- the fixed rate is 3 per cent. (3%) 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,

the interest amount payable on the interest payment date will be £15.04 (rounded to two decimal places). This figure is calculated as fixed interest of 3%, or $0.03 \times £1,000 \times \text{day count fraction of } 183/365$ or 0.5013699.

Floating Rate Bonds

Floating Rate Bonds 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 the Bank of England's base rate ("**Bank of England Base Rate**"), 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 and for the Bank of England Base Rate this is the rate at which the Bank of England is willing to provide banks with secured oversight lending. 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 or the Bank of England Base Rate 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 Bonds (the "**Conditions**") and the Final Terms as "**Screen Rate Determination**" and, in the case of such an issue of Floating Rate Bonds, the Final Terms will specify the relevant benchmark (referred to in the Final Terms as the "**Reference Rate**"), the date 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 Conditions 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 Conditions 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 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 Bonds are redeemed early, in respect of each Bond and on each interest payment date you will receive an amount calculated by applying the rate of interest for that interest period to the principal amount, and then multiplying such amount by the applicable 'day count' fraction (which is a fraction used to reflect the number of days over which interest has accrued). 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 will be subject to any maximum or minimum rate which may be specified in the Final Terms.

WORKED EXAMPLE: FLOATING RATE BONDS - SCREEN RATE DETERMINATION

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

- the Reference Rate is 6 month GBP LIBOR;
 - the margin is plus 2.00 per cent. (2.00%);
 - the rate of interest is subject to a maximum rate of 7.00 per cent. (7.00%) 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
- (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%), the interest amount payable on the corresponding interest payment date will be equal to £20.33 (rounded to two decimal places). This figure is calculated as $£1,000 \times \text{rate of interest of } 4.10\% \text{ (or } 0.041) \times \text{day count fraction of } 181/365$. The rate of interest (4.10%) is calculated as the Reference Rate of 2.10% (or 0.021) plus 2.00% (or 0.02) margin, and 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%), the interest amount payable on the corresponding interest payment date will be equal to £34.71 (rounded to two decimal places). This figure is calculated as $£1,000 \times \text{rate of interest of } 7.00\% \text{ (or } 0.07) \times \text{day count fraction of } 181/365$. The rate of interest (7.00%) is set as the maximum rate of interest because the Reference Rate of 6.16% (or 0.0616) plus 2.00% (or 0.02) margin, results in a rate of 8.16%. In this scenario, the rate of interest is capped at 7.00%.

WORKED EXAMPLE: FLOATING RATE BONDS - 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%;
 - the rate of interest is subject to a maximum rate of 6.00 per cent. (6.00%) 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,
- (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%) 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 £19.34 (rounded to two decimal places). This figure is calculated as $£1,000 \times \text{rate of interest of } 3.90\% \text{ (or } 0.039) \times \text{day count fraction of } 181/365$. The rate of interest (3.90%) is calculated as the floating rate of 2.40% (or 0.024) plus 1.50% (or 0.015) margin, and 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%) 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 £29.75 (rounded to two decimal places). This figure is calculated as $£1,000 \times \text{rate of interest of } 6.00\% \text{ (or } 0.06) \times \text{day count fraction of } 181/365$. The rate of interest (6.00%) is set as the maximum rate of interest because the floating rate of 5.40% (or 0.054) plus 1.50% (or 0.015) margin, results in a rate of 6.90%. In this scenario, the rate of interest is capped at 6.00%.

Redemption

Redemption at maturity

All of the Bonds to be issued under the Programme will be principal protected. This means that, provided you hold the Bonds until maturity, the amount you receive when the Bonds mature will equal your initial investment. Unless your Bonds are redeemed early (as described below) or are purchased and cancelled, if you purchased £1,000 in principal amount of the Bonds, you will receive £1,000 from the Issuer on the maturity date of the Bonds. This is known as redemption at par. In such circumstances, the "Final Redemption Amount" will be shown in the relevant Final Terms as "100 per cent. of the principal amount of the Bonds" or "£1,000 per Calculation Amount". The Calculation Amount is a notional amount which is used to calculate interest and redemption amounts on the Bonds. It is identified in the Final Terms in paragraph 6(ii) and, for the purposes of this example, is assumed to be £1,000.

Call options

A call option gives the Issuer the right to redeem the Bonds before their maturity date.

Call option on specified date - if applicable to a Series of Bonds as specified in the relevant Final Terms, this allows the Issuer to redeem the relevant Series of Bonds at a predetermined cash price on a specified date(s). If the Bonds are so redeemed, an amount equal to the Optional Redemption Amount (Call) specified in the Final Terms plus any accrued and unpaid interest would become due to the relevant holder.

Put Option

A put option gives the Bondholder the right to redeem the Bonds before their maturity date.

Put option following the death of a Bondholder - if applicable to a Series of Bonds as specified in the relevant Final Terms, this gives the representative of a deceased holder of Bonds in the relevant Series the right to require the Issuer to redeem the Bonds held by such deceased holder on the redemption date (which must be an

Interest Payment Date in relation to the relevant Bonds) selected by such representative and notified in writing to the Issuer at the principal amount outstanding of such Bonds (together with interest (if any) accrued to such redemption date), provided that the conditions to redemption (specified in the Final Terms) have been satisfied.

Mandatory redemption following prepayment of the Loan

If applicable to a Series of Bonds as specified in the relevant Final Terms, this will require the Issuer to redeem the Bonds following prepayment of the Loan at the option of BlueZest Mortgages. If the Bonds are so redeemed, an amount equal to the Redemption Amount (Prepayment of Loan) specified in the Final Terms plus any accrued and unpaid interest would become due to the relevant holder.

If the Redemption Amount (Prepayment of Loan) in respect of a Bond is specified in the Final Terms as being the Make-Whole Amount, you will receive an amount calculated with reference to the then current yield of a benchmark government security (such as a UK gilt, a U.S. Treasury or a German *bund*), as adjusted to reflect the difference in creditworthiness of the Issuer and the relevant government. The Make-Whole Amount is intended to produce an amount that, if reinvested in the government security, would continue to give you a yield on the money you originally invested equivalent to the yield that you would have received if the Bond had not been redeemed by the Issuer.

Mandatory redemption to cure a Maturity Mismatch

If applicable to a Series of Bonds as specified in the relevant Final Terms, this will require the Issuer to redeem such amount of Bonds (as determined by the BlueZest Funding Limited) as will cure any Maturity Mismatch on the relevant redemption date. If Bonds are so redeemed, an amount equal to the outstanding principal amount of such Bonds plus any accrued and unpaid interest would become due to the relevant holder.

A "**Maturity Mismatch**" shall occur if, when calculated on the relevant Determination Date by the Calculation Agent: (a) the average life of all Series of Bonds issued under the Programme, exceeds (b) the weighted average life of all outstanding Mortgage Loans.

5. TAXATION

If prospective investors are considering applying for Bonds issued under the Programme, it is important that they understand the taxation consequences of investing in those Bonds.

Prospective investors should read this section and discuss the taxation consequences with their tax adviser, financial adviser or other professional adviser before deciding whether to invest.

TAXATION

The following is only a general description of certain United Kingdom, European and United States of America tax considerations relating to the Bonds. It does not purport to be a complete analysis of all tax considerations relating to the Bonds, whether in those countries or elsewhere and is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors considering applying for Bonds under the Programme should consult their own tax advisers as to the tax laws of which countries could be relevant to acquiring, holding and disposing of Bonds and receiving payments of interest, principal and/or other amounts under the Bonds and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date (possibly with retrospective or retroactive affect).

United Kingdom Taxation

The following is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue & Customs ("HMRC") practice (which may not be binding on HMRC) relating to certain aspects of United Kingdom taxation relating to the Bonds and is of a general nature and is not intended to be exhaustive.

The following applies only to persons who are the absolute beneficial owners of Bonds who hold their Bonds as investments. Bondholders holding their Bonds via a depositary receipt system or clearance service should note that they may not always be the beneficial owners thereof. Some aspects of the below may not apply to certain classes of persons (such as dealers, certain professional investors and persons connected with the Issuer), to whom special rules may apply.

The United Kingdom tax treatment of prospective Bondholders depends on their individual circumstances and may be subject to change in the future (possibly with retrospective or retroactive affect). Prospective Bondholders 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. This summary only deals with the matters expressly set out below.

A. Interest on the Bonds

Withholding tax on the Bonds

Payments of interest on the Bonds may be made without deduction of, or withholding on account of, United Kingdom income tax provided that the Bonds 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. Bonds will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of, and in accordance with, the provisions of Part 6 of the Financial Services and Markets Act 2000) (the "**Official List**") and admitted to trading on the London Stock Exchange. Provided, therefore, that the Bonds remain so listed and admitted, interest on the Bonds will be payable without deduction of, or withholding on account of, United Kingdom income tax.

Interest on the Bonds may also be paid without deduction of, or withholding deduction on account of, United Kingdom income tax where interest on the Bonds is paid by a company (such as the Issuer) and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Bonds is paid reasonably believes) that the beneficial owner of the interest is within the charge to United Kingdom corporation tax as regards the payment of interest, 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 United Kingdom income tax.

In other cases, subject to any other applicable exemptions or reliefs, an amount must generally be withheld from payments of interest on the Bonds on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where a double tax treaty applicable to a Bondholder provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Bondholder, HMRC can issue, on application, a direction to the Issuer to pay interest to the Bondholder without

deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Other rules relating to withholding tax on the Bonds

Bonds may be issued at their nominal amount or at a discount or premium to their nominal amount. Any discount element on the Bonds should not be subject to deduction of, or withholding on account of, United Kingdom income tax pursuant to the provisions mentioned in the section headed "*Withholding tax on the Bonds*" above.

Where Bonds are to be, or fail to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to deduction of, or withholding on account of, United Kingdom income tax as outlined in the section headed "*Withholding tax on the Bonds*" above.

The references to "interest" in this section headed "*A. Interest on the Bonds*" 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 Bonds or any related documentation. Bondholders should seek their own advice as regards the withholding tax treatment of any payments on the Bonds which does not constitute "interest" or "principal" as those terms are understood in United Kingdom tax law.

Further United Kingdom income tax issues

Interest, discount and premium on the Bonds may be subject to United Kingdom income tax or corporation tax by direct assessment even where paid without deduction or withholding for on account of United Kingdom income tax.

However, interest, discount and premium which is properly received without deduction or withholding for or on account of United Kingdom income tax will not be chargeable to United Kingdom tax in the hands of a Bondholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Bondholder (i) carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency or (ii) is a company carrying on a trade in the United Kingdom through a permanent establishment, in connection with which the interest, discount or premium is received or to which the Bonds are attributable. In such a case, United Kingdom income tax or corporation tax may be levied on the branch, agency or permanent establishment, although there are exceptions for certain types of agent (such as some brokers and investment managers). The provisions of any applicable double tax treaty may be relevant to such a Bondholder.

Where interest or premium on the Bonds has been paid under deduction of United Kingdom income tax, Bondholders who are not resident in the United Kingdom for United Kingdom tax purposes may be able to recover all or part of the tax deducted or withheld for, or on account of, United Kingdom income tax, subject to an appropriate provision in any applicable double taxation treaty and the laws of the jurisdiction in which the Bondholder is resident for tax purposes.

Reporting of information

Prospective holders of the Bonds may wish to note that, in certain circumstances, HMRC has power to obtain information and documents relating to securities (such as the Bonds), including information and documents about: payments derived from securities (including amounts (whether income or capital) payable out of or in respect of securities or rights attaching to securities); securities transactions (which includes an issue of securities), public issues or placings and payments of interest (including (among other things) amounts payable on the redemption of a deeply discounted security).

The persons from whom HMRC can obtain information and documents include: a person who receives (or is entitled to receive) a payment derived from securities or would be so entitled to do so if a payment were made; a person who makes such a payment (received from, or paid on behalf of another person); the Bondholder; a person who effects or is party to securities transactions wholly or partly on behalf of others (whether as agent or principal); registrars or administrators in respect of securities transactions; a person who makes a payment derived from securities to anyone other than the holder

(including the registered or inscribed holder) of securities; a member of a recognised stock exchange or EEA regulated market or a qualified dealer; and any person by whom (or through whom) interest is paid or credited.

The information and documents HMRC can obtain includes: details of the beneficial owner of securities; details of the person for whom the securities are held, or the person to whom the payment is to be made (and, if more than one, their respective interests); the amount of any payment received from or paid on behalf of another person (and the name and address of that other person); information and documents relating to securities transactions; in relation to public issues and placings, information relating to the issue, allotment or placing of the public issues or placings and, in relation to interest paid or credited on money received or retained in the United Kingdom, information on the identity of the security under which interest is paid, the sums on which interest is payable, the amount and currency of payment (if other than sterling) and the number of recipients of the interest (if there are two or more recipients).

In certain circumstances the information which HMRC has obtained using these powers may be exchanged with tax authorities in other jurisdictions (including the jurisdiction in which the Bondholder is resident for tax purposes).

B. United Kingdom Corporation Tax Payers

In general, Bondholders which are within the charge to United Kingdom corporation tax (including, for non-United Kingdom resident Bondholders, where Bonds are acquired or held for the purposes of a trade carried on in the United Kingdom through a permanent establishment) will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Bonds (whether attributable to currency fluctuations or otherwise) broadly in accordance with generally accepted practice as that term is defined for United Kingdom tax purposes.

C. Other United Kingdom Tax Payers

Taxation of interest

Bondholders who are individuals (and certain trustees) and are resident for tax purposes in the United Kingdom or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Bonds are attributable will generally be liable to United Kingdom tax on the amount of any interest received in respect of the Bonds.

Taxation of Chargeable Gains

The United Kingdom tax treatment of a disposal (including redemption) of a Bond by a Bondholder that is an individual who is resident for tax purposes in the United Kingdom or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Bond is attributable, will depend on the terms of that Bond. If a Bond constitutes a "qualifying corporate bond", no chargeable gains and no allowable losses should arise for the purposes of United Kingdom taxation of chargeable gains on a disposal (including redemption) of that Bond. If a Bond does not constitute a "qualifying corporate bond", a disposal (including a redemption) of that Bond by such a Bondholder may give rise to a chargeable gain or an allowable loss for the purposes of the United Kingdom taxation of chargeable gains, depending on the circumstances of the Bondholder. (A Bond will not be a "qualifying corporate bond" if, for example, (a) it carries a right of conversion into a security that is not a qualifying corporate bond, and it is not a "deeply discounted security" (as defined in the Income Tax (Trading and Other Income) Act 2005), or (b) it is an "excluded indexed security" (as defined for the purposes of section 117 of the Taxation of Chargeable Gains Act 1992).)

Depending on their Issue Price and redemption amount, the Bonds may constitute "deeply discounted securities" (as defined in the Income Tax (Trading and Other Income) Act 2005). If a Bond is a "deeply discounted security", a Bondholder that is an individual who is resident for tax purposes in the United Kingdom or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Bond is attributable, may be liable to United Kingdom income tax on the profit (the amount by which any sum payable on the transfer of the Bond exceeds its acquisition price, less certain costs) realised on a disposal (including redemption) of that Bond.

Accrued Income Scheme

A transfer of Bonds by a Bondholder that is an individual resident in the United Kingdom or carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Bonds are attributable, may give rise to a charge to United Kingdom income tax on an amount representing the interest on the transferred Bonds that has accrued since the preceding interest payment date or on such amount as HMRC deems just and reasonable, depending on the terms of the relevant Bonds. This amount will be taken into account and excluded in determining any capital gain or loss arising on a disposal (including redemption) of the Bonds.

Individual Savings Accounts

For Bondholders who are individuals, the Bonds will be qualifying investments for the stocks and shares component of an account (an "ISA") under the Individual Savings Account Regulations 1998 (the "ISA Regulations") provided that the Bonds are listed on the official list of 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. Individual Bondholders who acquire or hold their Bonds through an ISA and who satisfy the requirements for tax exemption in the ISA Regulations will not be subject to United Kingdom tax on interest or other amounts received in respect of the Bonds, provided that the ISA otherwise satisfies the requirements for tax exemption in the ISA Regulations.

The current overall yearly subscription limit for an ISA (except for a "Junior" ISA) is £20,000 (which may be split between a cash ISA and a stocks and shares ISA in any proportion the saver chooses).

The opportunity to invest in Bonds through an ISA is restricted to individuals. Individuals wishing to purchase the Bonds through an ISA should contact their professional advisers regarding their eligibility.

SIPP Eligibility

The Bonds should be eligible for inclusion within a SIPP (a self-invested personal pension) that is a registered pension scheme under the Finance Act 2004.

D. Stamp Duty and Stamp Duty Reserve Tax (SDRT)

No United Kingdom stamp duty or SDRT is payable on the issue of the Bonds or on a transfer of the Bonds if the Bonds constitute "exempt loan capital". The Bonds will constitute "exempt loan capital" provided that they do not, at any time, carry a right to (i) interest the amount of which exceeds a reasonable commercial return on the nominal amount of the capital (unless the amount payable on redemption is determined by reference to a UK domestic general prices index such as the RPI (but not if the returns are linked to FTSE or other equity indices)) (ii) interest the amount of which falls to be determined, to any extent, by reference to the results of, or any part of, a business or to the value of any property (other than where interest ceases or reduces only if (or to the extent that) the Issuer, after meeting or providing for other obligations specified as part of the same capital market arrangement, has insufficient funds available from that capital market arrangement to pay all or part of the interest) or (iii) repayment, to an amount that exceeds the nominal amount of the capital and is not reasonably comparable with what is generally repayable (in respect of a similar nominal amount of capital) under the terms of issue of loan capital that is quoted on the London Stock Exchange (unless the amount payable on redemption is determined by reference to a UK domestic general prices index such as the RPI (but not if the returns are linked to FTSE or other equity indices)).

E. Foreign Account Tax Compliance Act

FATCA imposes a new reporting regime and potentially a U.S. withholding tax of 30% on certain payments made by a non-U.S. financial institution (a "foreign financial institution" or "FFI" (as defined by FATCA)) to (i) any FFI that does not become a "Participating FFI" by entering into an agreement with the U.S. Internal Revenue Service ("IRS") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed

compliance with FATCA, and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as a **"U.S. account holder"**, which can include non-U.S. entities with substantial U.S. owners, (a **"Recalcitrant Holder"**). The Issuer will be classified as an FFI.

As relevant to payments made by the Issuer, this new withholding regime will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2019. This withholding would potentially apply to all or a portion of any payments of interest or principal in respect of any Bonds characterised as debt for U.S. federal tax purposes that are issued after the **"grandfathering date"**, which is the date that is six months after the date on which final U.S. Treasury regulations defining the term "foreign passthru payment" are promulgated, or which are issued on or before the grandfathering date and "materially modified" after the grandfathering date. If Bonds are issued on or before the grandfathering date and additional Bonds of the same series are issued after that date, the additional Bonds may not be treated as grandfathered, which may have negative consequences for the existing Bonds (including a negative impact on price).

The United States and a number of other jurisdictions have entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an **"IGA"**). Pursuant to the "Model 1" IGA released by the United States, an FFI in an IGA signatory country could be treated as a "Reporting FI" and such Reporting FI generally would not be required to withhold from any payments it makes. A Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government. The United States and the United Kingdom have entered into an IGA based largely on the Model 1 IGA.

Whilst the Bonds are in global form and held by the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Bonds and received by the ICSDs, even after the term "foreign passthru payment" is defined, given that the ICSDs have announced that they are Participating FFIs. Nevertheless, payments made to the participants in the ICSDs and thereafter to any other intermediary FFIs in the custodial chain through to the ultimate investors may constitute in whole or part foreign passthru payments (as eventually defined) which are subject to FATCA withholding, and so Investors are encouraged to consider the compliance with FATCA of such participants and intermediaries and to provide them with any information, forms, or consents that may be necessary for them to make payments free of FATCA withholding. Also, it is possible for Global Registered Bonds to be exchanged into definitive form and so be taken out of the ICSDs. If this were to happen, a non-FATCA compliant holder or Recalcitrant Holder of a definitive Bond could be subject to FATCA withholding under certain circumstances. There is no obligation on the Issuer to gross up any deduction for FATCA withholding made anywhere in the payment chain.

FATCA is particularly complex and prospective investors should consult their tax advisers on how these rules may apply to payments they receive in connection with the Bonds.

F. The proposed financial transactions tax

The European Commission has published a proposal for a Directive for a common financial transaction tax ("**FTT**") in certain participating Member States (the "**Commission's Proposal**").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances. Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

6. DESCRIPTION OF THE ISSUER

This section sets out information about the Issuer.

DESCRIPTION OF THE ISSUER

Incorporation and Status

The Issuer, BlueZest Secured Retail Bond PLC, is a public limited company incorporated in England and Wales with registered number 10396732 on 27 September 2016 under the Companies Act 2006. For the purposes of the Prospectus Directive, the Issuer was incorporated as a special purpose vehicle for the purpose of issuing asset backed securities.

The registered address of the Issuer is 6th Floor, 65 Gresham Street, London, EC2V 7NQ, United Kingdom. The telephone number of its registered address is 0203 367 8200. The Issuer has no subsidiaries.

Principal activities of the Issuer

The Issuer is an entity which has been established for the purpose of issuing the Bonds. Its principal activities are limited to issuing debt securities and on-lending the proceeds thereof to BlueZest Mortgages and to do all such other things as are incidental or conducive thereto. The Issuer will not engage in any activities which are not related to the issue of the Bonds without the prior consent of the Bond Trustee and has given a covenant to that effect in the Conditions.

In order to perform such activities, the Issuer has entered into certain arrangements with third parties, including, in particular, in relation to loan servicing, cash management and corporate administration services.

United Kingdom Directors

The directors of the Issuer and their other principal activities outside the Issuer are:

Directors (as at the date of this Base Prospectus)

Name	Date of Birth	Business Address	Business Occupation
Link Corporate Services Limited	N/A	The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU	Corporate Director
Link Trust Corporate Limited	N/A	The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU	Corporate Director
David John Osborne	15 May 1983	6th Floor, 65 Gresham Street, London, EC2V 7NQ	Director

The directors of the corporate directors are:

Directors of each of Link Corporate Services Limited and Link Trust Corporate Limited (as at the date of this Base Prospectus)

Name	Date of Birth	Business Occupation
Carl Steven Baldry	16 July 1966	Director
Colin Arthur Benford	25 January 1962	Director

Sean Peter Martin	15 February 1965	Director
David John Osborne	15 May 1983	Director

The secretary of the Issuer is Link Trust Corporate Limited whose registered address is at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

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.

To the extent that any conflicts do arise, the Issuer's articles of association allow the directors of the Issuer to disclose and, where appropriate, authorise conflicts of interest and the board of directors has adopted a policy and procedure for managing and, where appropriate, approving potential conflicts of interest.

Share capital and major shareholders

The entire issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, of which one share is fully paid and 49,999 shares are quarter paid up. The entire issued share capital of the Issuer is held by BlueZest Funding Limited ("**BlueZest Funding**").

Major Shareholder

As the sole beneficial holder of the ordinary shares ("**Issuer Ordinary Shares**"), BlueZest Funding exercises control over the Issuer. Only holders of Issuer Ordinary Shares are entitled to attend and vote at general meetings of the Issuer and save as disclosed in this paragraph, as at the date of this Base Prospectus, the Issuer is not aware of any person who directly or indirectly has an interest in the Issuer's capital or voting rights which is notifiable under English law.

The directors of the Issuer are aware of their fiduciary duties and their duties under law to act in the best interests of the Issuer. The directors of the Issuer are aware that the sole shareholder of the Issuer is BlueZest Funding and will not allow the interests of BlueZest Funding to encroach on the interests of the Issuer or Investors.

Nature of financial information

Since the date of its incorporation, the Issuer has not commenced operations and no financial statements have been made up at the date of this Base Prospectus.

Financial reporting

The financial statements of the Issuer will be maintained in sterling and prepared in accordance with Financial Reporting Standard 102 (FRS 102) on a yearly and half-yearly basis in accordance with the applicable provisions of the listing rules and the Companies Act 2006.

The financial statements of the Issuer will be prepared by Vanilla Accounting Ltd.

Each set of annual financial statements will be prepared up to 30 September in each year and copies are available for the Bondholders in accordance with the listing rules within a period of four months of the end of the relevant accounting period.

Each set of half-yearly reports will be prepared up to 31 March in each year and copies will be available for the Bondholders within a period of three months of the end of the relevant accounting period.

Copies of the Issuer's annual report and accounts and half-yearly reports will be available in hard copy form at the registered office of the Issuer during normal business hours (9:00 am to 5:00 pm, UK time, Monday to Friday, excluding bank holidays) but from where copies are not permitted to be taken; and published electronically on the relevant section of the BlueZest Group's website

(<http://www.bluezest.com/bond-investors/>). They will also be published in supplementary prospectuses (if any).

7. DESCRIPTION OF BLUEZEST MORTGAGES

This section sets out information about BlueZest Mortgages.

DESCRIPTION OF BLUEZEST MORTGAGES

1. Incorporation

BlueZest Mortgages and Loans Limited ("**BlueZest Mortgages**") is a private limited company which was incorporated in England and Wales on 22 March 2017 under the Companies Act 2006 with registered number 10685117.

The registered address of BlueZest Mortgages is 16 Castle Boulevard, Nottingham, England, NG7 1FL. The telephone number of its registered address is 0115 6977955.

BlueZest Mortgages had 11 permanent employees and officers as at 1 September 2017.

2. Share capital

The entire issued share capital of BlueZest Mortgages comprises 100 ordinary share of £0.01 which is unpaid. The entire issued share capital of BlueZest Mortgages is held by Unique Funding Limited ("**Unique Funding**"). As the sole beneficial holder of the ordinary shares ("**BlueZest Mortgages Ordinary Shares**"), Unique Funding exercises control over BlueZest Mortgages. Only holders of BlueZest Mortgages Ordinary Shares are entitled to attend and vote at general meetings of BlueZest Mortgages and save as disclosed in this paragraph, as at the date of this Base Prospectus, BlueZest Mortgages is not aware of any person who directly or indirectly has an interest in BlueZest Mortgages' capital or voting rights which is notifiable under English law.

The Directors are aware of their fiduciary duties and their duties under law to act in the best interests of BlueZest Mortgages. The Directors are aware that the sole shareholder of BlueZest Mortgages is Unique Funding and will not allow the interests of Unique Funding to encroach on the interests of BlueZest Mortgages or Investors.

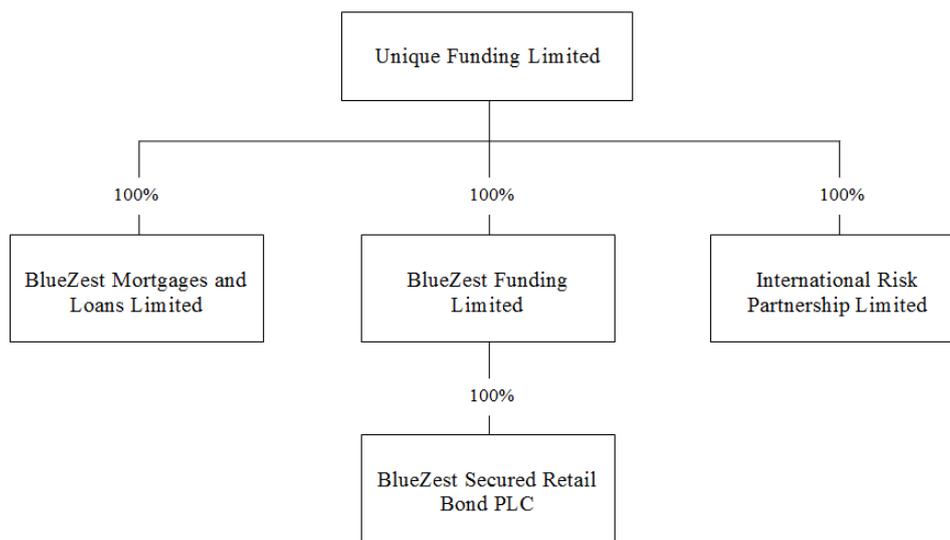
3. Corporate structure

BlueZest Mortgages is a wholly owned subsidiary of Unique Funding Ltd, a private limited company which was incorporated in England and Wales on 3 March 2017 under the Companies Act 2006 with registered number 10649845. The registered address of Unique Funding is 16 Castle Boulevard, Nottingham, England, NG7 1FL. The telephone number of its registered address is 0115 6977955.

On the date of this Base Prospectus, the "**BlueZest Group**" consists of Unique Funding and its following subsidiaries:

- BlueZest Mortgages and Loans Limited, registered number 10685117, is the mortgage lending business and includes all mortgage-related operational functions;
- BlueZest Funding Limited, registered number 10686177, is the company responsible for fund raising, analytics and reporting;
- International Risk Partnership Limited ("**IRP**"), registered number 06835887, is a software company specialising in credit risk analytics software which was acquired by Unique Funding on 2 June 2017; and
- BlueZest Secured Retail Bond PLC, a wholly owned subsidiary of BlueZest Funding Limited, as issuer of the Bonds, which was acquired by BlueZest Funding Limited on 2 June 2017.

The diagram below shows the corporate structure of the BlueZest Group on the date of this Base Prospectus:



The BlueZest Group operate from its head office premises at 16 Castle Boulevard, Nottingham, England, NG7 1FL where it employs staff fulfilling management, finance, risk, legal, compliance, distributor management, credit, underwriting, IT, marketing, HR and administration roles. All mortgage customer related operations are carried out in a secure area of the building to ensure the appropriate protection of confidential information and sensitive personal data.

4. Inception and history of BlueZest Capital, Unique Funding and BlueZest Mortgages

4.1 BlueZest Capital

Prior to the incorporation of Unique Funding on 3 March 2017, the directors of BlueZest Mortgages were directors of BlueZest Capital Limited (a private limited company incorporated in England and Wales on 16 November 2015 with company number 09874609) ("**BlueZest Capital**").

BlueZest Capital was established in 2015 with the intent of creating a new and innovative mortgage lender. It had four wholly-owned subsidiaries which included:

- IRP;
- BlueZest Mortgages Limited, which it established for the principal purpose of originating mortgage loans and secured business loans to borrowers in England and Wales; and
- the Issuer (BlueZest Secured Retail Bond PLC), which it established to act as issuer of bonds.

BlueZest Capital had been built using seed capital from private investors. Between the date of its incorporation and 31 December 2016, approximately £1,650,000 had been raised from investors in order to establish the mortgage lending business.

As a result of the actions of a shareholder of BlueZest Capital in failing to meet certain of its funding obligations and refusing to accept a dilution of its existing position, which prevented the company from raising the additional capital it required to take the business to launch, the directors of BlueZest Capital took the decision (after due consideration of its statutory duties) to place the company into voluntary liquidation on 22 February 2017.

Unique Funding acquired the assets of BlueZest Capital out of the liquidation on 2 June 2017. Such assets included, without limitation: IRP, BlueZest Secured Retail Bond PLC and the Zest Engine.

4.2 Unique Funding and BlueZest Mortgages

The BlueZest Group has been built using seed capital from private investors. Unique Funding has four principal investors (the "**Principal Investors**") who, as at the date of this Base Prospectus, own 80 per cent. of the shares in Unique Funding. The remaining 20 per cent. of shares are owned by the management of Unique Funding. Three of the seed capital investors sit on the board of Unique Funding as either executive or non-executive directors.

Since the establishment of Unique Funding in 2017, the Principal Investors have provided equity commitments of £850,000 to fund the amount of working capital considered necessary by the Directors of BlueZest Mortgages to finance the mortgage lending business through to profitability, which is expected to occur in mid to late 2018. BlueZest Mortgages will seek to raise further capital as required by the business. The directors of BlueZest Mortgages contemplate at this stage that any additional capital would be provided by the Principal Investors rather than involving third party investors.

In addition to acquiring IRP and BlueZest Secured Retail Bond PLC out of the liquidation of BlueZest Capital, Unique Funding has also established BlueZest Mortgages for the principal purpose of originating mortgage loans and secured business loans to borrowers in England and Wales. BlueZest Mortgages is led by its own Chief Executive Officer and independently employs a Chief Operating Officer, Chief Risk Officer, Chief Technology Officer and all operational staff. Unique Funding and BlueZest Mortgages share office space at the same registered address.

As the ultimate parent company of the BlueZest Group, Unique Funding is primarily responsible for the treasury, funding and compliance functions of BlueZest Mortgages. In terms of funding, Unique Funding Limited devolves responsibility to BlueZest Funding Limited, a wholly-owned subsidiary. Unique Funding, BlueZest Funding Limited and their employees manage the drawdown and repayment of Advances under the Loan Agreement and the origination and servicing of Mortgage Loans to borrowers. The board of Unique Funding also has three standing committees (relating to (1) remuneration, (2) nominations and (3) audit, risk and compliance) which serve both Unique Funding and BlueZest Mortgages. BlueZest Mortgages is served by a number of standing committees including (1) executive, (2) product committee, (3) credit risk committee and (4) funding and market risk committee.

5. Overview of BlueZest Mortgages' business model

BlueZest Mortgages is a newly-established UK mortgage lender.

The core of BlueZest Mortgages' business is the provision of mortgage loans to UK-resident borrowers, secured against property situated in England and Wales and, as required, personal guarantees given by directors of the borrowing company.

BlueZest Mortgages will fund its origination of Mortgage Loans through the amounts borrowed from the Lender under the Loan Agreement. The Lender will itself fund such amounts through the issue of the Bonds. BlueZest Mortgages generates its margins on Mortgage Loans through the accrual of interest.

Each Mortgage Loan represents a proportion (typically below 85%) of the value of each Mortgaged Property and/or portfolio of Mortgaged Properties. These individual granular exposures are pooled to achieve broad diversification.

BlueZest Mortgages manages the interest rate risk on its balance sheet through matching the interest rates applicable to its outstanding assets (being for the most part the Mortgage Loans advanced to borrowers) with the interest rates applicable to its outstanding liabilities (being in the most part its payment obligations under the Loan Agreement) within mismatch limits. The tenor (or duration) of outstanding asset and liability exposures will also be appropriately matched.

The directors of BlueZest Mortgages anticipate strong demand for its products as a result of the competitive pricing that it is able to offer.

Further details regarding the Mortgage Loans offered by BlueZest Mortgages can be found in Section 8 (*Mortgage Lending*) of this Base Prospectus below.

6. The Zest Engine

BlueZest Mortgages has developed its own decision-making software solution called the Zest Engine ("**Zest Engine**").

6.1 Decision engine

The Zest Engine interprets data from its own digital platform to deliver credit assessments in relation to Mortgage Loans. John Robinson, BlueZest Mortgages' Chief Technology Officer, was responsible for the development and delivery of Experian's decision-engine (Strategy Management), and has brought this experience and expertise to BlueZest Mortgages in the development of the Zest Engine.

At the heart of the Zest Engine lies decision making technology developed by IRP, which was acquired by Unique Funding in June 2017. IRP continues to trade on software licences from Australia and New Zealand, however its business operations have been fully integrated into the BlueZest Group. It has no independently employed staff or infrastructure.

6.2 Data

In a typical application, the Zest Engine considers over 3,000 data points from over 30 data sources, including multiple credit bureaus, multiple property valuation models, applicants' bank accounts and HM Land Registry to deliver credit decisions which relate to the specific lending criteria for the relevant product and applicant. Where computer models are unable to provide data of sufficient accuracy, there are digital connections to platforms that instruct surveyors and the conveyancing team. Every aspect of the application process is digitally captured and this ensures fast, accurate decisions. This means that BlueZest Mortgages has a very sophisticated decision engine, similar to that deployed by some of the world's largest credit bureaus and analytics companies.

The Zest Engine is also equipped with 'Plug and Play' capability, a system which allows new relevant data sources to be added to the digital platform in order to further enhance the credit decision making process.

6.3 Use of agile technologies

The BlueZest platform uses a range of modern and market leading agile technologies to:

- create and rapidly deploy relevant and intelligent digital forms for data collection;
- manage the workflow process including:
 - stopping and resuming mortgage loan applications;
 - switching between devices (PC, tablet or phone); and
 - intermediary and customer interface;
- manage mortgage accounts;
- provide digital infrastructure for regulatory reporting; and
- add and remove data sets plus instantly assess and enhance lending strategies.

To the best of the BlueZest Group's knowledge, the Zest Engine is a unique configuration of technology which creates advanced risk measurement and decision-making capability within the mortgage market.

7. Regulatory status of business activities

Neither BlueZest Mortgages nor any other member of the BlueZest Group will be carrying out activities that are regulated by the UK Financial Conduct Authority for at least 12 months following the date of this Base Prospectus.

The Mortgage Loans that will be originated by BlueZest Mortgages using amounts borrowed under the Loan Agreement are all products that, as at the date of this Base Prospectus, are not regulated by the UK Financial Conduct Authority. See Section 2 (*Risk Factors - 2.28 Changes in laws or regulations affecting BlueZest Mortgages or the Issuer*) of this Base Prospectus for consideration of the possible risks to BlueZest Mortgages of future adverse regulatory developments.

As at the date of this Base Prospectus, an important aspect of BlueZest Mortgages' future growth strategy is the expansion of its offering of mortgage products to include regulated mortgage contracts, such as residential mortgages. BlueZest Mortgages intends to seek and obtain the necessary approvals from the UK Financial Conduct Authority in order to be able to carry out regulated activities in the future, such as the origination of regulated mortgage products. It is noted however that such approvals process can take in excess of 12 months from the date of initial application. Moreover, there can be no assurance that such approvals once sought by BlueZest Mortgages will be obtained.

Whilst BlueZest Mortgages intends to apply to the UK Financial Conduct Authority for necessary approvals, neither its business plan nor its ability to continue to pay amounts under the Loan Agreement when due are dependent on receiving such regulatory approvals.

8. Directors and senior management team

The board of directors ("**Directors**") and senior management team of BlueZest Mortgages together comprises a group of experienced mortgage and credit risk professionals with expertise in the key aspects of mortgage lending and credit risk management necessary to establish and operate a UK mortgage lending business.

8.1 Directors of BlueZest Mortgages

CHRIS SLATER
Position: Executive director, Chief Executive Officer (CEO), Chief Operating Officer (COO) and Chief Information Officer (CIO) of BlueZest Mortgages
Date of birth: 21 April 1960
<p>Chris led the development of the software solutions for Experian's marketing division between 1995 and 2001 and was responsible for delivering innovative data-driven marketing solutions for household brands including Volvo, Burger King, The Daily Telegraph and JD Wetherspoon. His white label solution (e-series property) was one of the first white label solutions to deliver property data to property websites and portals.</p> <p>Subsequently, Chris worked as product director for Experian's UK credit bureau between 2001 and 2008 and was responsible for the design, development and delivery of a number of services to the mortgage industry including Automated Property Valuation Models (AVM's), mortgage specific data solutions and integration with valuations and conveyancing systems.</p> <p>In 2009, Chris and John Robinson set up a consulting and software development company called International Risk Partnership and between 2009 and 2015 Chris consulted with mortgage lenders and service providers in the UK, Europe and Australia on the delivery of mortgage specific credit solution, and with SME lenders in the UK on SME credit solutions using innovative data sources such as EZBob.</p> <p>Chris has worked with clients on creating and refining their customer management and collections strategies in the UK, Australia and Italy over the last 12 years, having been engaged due to his expertise in the use of data to drive customer management in financial services including collections</p>

and recoveries of non-performing loans.

Chris is a Chartered Systems Engineer.

Committees: Remuneration, Nominations and Audit, Risk and Compliance Committees of Unique Funding.

Other directorships:

Unique Funding
BlueZest Funding
IRP

JOHN ROBINSON

Position: Executive director and Chief Technology Officer (CTO) of BlueZest Mortgages

Date of birth: 26 December 1957

John has for many years specialised in decision-making systems and application processing solutions (including for mortgage lenders). He was responsible for the development and delivery between 1990 and 2009 of Experian's decision-engine (Strategy Management), which was a very early example of the use of decision-making software in the financial services sector, thus contributing to the development of this software discipline.

The application processing and decision-making software he has developed is in use globally by companies such as HSBC, Barclays and GE Capital, internationally by companies such as Standard Bank, CBA and ANZ and in the UK by companies such as Nationwide, Co-op Bank and MBNA (Bank of America).

In 2009, John and Chris Slater set up a consulting and software development company called International Risk Partnership and between 2009 and 2015 consulted with financial services companies around the world on the delivery of mortgage specific credit solutions and decision-making software. IRP developed SmartScore+, its own decision-making software, which has been renamed the "Zest Engine" and lies at the heart of the BlueZest Mortgages' technology solution.

Committees: Remuneration, Nominations and Audit, Risk and Compliance Committees of Unique Funding.

Other directorships:

Unique Funding
IRP

JONATHAN LAREDO

Position: Non-executive director of BlueZest Mortgages and shareholder of Unique Funding

Date of birth: 19 August 1959

Jonathan has worked in the financial sector since 1989 and before that worked in accountancy after qualifying as a tax inspector in 1984.

During his career Jonathan has worked at a number of investment banks including, with most relevance to BlueZest Mortgages' business, at Rabobank where Jonathan headed their corporate banking business

globally between 1998 and 2000, and at JP Morgan where he was head of its European and Asian structured finance division encompassing their RMBS, CMBS, principal finance and CLO businesses. JP Morgan's RMBS business was one of Europe's top three businesses by issuance volume during that time.

Following his time at JP Morgan, Jonathan established (with two other partners) and ran the credit hedge fund, Solent Capital Partners, until its sale in 2010. Since then, Jonathan has been a partner in a boutique corporate finance firm and also an investor in, and director of, a number of businesses.

Jonathan was one of four individuals that bought Pepper Home loans (an Australian mortgage originator and servicer) in 2010 and acted as a main board director. That company has since floated and now has businesses across seven countries including the UK. Jonathan sold his shares and stepped down from the board in December 2013. He was also a board member at a UK bridge lender and has been actively involved in the management of an Irish regulated investment fund specialising in commercial property.

Committees: Chairman of Audit, Risk and Compliance Committee of Unique Funding.

Other directorships:

Unique Funding

Peak Capital Advisors

The Film Development Partnership

Diginus Limited

Pepper Capital Advisors Investments Ltd

TBM Associates Limited

Bridgebank Capital (IM) Holdings Limited

The business address of each of the directors is 16 Castle Boulevard, Nottingham, England, NG7 1FL.

There are no potential conflicts of interest between any of the director's duties to BlueZest Mortgages and their private interests and/or duties.

To the extent that any conflicts do arise, the BlueZest Mortgages' articles of association allow the directors of the BlueZest Mortgages to disclose and, where appropriate, authorise conflicts of interest and the board of directors has adopted a policy and procedure for managing and, where appropriate, approving potential conflicts of interest.

8.2: Other members of senior management

ROBERT AINSCOW
Position: Executive director of BlueZest Funding Limited and board observer of Unique Funding
Date of birth: 29 October 1975
Robert has more than 15 years' experience in originating, structuring, executing and distributing rated and unrated mortgage-backed securities. Robert has held positions as a senior transaction and syndicate desk member at regulated investment banks in London and has been working in debt capital markets, uninterrupted, during this period as an authorised investment adviser, consultant to various companies and company director. Robert has worked with a range of asset classes including consumer, commercial and SME loans.

Most recently, Robert held two separate roles at Investec Bank, leading the financing of the corporate loan management team, and formerly conducting mortgage loan securitisation and warehouse funding transactions for the capital markets division.

Prior to that, Robert worked at Bear Stearns International Limited in the mortgage securitisation team where he oversaw UK mortgage securitisation transactions and mortgage portfolio sales for Bear Stearns' own mortgage lender, Rooftop Mortgage Limited, and as agent for most of the main UK based non-bank centralised lenders in the market.

Robert started his career in the Law Division of Morgan Stanley with responsibility for capital markets and M&A coverage.

Committees: Remuneration, Nominations and Audit, Risk and Compliance Committees of Unique Funding and board observer of Unique Funding.

Other directorships:

None.

SIMON BAUM

Position: Chief Risk Officer (CRO) of BlueZest Mortgages and board observer of Unique Funding.

Date of birth: 9 May 1962

Simon has experience and expertise in advising on credit risk in the UK mortgage market. He has held senior positions for over 14 years at both Alliance & Leicester, where he was Director of Credit & Risk (Retail), and at Santander, where he was Director of Mortgage Risk and Deputy Chief Credit Officer. Prior to his time at Alliance & Leicester, Simon was part of the risk advisory team at PricewaterhouseCoopers.

Simon's experience at Alliance & Leicester and Santander includes the area of mortgage loan servicing. For example, at Alliance & Leicester, Simon was the director responsible for the management of the Collections & Recoveries team.

Simon's career began at Experian where he held a number of positions, including General Manager of the South African business and Consultancy Services Director in the UK.

Simon also has an MA from the University of Oxford.

Committees: Audit, Risk and Compliance Committee for Unique Funding.

Other directorships:

Baum Associates Limited

SUE COLQUHOUN

Position: Head of Compliance at BlueZest Mortgages

Date of birth: 27 April 1964

Sue has been either employed by, or provided consultancy services to, major financial services organisations (in particular retail lending) for over 25 years in legal, compliance, or risk capacities. Sue has held Director level and FCA approved positions, has extensive experience of lending, outsourcing, and governance, and has assisted a number of retail financial services companies with high profile regulatory and business-critical projects. Roles have included Non-Executive Director and previously Group Risk & Compliance Director (Consultant) for Target Servicing Ltd, Interim Head of Regulatory

Risk & Compliance (Consultant) for Equitable Life Assurance Society, Interim Head of Compliance (Consultant) for Northern Rock, and Compliance Director for Rooftop Mortgages/Bear Stearns International. She additionally sat on the board of Lapithus Management DAC in the capacity of Non-Executive Director, Chairman of the Board, Chairman of the Audit Committee, and Chairman of the Risk Committee.

Sue has directly relevant experience of mortgage loan servicing, both internally and outsourced, including with Bradford & Bingley, Rooftop Mortgages, Kensington Mortgages and at Target Servicing Limited, which provided loan servicing to a number of financial services clients.

Committees: Audit, Risk and Compliance Committee for Unique Funding

Other directorships:

Colquhoun & Colquhoun Limited.

NICK BOURNE

Position: Head of Sales for BlueZest Mortgages

Date of birth: 12 August 1980

Nick has over 10 years of direct mortgage experience in sales (managing packager and broker channels), product design, underwriting and special servicing.

Nick has held several different positions within the industry including: sales and underwriting roles at Market Harborough Building Society; mortgage origination and product design roles at Investec Bank, where he worked with the largest packager network through specialist vehicle Unity Homeloans and broker networks through specialist vehicle Infinity Mortgages; and product design and special servicing roles at Kensington Mortgages.

Nick is CeMAP qualified, and has a BSc (Hons) in Biochemistry and Biology.

Committees: None.

Other directorships: None.

ANDREW CLAPHAM

Position: Shareholder and board observer of Unique Funding

Date of birth: 10 February 1961

Andy has over 30 years' banking experience having held Senior Managing Director, Managing Director and equivalent roles at Natwest, Greenwich Natwest, Bear Stearns, Investec and Nikko Securities.

He has held direct responsibility for the successful running and in some cases the establishment of several mortgage platforms in a number of jurisdictions, such as Kensington Mortgages, Rooftop Mortgages, and Infinity Mortgages. He has also been responsible for 'sponsoring' several new and existing mortgage platforms through the provision of funding lines, hedging, and other bond funding solutions, such as Future Mortgages, Preferred Mortgages, and Bank of Ireland Homeloans.

Early in his career, Andy was also responsible for providing strategic funding solutions to Natwest Homeloans. The depth and breadth of Andy's mortgage experience is extensive.

In addition to Andy's extensive mortgage experience, his roles at each institution have had very broad responsibilities, his last role at Investec being Head of Corporate & Institutional Banking, which also covered commercial property lending, SME lending, corporate lending, project finance lending,

aviation lending, derivatives and foreign exchange amongst other things.
Committees: Audit, Risk and Compliance Committee for Unique Funding
Other directorships: None.
MARK MOFFAT
Position: Shareholder and executive director of Unique Funding
Date of birth: 31 January 1966
<p>Mark has worked in the financial sector since 1991. During Mark’s financial career he has spent over 18 years structuring, managing and investing in asset-backed transactions including those backed by corporate loans, social housing loans and mortgages.</p> <p>Until April 2015, Mark was a Senior Managing Director and Partner of GSO Capital Partners, the credit division of Blackstone, where he was co-head of the European activities of the Customized Credit Strategies division and was the portfolio manager responsible for structured credit. Mark joined GSO in January 2012 following the acquisition by GSO of Harbourmaster Capital Management Limited where he was co-head. Prior to joining Harbourmaster in 2007, Mark was Head of European Debt and Equity Capital Markets and the European structured credit business of Bear Stearns. Prior to Bear Stearns, Mark held similar roles at ABN AMRO and Greenwich NatWest, the fixed income division of National Westminster Bank, where he was a Director in the principal and asset backed finance team.</p> <p>Mark holds a BA Honours degree from Nottingham University</p>
Committees: Chairman of the Nominations Committee for Unique Funding
Other directorships: Advantage Insurance Inc, (Puerto Rico) Advantage Life and Annuity Company (Grand Cayman) BlueZest Funding OMA Property Limited Unique Funding
STEVEN B. SIMPSON
Position: Shareholder and non-executive director of Unique Funding
Date of birth: 30 January 1951

Steven is currently Managing Director and principal of Triton Advisory Group, a boutique mergers and acquisitions, distressed asset and debt trading and corporate advisory group located in Singapore.

In addition, Steven is or has been over the past 7 to 8 years a Chairman or Independent Director on certain NASDAQ, SGX or Canadian listed companies with over 15 years of experience in such roles. He also chaired or acted as a member of several committees for these companies including Audit, Risk, Nominations and Governance committees. Specifically, in Singapore, he was Non-Executive Chairman (Independent Director) of SGX listed Jasper Investments Ltd, an Independent Director of Chemoil Energy Limited and the Chairman and Non-Executive Director of NASDAQ-listed Pacnet (Pacific Internet Limited with global headquarters in Singapore). Steven was one of the four individuals that bought Pepper Home loans (an Australian mortgage originator and servicer) in 2010 from Merrill Lynch. During the three years of his involvement, Steven acted as Non-Executive Director and Head of the Audit Committee. Steven was part of the rapid expansion of Pepper Home loans through the major acquisition of a segment of the G.E Capital home loan portfolio in Australia and subsequently in Ireland. The company was further expanded through the acquisition of additional Irish and Spanish loan portfolios as well as by the expansion of its third-party servicing business. The product range also expanded to incorporate auto loan and consumer credit financing. Steven sold his shares prior to Pepper's successful listing on the Australian Stock exchange. Assets under management during the time of his involvement had grown from \$1 billion to \$25 billion. Steven has also been involved in major financings in the US high-yield and other international bond and bank syndicate markets for the construction of major asset groups across various industry sectors in Asia.

Previously, Steven was a Managing Partner of Price Waterhouse Consulting in Indonesia and Australasia with extensive experience in the areas of corporate restructuring, business workouts and corporate strategic planning.

Steven is a Certified Public Accountant (CPA), a Chartered Secretary and a member of the International Chartered Directors (ACIS). He is a Commerce graduate from the University of New South Wales.

Committees: Chairman of the Remuneration Committee for Unique Funding

Other directorships include:

Unique Funding

IRP

9. Committees

Unique Funding has three standing committees, relating to (1) remuneration, (2) nominations and (3) audit, risk and compliance, which serve both Unique Funding and BlueZest Mortgages.

As at the date of this Base Prospectus, the committees are represented as follows:

Remuneration	Steve Simpson (Chairman), Chris Slater, John Robinson, Robert Ainscow.
Nominations	Mark Moffat (Chairman), Chris Slater, John Robinson, Robert Ainscow.
Audit, Risk and Compliance	Jonathan Laredo (Chairman), Chris Slater, Andrew Clapham, Sue Colquhoun, Simon Baum, Robert Ainscow, John Robinson.

10. Competitors and distinguishing factors

BlueZest Mortgages' key competitors vary across its product lines. Lenders providing traditional mortgage loans, specialist buy-to-let mortgage lenders, residential development mortgage lenders and

secured and unsecured business lenders may all compete with BlueZest Mortgages on specific products.

The buy-to-let market is currently served by a large amount of lenders. There may be less competition currently in terms of the Business Loan and Property Development Loan products, however a number of specialist residential bridging lenders, alternative lenders and peer-to-peer lenders do provide similar products, as well as banks. There are also fewer barriers to entry in the unregulated lending market, which means that other competitors may enter the market or launch new products within a short timeframe.

BlueZest Mortgages believes that its offering has a number of benefits for prospective borrowers, as summarised below, and as such predicts strong demand for its current range of products:

- *Price* - BlueZest Mortgages expects to be able to offer competitive rates compared to prime alternative lenders due to mortgage security taken and the ability to better price for risk using the Zest Engine.
- *Cost* – BlueZest Mortgages charges no early redemption fees or exit fees, both of which are often charged by lenders in the market. Additionally, BlueZest Mortgages charges no valuation fee if a computer modelled valuation is sufficient for the property.
- *Speed* - BlueZest Mortgages' proprietary technology platform enables rapid decisions without compromising credit risk measurement. The Zest Engine, the decision-making software that drives the application process, handles over 3,000 data points from over 30 data sources to deliver the credit risk decisions. This speed of delivery is expected to prove attractive to applicants and brokers alike.
- *Access to support* – BlueZest Mortgages offers direct access to its mortgage support team via email, phones and live chat. Packagers and brokers have access to underwriters via email to discuss special cases.
- *Transparency* - unlike some lenders, all fees and progress through the application processes are exposed to the borrower.
- *Efficiency* – every application can be done online. There is no need to provide business case documents, marketing plans or have face-to-face meetings.
- *No restrictions* – some lenders require borrowers to move all primary banking arrangements to them or restructure existing arrangements as a condition of the loan, which is not the case with BlueZest Mortgages.
- *Low ongoing costs* - BlueZest Mortgages' transparent approach means that the borrower will know exactly what the cost is at the outset with no surprises or extras during the loan term.

11. Strategy for growth

BlueZest Mortgage's long-term strategy is to develop and monetise the customer's relationship with its mortgage provider by offering existing customers digital access to their account through a digital platform. BlueZest Mortgages will launch by offering unregulated mortgage loans, being buy-to-let loans, business loans and property development loans. Going forward, BlueZest Mortgages intends to grow and diversify its mortgage business through professional and responsible lending across existing and new lending segments (including refining the marketing and/or branding of new and existing products) and the introduction of new distribution partners. BlueZest Mortgages intends to develop further solutions for borrowers in the UK residential property market including variations of its current mortgage product for different types of borrower.

The directors of BlueZest Mortgages believe that its use of the Zest Engine should provide it with a competitive advantage and enable it to quickly implement adjustments to its business strategy, if required, in line with future market and competitor landscape. Market projections will be reviewed

weekly and appropriate adjustments to business strategy will be implemented as required and approved by the executive committee.

The directors of BlueZest Mortgages envisage a diversification of its funding sources (by way of institutional funding) in the medium term and the potential for additional equity investment at the appropriate stages of growth, whilst maintaining and strengthening its retail funding offering.

For the avoidance of doubt, any new mortgage product offered by BlueZest Mortgages would not be offered in connection with this Base Prospectus.

12. Asset and liability management

In the short-to-medium term, it is BlueZest Mortgages' intention to manage assets and liabilities through exposure only to fixed rate lending and liabilities and to match, within mismatch limits, the tenor (or duration) of both. The availability and pricing of Bonds will be managed so as to support lending profiles for new Mortgage Loans. A process of re-matching will also be employed where necessary, depending on a consolidated view of outstanding Mortgage Loans and new lending opportunities. BlueZest Mortgages may then employ asset liability management software depending on the rate of growth and future complexity of business operations. At the outset, financial risk will be managed, with suitable and robust controls built, in Excel / VBA models and reporting systems.

Financial risk is managed by BlueZest Mortgages' treasury team and overseen by the board of directors of BlueZest Mortgages. BlueZest Mortgages also employs appropriate risk and compliance functions within its business and internal auditors will be added at the appropriate stages of business growth and depending on growing complexity of operations. BlueZest Mortgages also benefits from directors with experience in financial risk management.

13. UK mortgage market

Bank of England and FCA Statistical Releases

The overall value of the residential loan amounts outstanding at Q2 2017 was £1,365.9 billion, an increase of 1.0% compared with Q1 2017.¹

Since the first quarter of 2016, the share of buy-to-let ("BTL") lending stabilised at a lower level and accounted for 14.2% of residential home loans transactions in Q1 2017 and 12.5% in Q2 2017.^{2,3} Gross BTL lending totalled £2.9bn in May 2017, up 16% on April 2017 and up by 12% compared to May 2016. This equated to 19,100 loans, a 16% increase on April 2017 and up by 15% compared to May 2016.⁴

In Q1 2017, there was a 4.3 percentage point increase in the value of new loans for house purchases from 61.5% to 65.9%, as a proportion of the value of all loans advanced in the period. This was driven by an increase in the house movers and first-time-buyer categories. On the other hand, lending to existing borrowers in the form of remortgages decreased by 3.7 percentage points from 31.6% to 27.9%.⁵

Underwriting standards in the buy-to-let mortgage market

¹ Bank of England and FCA, *Mortgage Lenders and Administrators statistical release*, (12 September 2017)

² Bank of England and FCA, *Mortgage Lenders and Administrators statistical release*, (13 June 2017)

³ Bank of England and FCA, *Mortgage Lenders and Administrators statistical release*, (12 September 2017)

⁴ Council of Mortgage Lenders, "Home buyers up 12% in May compared to April", (12 July 2017), accessed on 17 November 2017 <<https://www.cml.org.uk/news/press-releases/may-2017-monthly-lending-trends/>>

⁵ Bank of England and FCA, *Mortgage Lenders and Administrators statistical release*, (12 September 2017)

The Prudential Regulation Authority ("**PRA**") conducted a review of underwriting standards in the buy-to-let mortgage market between November 2015 and March 2016.⁶ It reviewed the lending plans of the top 31 lenders in the industry, who account for over 90% of total buy-to-let lending. A number of lenders planned to increase their gross buy-to-let lending significantly, with overall planned lending in the region of £50 billion. Given competition in the sector, this strong growth profile raises the risk that firms could relax their underwriting standards in order to achieve their plans. The review further highlighted that some lenders were already applying underwriting standards that were somewhat weaker than those prevailing in the market as a whole.

BlueZest Mortgages has evaluated the approach of its competitors alongside recommendations made within the PRA review and has developed a clearly defined set of underwriting standards for the buy-to-let mortgage market which are suited to a prime borrower base. These standards are more sophisticated in the way that they assess the affordability of a mortgage, considering the rental coverage from the property and the landlord's other incomes simultaneously. The directors of BlueZest Mortgages believe that this a superior method to that observed at most other lenders by the PRA during its review.

UK lending to small and medium sized enterprises ("SMEs")

Lenders reported that overall demand for corporate lending for businesses of all sizes (and in particular small businesses) decreased in Q3 2017. Demand for lending from all businesses was expected to be unchanged in Q4 2017.⁷

SME borrowing facilities at the end of Q1 2017 stood at £109.7bn, of which structured term loans were £85.1bn, overdrafts were £9.4bn and facilities available but undrawn were £15.2bn.⁸ New loans less repayments resulted in net lending of £294mn, the largest positive monthly movement for six months.⁹

14. Current trading

Since its incorporation on 22 March 2017, BlueZest Mortgages has been establishing its infrastructure and systems and business and recruiting staff. It has received no income during that period.

BlueZest Mortgages is permitted to use amounts borrowed under the Loan Agreement to originate Mortgage Loans to eligible borrowers in order to generate the income necessary to make payments of interest and repayments of principal on each Advance in accordance with the terms of the Loan Agreement.

⁶ Bank of England Prudential Regulation Authority, *Underwriting standards for buy-to-let mortgage contracts*, (Consultation paper CP11/16) (March 2016)

⁷ Bank of England, *Credit Conditions Survey 2017 Q3* (12 October 2017)

⁸ BBA, Bank Support for SMEs – 1st Quarter 2017, (30 June 2017), accessed 17 November 2017 <<https://www.bba.org.uk/news/statistics/sme-statistics/bank-support-for-smes-1st-quarter-2017/#.Wg87pkbyiUk>>

⁹ BBA, Bank Support for SMEs – 1st Quarter 2017, (30 June 2017), accessed 17 November 2017 <<https://www.bba.org.uk/news/statistics/sme-statistics/bank-support-for-smes-1st-quarter-2017/#.Wg87pkbyiUk>>

8. MORTGAGE LENDING

This section sets out information about the mortgage products offered by BlueZest Mortgages, the lending policy in accordance with which the mortgage products are originated, the underwriting criteria applied by BlueZest Mortgages in deciding whether to approve a loan application and the channels through which the Mortgage Loans are distributed.

MORTGAGE LENDING

1. Lending Policy

BlueZest Mortgages has in place a lending policy (as may be amended from time to time, the "**Lending Policy**") which articulates the policy principles and boundaries that apply to its origination and subsequent management of Mortgage Loans. The Lending Policy ensures that credit and other risks are managed appropriately.

The Lending Policy applies to all Mortgage Loans originated by BlueZest Mortgages, including Buy-to-Let Loans, Business Loans and Property Development Loans (each as defined below).

The Lending Policy is maintained by BlueZest Mortgages' Chief Risk Officer. Policy and risk appetite varies in line with a number of internal and external factors in particular expectations of the housing market and wider economy and BlueZest Mortgages retains the right to revise its Lending Policy from time to time, and so the criteria applicable to any Mortgage Loans may not be the same as those currently used.

Where material changes are required, these will require approval by the Chief Risk Officer at a meeting of the Audit, Risk and Compliance Committee. Any material changes to the Lending Policy will be notified to Bondholders by way of inclusion in the monthly performance report to be provided to Bondholders in accordance with the terms of the Loan Agreement. Each investor report will be published on the "Investor Relations" section of the website at <http://www.bluezest.com/bond-investors/>.

The Lending Policy represents the general principles and boundaries within which BlueZest Mortgages operates, and enables business to be written within both risk appetite and portfolio quality ambitions. Where an exceptional reason is identified that requires consideration outside of the Lending Policy, these may be considered as follows (the "**Exceptions Policy**"):

- for lower-risk issues (designated as 'blue rules' in the Lending Policy), exceptions may be considered in conjunction with due consideration of all key risks. These exceptions may be authorised by the Chief Operations Officer (or nominated deputy) and shall be recorded for monitoring, tracking and audit purposes; and
- for higher-risk issues (designated as 'red rules' in the Lending Policy), exceptions should only arise infrequently. These exceptions may only be authorised by the Chief Risk Officer (or nominated deputy) with endorsement from the Chief Operations Officer (or nominated deputy) and shall be recorded for monitoring, tracking and audit purposes.

2. Types of mortgage products

BlueZest Mortgages is permitted to use amounts received from the Lender under the Loan Agreement to originate three types of mortgage products to prospective borrowers (each a "**Mortgage Loan**"), as outlined below.

Product 1: Buy-to-Let Loans

A type of mortgage loan (being a "**Buy-to-Let Loan**"):

- granted to individuals or limited companies;
- for the purpose of purchasing a property for letting or re-mortgaging a property being let; and
- secured by non-owner occupied freehold or leasehold property or properties and, where the borrower is a limited company, a personal guarantee from each director of the borrowing company, in each case securing all of the obligations of the borrowing company under the Buy-to-Let Loan.

The target market for the Buy-to-Let Loan is first time landlords, individual property investors and/or small companies set up specifically to operate buy-to-let property portfolios. Buy-to-let loans which are regulated by the UK's Financial Conduct Authority are outside of the Lending Policy.

Product 2: Business Loans

A type of mortgage loan (being a “**Business Loan**”):

- granted to limited companies resident in the UK;
- for the purpose of funding its existing business; and
- secured against residential property of one or more of the directors of the borrowing company and (as required) a personal guarantee from each director of the borrowing company, in each case securing all of the obligations of the borrowing company under the Business Loan.

The target market for Business Loans is small and medium-sized limited companies with at least two years' trading that wish to raise capital for an existing business.

Product 3: Property Development Loans

A type of mortgage loan (being a “**Property Development Loan**”):

- granted to limited companies resident in the UK;
- for the purposes of acquiring and developing a property; and
- secured against the residential property of one or more of the directors of the borrowing company and (as required) the development property and (as required) a personal guarantee from each director of the borrowing company, in each case securing all of the obligations of the borrowing company under the Property Development Loan.

The target market for Property Development Loans is limited companies that wish to buy and develop property for the principal purpose of leasing the property subsequent to development.

Upon completion of the development, the borrower has the option to transfer to a Buy-to-Let Loan secured against the developed property, provided that the relevant Lending Criteria are met at such time for a Buy-to-Let Loan.

3. Repayment terms

Buy-to-Let Loan and Business Loan

The Buy-to-Let Loan and Business Loan both offer the following repayment methods:

Repayment Mortgage Loan

Under this repayment method, the borrower is required to pay monthly instalments covering both interest and principal so that by the stated maturity date for the relevant Mortgage Loan, the full amount of principal advanced to the borrower (in addition to the interest) has been repaid.

Interest Only Mortgage Loan

Under this repayment method, the borrower is only required to make monthly payments of interest (but not of principal) during the term of the relevant Mortgage Loan with the entire principal amount being payable only upon the relevant maturity date (an “**Interest Only Mortgage Loan**”). As the principal amount of an Interest Only Mortgage Loan is repayable only upon maturity of the Mortgage Loan, the borrower may decide to take out a life insurance or endowment policy as a means of repaying the Mortgage Loan.

Property Development Loan

The Property Development Loan is an Interest Only Mortgage Loan. Interest can be repaid by the borrower through one of two methods:

Standard Interest Option

Under this method (the "**Standard Interest Option**"), the borrower is required to make monthly payments of interest during the whole term of the Property Development Loan.

Deferred Interest Option

Under this method (the "**Deferred Interest Option**"), the borrower is not required to make payments of interest during the term of the Property Development Loan. Interest accrues daily from commencement of the Property Development Loan and is paid in full by the borrower on maturity.

In both instances, the entire principal is repayable on maturity of the Property Development Loan.

Range of interest rates - Buy-to-Let Loans

The interest rates applicable to Buy-to-Let Loans are based on:

- the relevant loan to property value percentage ("**LTV**");
- the number of buy-to-let properties that the borrower has (which is seen as an indication of the borrower's experience in the buy-to-let market); and
- the term of the loan.

As at the date of this Base Prospectus, and by way of example only, the range of interest rates varies from 3.69 per cent. per annum for a typical two year fixed loan to an experienced borrower and 60 per cent LTV to 5.25 per cent. per annum for a typical five year loan to an experienced borrower and 85 per cent. LTV.

Range of interest rates - Business Loans

The interest rates applicable to Business Loans are based on:

- the LTV; and
- whether the security supporting the loan is first or second charge security.

As at the date of this Base Prospectus, and by way of example only, the range of interest rates varies from 6.9 per cent. per annum for up to 65 per cent. LTV loans supported by first charge security to around 12 per cent. per annum for higher LTV loans supported by second charge security.

Range of interest rates - Property Development Loans

The interest rates applicable to Property Development Loans are based on:

- the overall LTV across all properties being offered as security; and
- whether the borrower opts for the Standard Interest Option or Deferred Interest Option.

As at the date of this Base Prospectus, and by way of example only, the range of interest rates varies from 8 per cent. per annum for up to 65 per cent. LTV loans and the Standard Interest Option to 12 per cent. per annum for up to 75 per cent. LTV and the Deferred Interest Option.

Overpayments

The borrower can make an overpayment at any time, whether in lump sum or in regular overpayments, subject to a minimum payment of £100 on any occasion. There are no early repayment charges for overpayments.

Unless a borrower specifically indicates that the overpayment should be treated as a capital repayment, the overpayment will not be treated as a capital repayment and the borrower's monthly repayments will not be recalculated. Any overpayments will be allocated as principal receipts in the relevant calculation period.

For Interest Only Mortgage Loans, any capital repayment made by the borrower beyond their scheduled monthly payments will reduce the balance of that borrower's Mortgage Loan. BlueZest Mortgages will charge interest on the reduced balance, reducing the amount of interest the borrower must pay.

Overpayments cannot be drawn down and payment holidays are not permissible.

Minimum amount of interest

Under the terms of each Mortgage Loan, the borrower is required to pay a minimum amount of interest depending on the agreed term of the Mortgage Loan. This amounts to the first 12 months' interest on any Buy-to-Let Loan and Business Loan, or in the case of a 6, 12 or 18 month Property Development Loan, the interest due for the full term of the Property Development Loan.

This means that if, for example, a borrower wishes to repay a Buy-to-Let Loan 8 months into a 5 year loan, the borrower will be required to repay the principal amount of the loan plus the outstanding 4 months of interest. This also means that after the minimum interest period, the borrower can refinance their loan at any point without paying any additional charge.

Further advances

BlueZest Mortgages is not be obliged to provide further advances under any Mortgage Loan. If a borrower wishes to agree a further advance or take out a further Mortgage Loan secured by the same Mortgage, the borrower will be required to make an application for a further Mortgage Loan (which may not be within the first 12 months of any Mortgage Loan) and BlueZest Mortgages will use its standard Lending Criteria at that time to determine whether to approve the application. This may take the form of a separate Mortgage Loan or a further advance under an existing Mortgage Loan.

The Mortgage securing the original Mortgage Loan will be expressed to cover all amounts due from the borrower to BlueZest Mortgages from time to time and so will cover any subsequent Mortgage Loan or further advance of an existing Mortgage Loan.

No more than two further advances are permitted in any 5 year period under any Mortgage Loan.

Product switches

Under the Property Development Loan, borrowing companies will have the option of transferring to a Buy-to-Let Loan upon maturity of the Property Development Loan. In order to transfer from a Property Development Loan to a Buy-to-Let Loan, the borrower must satisfy all affordability criteria and Lending Criteria applicable at such time to Buy-to-Let Loans as if the borrower was applying for a new Buy-to-Let Loan. Upon successful transfer to a Buy-to-Let Loan, the repayment of principal owing on maturity of the Property Development Loan would carry into and be subject to the terms and conditions of the Buy-to-Let Loan.

There is currently no mechanism in the Buy-to-Let Loan or the Business Loan for a product switch.

Loan-to-value (or LTV) ratio

The maximum LTV ratio of Buy-to-Let Loans is 85%, provided the requisite conditions are met. The maximum LTV ratio of Business Loans and Property Development Loans is 75%. Where fees are added to the Mortgage Loan, they may take the total lending over the specified LTV limit.

See sub-section 4 (*Lending Criteria - Loan to Value Maxima*) below for more information.

Mortgage payment dates

All borrowers are required to make monthly payments of interest and, if applicable, principal as required by the conditions of the Mortgage Loans contained in the relevant mortgage conditions. The Mortgage Loans have payment dates throughout the month.

The only exception to the above will be Property Development Loans with a Deferred Interest Option. Under these Mortgage Loans, both accrued interest and the total principal will be repaid by the borrower on maturity.

Fees

The table below sets out the fees that apply in respect of Mortgage Loans, as at the date of this Base Prospectus (which may change from time to time).

Fee	Amount	Description
Application fee	£125	This is a fixed, non-refundable fee that applies to every application made by a potential borrower. It allows BlueZest Mortgages to cover the administration costs of verifying the information that the borrower has provided including, without limitation, by using credit bureau data, identification services, computer property valuations, computer analysis of bank accounts and land registry services.
Product fee	1.75% to 2.25%	This is a non-refundable fee for the costs of providing the mortgage product. The amount of the fee is a percentage of the amount borrowed and is charged once the borrower's account is opened. The borrower may pay it in advance or may add it to the Mortgage Loan balance.
Valuation fee	Around 0.8% of the property value	This is a fee for the physical valuation of a property, if required. It is charged before the valuation is performed and may be refunded if the valuation is not carried out. Once the valuation has been performed, the fee is non-refundable. The fee charged is based on the property price and directly reflects the fee that BlueZest Mortgages pays.
Legal fees	From £700 + VAT depending on property or loan value	This fee relates to the legal costs associated with the property buying process. The fee has two possible structures: <i>Dual representation:</i> One conveyancing company represents BlueZest Mortgages and the borrower. The borrower pays BlueZest Mortgages' legal fees in advance and then pays their own legal fees in arrears as part of the settlement. All fees (less disbursements) are refundable if the Mortgage Loan does not complete. <i>Individual Representation:</i> If the borrower wishes to use their own solicitor they just pay BlueZest Mortgages' legal fees in advance. They pay their own fees directly to their own solicitor. The BlueZest Mortgages' legal fees are refundable if the Mortgage Loan does not complete.

Consent letter fee	£150	This fee is paid if the borrower is required to obtain consent from an existing lender to be able to take out the BlueZest Mortgages' Mortgage Loan (as indicated by the Land Registry's records). This is a fixed industry fee between the two lenders and is passed on at no extra cost. This is non-refundable once the enquiry to the existing lender has been made.
CHAPS fee	£25	This fee applies to any payment that needs to be made by CHAPS transfer. BlueZest Mortgages tries to avoid incurring these fees wherever possible. It is a fee charged by BlueZest Mortgages' bank and is passed on with an administration fee of less than 10 per cent. This is non-refundable once the transfer is made.

4. Lending Criteria

The Lending Policy articulates criteria against which all applications for Mortgage Loans will be assessed (the "**Lending Criteria**"). Some of the criteria are specific to Buy-to-Let Loans, Business Loans and Property Development Loans, as applicable. BlueZest Mortgages has the right to apply more stringent criteria to those articulated in the Lending Policy.

Policy and risk appetite varies in line with a number of internal and external factors in particular expectations of the housing market and wider economy and BlueZest Mortgages retains the right to revise its Lending Criteria from time to time, and so the Lending Criteria applicable to any Mortgage Loans advanced in the future may not be the same as those currently used.

The following is a summary only of the Lending Criteria that apply as at the date of this Base Prospectus, which are subject to change in accordance with the terms of the Lending Policy.

Applicants

Type

Applicants are either:

- one or more individuals applying for a Mortgage Loan secured by means of a Mortgage against either a residential or buy-to-let property; for these applications, all owners of the property must be party to the Mortgage and vice versa; or
- the directors and owners of a limited company (incorporated for the principal activity of buying and holding property) applying for a Mortgage Loan, which is secured against one or more properties owned by one or more of the directors and (as required) personal guarantees of the directors; any owners of the property not a director or owner of the limited company, must be a signatory to the Mortgage.

Age

- All applicants must be at least 23 years old at the time of making the application.
- The maximum age at loan maturity for any applicant is:

Loan type	Maximum age at loan maturity
Buy-to-Let Loan	Individuals: 85 Limited company: 75
Business Loan	75
Property Development Loan	75

UK Residency/Foreign Nationals

- All applicants must have indefinite leave to remain in the UK.
- All applicants must reside in the UK (as a tax resident) and have done so for the last three years.
- All applicants must have had and used a UK based current account for the last three years.
- Foreign nationals with diplomatic immunity will be declined.

Criminal Convictions

Applicants that have criminal convictions will be declined, unless they are either for minor traffic offences or are considered legally 'spent'.

Credit History

Adverse Credit History

- For all applicants, complete address information is required for a period of the last three years. All addresses will be credit searched against at least one credit reference agency's databases.
- Any applicant that cannot be traced at any credit bureau cannot be included in the mortgage application.

Any of the following credit history characteristics found will result in the application being declined:

Any applicant who is or has been within the last three years the subject of, or has been discharged from or completed:

- a bankruptcy order (satisfied or otherwise);
- an individual voluntary arrangement (IVA);
- a debt relief order (DRO).

Any applicant who has had:

- any County Court Judgment (CCJ) in the past three years and CCJs on file that total £500 or more;
- any credit defaults in the past three years and defaults on file that total £500 or more;
- credit accounts with three payments or more in arrears in the last two years;
- a property repossessed by a creditor;
- a missed payment on a mortgage loan within the last 12 months;
- two or more missed payments on any credit facility in the last six months.

Application Credit Score - Cut-off Scores

- All applicants are credit scored as part of the application process.
- Applications with any applicant scoring below the appropriate cut-off score will be declined.

Indebtedness

- Where an applicant's total unsecured debt is greater than one year's annual net income and the LTV of the Mortgage Loan is greater than 75%, the application is declined.

- All applicants are scored using an indebtedness score as part of the application process.
- Applications with any applicant scoring below the appropriate cut-off score for indebtedness will be declined.

Higher risk borrowing

Any applicant who has taken out a “pay day” or “doorstep” loan in the last 36 months will be declined.

Employment

BlueZest Mortgages consider three employment categories:

- Employed (pay-as-you-earn ("**PAYE**") on a permanent contract);
- Contractor (PAYE on a fixed term contract);
- Self-employed, including:
 - a sole trader;
 - in a partnership or a member of a limited liability partnership;
 - a company director or shareholder with a 20 per cent. or more shareholding in the business in which they are employed or which is the source of their income; or
 - the applicant is paying their own primary income tax and/or national insurance (including non-PAYE contractors).
- Applications where all applicants are unemployed will be declined.
- In all cases, sustainability of income must be established.

Employed (PAYE/Permanent Contract)

- Applicants must be able to evidence at least 12 month’s continuous employment.
- Applicants must have more than 3 months with current employer and not be in a probationary period.

Contractors (PAYE/Fixed Term Contract)

- Applicants must be able to evidence at least 24 months' continuous employment or applicants must have more than 12 months with current employer and at least six months remaining on current contract.

Self-Employed/Non-PAYE Contractors

- Applicants must have been trading in current business and owned the business for at least 24 months.
- For loans to self-employed individuals, if the accounts show any negative going concern qualification, the application will be declined.

Retirement

- Lending to applicants relying upon retirement income is permitted, subject to appropriate affordability conditions, including income checks, being satisfied.

Minimum Salary

- All applications require one applicant with a minimum gross annual salary of £25,000. For directors of limited liability companies/partnerships this can include directors’ dividends.

- There are also minimum salary requirements by product type.
- Should any application hit more than one minimum salary criteria, the highest minimum salary takes precedence, unless specifically specified.

Staff applications

- Applications from an applicant employed by any one of the companies in the BlueZest Group will be considered as per normal policy.

Guarantors

- All loans to limited companies must be accompanied by a personal guarantee from all directors.
- BlueZest Mortgages does not accept applications for Mortgage Loans to individuals either involving or requiring a personal guarantee.

Loans to companies with floating debentures

- All applications from companies where there is a floating debenture in place (other than those assigned to BlueZest Mortgages) will be declined.

The Mortgage Loan

Acceptable Loan Type/Purpose

Loans may be advanced for a number of different but specific purposes. Each loan type has its own individual lending parameters. Loan types approved for lending at this time are:

- Buy-to-Let Loans;
- Business Loans; and
- Property Development Loans.

Other purposes may be acceptable on a case by case basis.

Mortgage Loan Amount

- The minimum loan amount is £50,000 for a Buy-to-Let Loan, £25,000 for a Business Loan and £75,000 for a Property Development Loan.
- The maximum loan amount is £2,000,000 for a Buy-to-Let Loan and £1,000,000 for a Business Loan or a Property Development Loan.
- All loans above £2,000,000 individually require board approval.

Term

- The maximum loan term is 30 years for a Buy-to-Let Loan, 5 years for a Business Loan and 18 months for a Property Development Loan.
- The term of the Mortgage Loan can be further restricted by applicant age, retirement age and, for leasehold properties, remaining lease length.

Loan to Value Maxima

Loan-to-value ("**LTV**") is calculated as follows:

Amount of the Mortgage Loan

$$\frac{\text{Lower of purchase price and property valuation}}{\text{}} \times 100$$

For the purposes of the calculating the LTV, the amount of the Mortgage Loan excludes any fees that may added to the capital balance.

- The following maximum LTV and loan amounts apply to all loans:

All Mortgage Loans		
<i>Property type</i>	<i>Maximum LTV</i>	<i>Maximum Mortgage Loan</i>
New-build house	85%	£750,000
New-build flat/maisonette	80%	£500,000

- There are also restrictions to LTV by product type. These are:

Buy-To-Let Loan		
<i>Category</i>	<i>Criteria</i>	<i>Maximum LTV</i>
<u>London & South East</u>		
Property value	≤ £500,000	85%
	≤ £750,000	80%
	≤ £1,000,000	75%
	> £1,000,000	65%
Applicant's income	< £50,000 p.a.	75%
	< £75,000 p.a.	80%
Additional high LTV criteria applying in London & South East: For first time landlords, Mortgage Loans having an LTV of greater than 75% are only available if an applicant has an annual earned (non-property related) income of at least £75,000 per annum.		
<u>Rest of England & Wales</u>		
Property value	≤ £500,000	80%
	≤ £750,000	75%
	≤ £1,000,000	65%
	> £1,000,000	50%
Applicant's income	< £50,000 p.a.	75%
First time landlord?	Yes	75%
Additional high LTV criteria applying outside of London & South East: Loans having an LTV of greater than 75% are only available to experienced landlords with annual earned (non-property related) income of at least £50,000.		

- If the number of properties mortgaged to BlueZest Mortgages is greater than 3, then the blended LTV shall be less than or equal to 75 per cent.
- If no applicant is an owner-occupier, then the LTV shall be less than or equal to 75 per cent.

Business Loan		
If the security granted to BlueZest Mortgages is a second-ranking charge, then the LTV is calculated using the amount of the Mortgage Loan plus all charges ranking ahead of the security granted in favour of BlueZest Mortgages.		
Security property value	≤ £750,000	75%
	≤ £1,000,000	70%
	> £1,000,000	65%

Property Development Loan		
If the security granted to BlueZest Mortgages is a second-ranking charge, then the LTV is calculated using the amount of the Mortgage Loan plus all charges ranking ahead of the security granted in favour of BlueZest Mortgages.		
Value of director's residential (or other) property used as security	≤ £750,000	75%
	≤ £1,000,000	70%
	> £1,000,000	65%
When determining the LTV for a Property Development Loan, the total value may be supplemented by the land value of the development property.		

Should any application fall within more than one maximum LTV criteria, the lowest applicable LTV takes precedence, unless specifically specified.

Second-ranking charges

All applications for a Mortgage Loan where the security takes the form of a second-ranking charge must be on the basis that any first-ranking charge (including any potential increase of this) plus borrowing from BlueZest Mortgages must be aggregated when evaluating the Mortgage Loan against BlueZest Mortgages' maximum LTV criteria.

Capital repayment

For any Mortgage Loan which is either interest-only or with an element of interest-only (part and part), there must be in place a plausible plan to repay capital on the maturity of the Mortgage Loan.

Security

Charge

Each Mortgage Loan shall be secured by way of a Mortgage over one or more Mortgaged Property. The Mortgage must be fully enforceable and entered into by all legal owners of the Mortgaged Property.

The Mortgage securing Buy-to-Let Loans must be a first-ranking, whereas the Mortgage for Business Loans and Property Development Loans can be either first- or second-ranking, subject to meeting the applicable LTV criteria. For Property Development Loans, a Mortgage is also taken over the development property in all cases.

Contiguous land

Where access or services to the Mortgaged Property depend on adjacent property owned or controlled by the borrower, suitable access or services must be ensured as part of the Mortgage.

Sales incentives

BlueZest Mortgages does not accept sales incentives on non-new-build properties.

For new-build purchases:

- BlueZest Mortgages does not accept cash incentives or their equivalent (e.g. vouchers) on new-build purchases from sources other than the builder or developer.
- Incentives, excluding reasonable legal fees and stamp duty, cannot be greater than 5% of the purchase price.

New-build properties

For policy purposes a new-build property is defined as a property built or converted within the last 12 months, not previously occupied since build or conversion, being sold by the builder or developer, or not previously used for residential purposes.

BlueZest Mortgages does not lend on new-build properties where there is no acceptable warranty cover in place. Acceptable warranties are outlined in the Council of Mortgage Lenders' Handbooks for Solicitors and Licensed Conveyancers.

Buildings insurance

Each Mortgaged Property must have comprehensive buildings insurance cover.

Solicitor panel

A solicitor or licensed conveyancer may only represent BlueZest Mortgages in legal transactions if they are currently a member of BlueZest Mortgages' approved solicitor panel.

Security property

Unless otherwise stated below, the following conditions apply to all Mortgaged Property.

General

The Mortgaged Property must be of standard construction. There are a number of restrictions to the construction and type of property that is acceptable for Mortgages (as set out below).

The Mortgaged Property must be suitable for residential and/or letting and sustainable in terms of its physical existence.

Additionally, it must be:

- insurable;
- a permanent structure;
- a single dwelling; and

- within grounds of no more 10 acres in area.

Any shared access and/or facilities must be subject to satisfactory legal arrangements.

Properties with annexes to the main residence will be treated as a single dwelling.

New build and conversions must be finished by the day of mortgage completion, not on-going projects.

Tenure

There must be security of tenure that is sustainable in terms of its:

- duration;
- value; and
- marketability.

The tenure must enable its owner to control the repair and maintenance of the property.

Freehold

Freehold is acceptable.

Freehold flats are unacceptable except in the following circumstances:

- the freehold is shared with other owner occupiers of flats in the block and the repair and maintenance is controlled by an acceptable common lease;
- the freehold is owned and all other occupiers are leaseholders, giving the freeholder control of the entire block; or
- a small part of the property comprises a flying or creeping freehold and the marketability of the whole is not affected; this will be determined by the valuer.

Leasehold

Leasehold must have a term of 55 years remaining at inception and 45 years at the loan maturity.

Where the applicant also solely owns the freehold, the freehold must be part of the security offered against the Mortgage Loan.

Other

Commonhold title is not acceptable.

Where part of the property includes possessory or qualified title which will not materially adversely affect the value of the property or its future marketability, then it may be acceptable, subject to valuer judgment. Otherwise, possessory and qualified titles are unacceptable.

In the absence of any advice from valuers or conveyancers to the contrary, all other forms of tenure are deemed to be acceptable.

Construction

The building materials and methodologies used in the construction of residential property in the UK are diverse. The majority are not the subject of policy statements, but certain types of construction known to have inherent defects are specifically excluded. Construction types which are considered unacceptable include the following:

- pre-cast reinforced concrete ("**PRC**") flats and maisonettes designated defective under the Housing Act 1985; and
- PRC houses and bungalows which have been designated defective and have not been repaired under an accredited repair scheme.

The acceptability of all other types of construction will be determined by valuer judgment.

Further property considerations

The following property types/characteristics are not permitted:

- grade I listed buildings;
- properties with any agricultural restrictions;
- farms and small holdings;
- ex-local authority flats/maisonettes with a value of less than £250,000 (a value of more than £250,000 is only considered where there is evidence of good re-sale and the block of flats/maisonettes is more than 80% privately owned);
- flats above 4 storeys with a value less than £300,000;
- properties subject to any constraint preventing occupation for 52 weeks a year;
- properties affected by High Speed Two (HS2);
- properties where material environmental hazards are present (including Japanese knotweed);
- flats directly above food premises;
- properties less than 10 years old without a guarantee provided by the National House-Building Council (NHBC) or Zurich Municipal or an architects' certificate;
- shared ownership properties; and
- properties affected by an overriding interest.

Valuation requirements

The value of each property will be assessed independently in all cases in accordance with BlueZest Mortgages' internal valuation procedures. BlueZest Mortgages adopt an automated valuation model (or "**AVM**") for initial property valuations (the "**Initial Valuation**"), which involves a dual valuation by two leading online valuation providers. Data from each valuation provider feeds into the Zest Engine via an application programming interface. This is processed by the Zest Engine (alongside other data sources which may highlight additional risk) in order to ascertain a confidence level which can be attributed to the Initial Valuation. If the Initial Valuation does not meet the requisite confidence level for the LTV banding of the prospective Mortgage Loan, then BlueZest Mortgages will carry out a physical valuation through a market-leading property valuation agency.

There is a minimum property value of £75,000 for Buy-to-Let Loans and £100,000 for Business Loans and Property Development Loans, but no maximum.

The valuation of the existing mortgaged properties held by BlueZest Mortgages will be updated every quarter using the Nationwide HPI House Price Index (at the postal sector level). This information will be notified to Bondholders by way of inclusion in the monthly performance report to be provided to Bondholders in accordance with the terms of the Loan Agreement. Each monthly performance report will be published on the "Investor Relations" section of the website at <http://www.bluezest.com/bond-investors/>.

Affordability

For all applications, a comprehensive affordability assessment must be undertaken to ensure that any Mortgage Loan is affordable and serviceable by the borrower, both currently and in the future. Within multi-phase loans, affordability must be established for all phases.

All applications are assessed for affordability assuming a stressed interest rate, which is product dependent.

Mortgage Loans to individuals, using earned (plus other) income to service the loan

Affordability is assessed using a standard affordability calculator such that:

Net Income ¹ minus Mortgage Repayment ² minus Household Expenditure ³ minus Other Financial Commitments minus Credit Commitments \geq £0.
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1. post tax/national insurance "allowable" income, net of any normal required pension contributions;
2. calculated using an appropriate stressed rate, in line, at least, with prevailing regulatory requirements;
3. determined using table of "normal" household spending, dependent upon income and number of dependents.

Any application resulting in applicants with disposable income of less than £0 (after assessment and/or adjustment) by an underwriter will be declined.

Mortgage Loans using rental income to service the loan

The Interest Coverage Ratio ("**ICR**") is a ratio which compares the rental income from the relevant property with the interest payments under the relevant Mortgage Loan:

$$\text{ICR} = \frac{\text{Rental Income}}{\text{Mortgage Interest}^1} \geq \text{minimum percentage}^2$$

1. mortgage interest as calculated using an appropriate stressed rate, at least in line with prevailing regulatory requirements;
2. minimum percentage varies by landlord experience and LTV.

Any application resulting in an ICR lower than the minimum percentage (after assessment and/or adjustment) by an underwriter will be declined.

BlueZest Mortgages, in line with a number of mortgage lenders, has adopted an approach to ICR that reflects both the changes in the tax relief on mortgage interest payments, and the risk differential by LTV and landlord type.

BlueZest Mortgages' minimum ICRs are:

Details	Interest Coverage Ratio	
	First time landlords	Limited companies or experienced landlords*
LTV > 80%	155%	145%

LTV > 75%	145%	135%
LTV ≤ 75%	135%	125%
*An experienced landlord is defined as a landlord that has owned at least one buy-to-let property for at least the past 12 months.		

If the ICR determined using rental income is below the minimum percentage, then the numerator within the calculation can be supplemented using surplus income from one or more mortgagors, as determined using the standard affordability calculation.

Loans to limited companies (Buy-to-Let Loans)

- Evidenced pre-tax profits from existing business must be positive.
- A cash-flow forecast for the existing business must show that sufficient funds will be generated to service existing loans.
- The standard ICR calculation must equal or exceed the minimum percentage (which varies by landlord experience and LTV).

Loans to limited companies (Business Loans)

- Evidenced pre-tax profits should be sufficient to service the Mortgage Loan at an appropriate stressed rate.
- A cash-flow forecast must show that sufficient funds will be generated to service the Mortgage Loan at an appropriate stressed rate.
- Company directors' finances are assessed using the standard individual affordability calculator to ensure that the borrowing company is generating sufficient profit to financially support its directors.

Income

All income used within the affordability calculations is checked using, where possible, independent sources.

Individuals' income

Income is categorised as follows:

Primary Income:

- Earned income that is non-discretionary and is received regularly, at least monthly.
- Allowances and benefits that are non-discretionary and received regularly, at least monthly. They should be in place for the life of the Mortgage Loan or 10 years, whichever is shorter.

Secondary Income:

- Earned income that is discretionary.
- Earned income that is received less frequently than monthly.

Unacceptable Income:

- Income in non-Sterling currency is not acceptable.
- Income from self-employment outside the UK that is not subject to UK taxation is not acceptable.

Rental Income:

In all cases, rental income/anticipated rental income should be confirmed by reference to either:

- A contemporaneous valuation report; and/or
- Recent historical rental payments received.

Business Profit/Cash-flow:

In all cases, company profits and cash-flow projections must show capacity to fully service the loan commitments. These should be confirmed by reference to:

- Company accounts, prepared by a suitably qualified accountant; and/or
- A completed cash-flow forecast.

New Mortgage Payment

For affordability purposes, the regular servicing payment for the Mortgage Loan being applied for is calculated using a stressed interest rate.

In all cases, the stressed interest rate used will be, at least, in line with prevailing regulatory requirements/guidance.

Expenditure

Key elements of expenditure are captured at point of sale. Total expenditure is determined using this in conjunction with standard expenditure information, based on income and family size.

In calculating affordability, the following are used:

General expenditure

- the maximum of customer declared expenses or that determined using standard expenditure information.

Loan servicing

- all loan/credit servicing commitments with other financial institutions and any known informal loans (e.g. family loan for a deposit), as well as any known future commitments;
- for applications with an LTV of greater than 75%, all loan/credit servicing commitments for loans that the applicant(s) intend(s) to repay on receiving the Mortgage Loan (debt consolidation) are included in the affordability calculation.

Retained property considerations

- Any on-going expenditure associated with non self-financing retained properties, whether let or un-let, must be included and accounted for within the affordability calculation.
- For let properties, where a mortgage is in place, the property is deemed self-financing if the gross rent is greater than or equal to 125% of the mortgage payment, stressed at 5.5%.

Deposit source

All deposits must be funded from the applicant's own resources, except in the following circumstances:

Gifted cash deposit:

- Gifts are assessed to ensure they are genuine, non-repayable and from a plausible source.

- Any third party providing a gift cannot have an existing financial connection with the property, or expect to acquire an interest in the property.

5. Underwriting

Whilst BlueZest Mortgages adheres to appropriate, proper and fundamental credit principles like mainstream mortgage lenders, the manner in which it collects the most recent and relevant data on individuals and businesses, for example bank transactional data, the subsequent decision science approach to the utilisation of this information and the agile proprietary risk decisioning technology is considered by the directors of BlueZest Mortgages to set BlueZest Mortgages apart from certain of its peers in the mortgage market.

The Zest Engine is the BlueZest Group's own decision-making software solution that interprets data from its own digital platform to deliver credit assessments in relation to Mortgage Loans. In a typical application, the Zest Engine considers over 3,000 data points from over 30 data sources, including multiple credit bureaus, multiple property valuation models, applicants' bank accounts and the Land Registry to deliver credit decisions which relate to the specific Lending Criteria for the relevant product and applicant. This means that BlueZest Mortgages has a very sophisticated decision engine.

As part of the underwriting process, each application will be assessed against the Lending Criteria applicable to the relevant Mortgage Loan being applied for. The Lending Criteria must be satisfied as part of the general underwriting process of BlueZest Mortgages and form the basis under which BlueZest Mortgages conducts its business (save in exceptional circumstances as determined by an authorised person at BlueZest Mortgages).

The strength of BlueZest Mortgages' underwriting is based on developing credit risk policies, translating them into strategies and executing them through the data and technology described. Simon Baum, BlueZest Mortgages' Chief Risk Officer, has experience and expertise in these areas from his career in mortgage credit risk at companies like Experian, Alliance & Leicester and Santander. In addition to matching the strategies of other mortgage lenders, BlueZest Mortgages is able to leverage its wide range of data sources to perform additional tests on affordability both of the company and individual applicants. While many mortgage lenders are limited to treating a mortgage application as a series of hurdles for the applicant to jump, BlueZest Mortgages is able to make a single holistic decision across all the data that is presented.

BlueZest Mortgages' underwriting policies are subject to change at BlueZest Mortgages' sole discretion.

6. Insurance policies

Insurance on the property

Each Mortgaged Property is required to be insured with buildings insurance. If BlueZest Mortgages becomes aware that no adequate insurance is in place, they reserve the right to arrange insurance on the Mortgaged Property and charge the premiums for this to the borrower's account. However BlueZest Mortgages will typically only insure a property once it has repossessed a Mortgaged Property from a defaulting borrower. See "*Properties in possession cover*" below.

Borrower-arranged buildings insurance

BlueZest Mortgages requires that a Borrower maintains home insurance for the duration of the Mortgage Loan and BlueZest Mortgages checks that such insurance is in place at the time when the Mortgage Loan commences. BlueZest Mortgages issues warnings on each annual statement to Borrowers that home insurance must be in place. BlueZest Mortgages maintains a policy which indemnifies them for any losses incurred due to the failure of a borrower to maintain home insurance.

Properties in possession cover

When a Mortgaged Property is taken into possession by BlueZest Mortgages, BlueZest Mortgages takes the necessary actions to ensure that the Mortgaged Property is placed on to their block properties

in possession insurance policy so that appropriate insurance cover is provided on the property. BlueZest Mortgages may claim under this policy for any damage occurring to the Mortgaged Property while in BlueZest Mortgages' possession.

Title and Search insurance

Search insurance is obtained in some instances on remortgage cases; in these instances a solicitor does not undertake a local search. Local searches are undertaken on all new Mortgage Loans.

Title insurance is obtained in respect of certain limited title defects (e.g. restrictive covenants, absence of rights of way) from all solicitors on new Mortgage Loans and remortgages. An investigation of title is always undertaken and insurance obtained if an investigation of title has taken place and a defect discovered.

Mortgage indemnity insurance policies

BlueZest Mortgages currently has the benefit of a mortgage indemnity guarantee policy in respect of all of its Mortgage Loans which satisfy the criteria set out in the MIG Policy. Please see Section 9 (*Mortgage indemnity guarantee policy (MIG Policy)*) of this Base Prospectus for further information.

8. Distribution

BlueZest Mortgages will sell its mortgage products through one of two sales channels: (i) an approved group of intermediaries, and (ii) directly via the internet.

Whether a mortgage application is received via an intermediary or is made online, all applications are consistently interpreted and processed by the Zest Engine - BlueZest Mortgages' automated decision-making software. As such, all intermediary-introduced applications and on-line applications get the same high standard of risk assessment. Any manual intervention required during the assessment process will be undertaken by BlueZest Mortgages' underwriting staff.

See Section 7 (*Description of BlueZest Mortgages*) of this Base Prospectus for more details around this software.

Intermediaries

BlueZest Mortgages, in line with other lenders, will rely upon intermediaries to source originations. Initially, BlueZest Mortgages intends to originate all of its Mortgage Loans via intermediary channels and any initial direct applications (including those made online) will be unsolicited. In time, BlueZest Mortgages intends to grow its online applications capability through direct marketing to around 20 per cent of all applications received by the end of 2018 and to around 30 per cent. of all applications received by the end of 2019.

The term 'intermediaries' refers to mortgage packagers, mortgage clubs, major mortgage networks, large mortgage and commercial loan brokers - all of which are strategically-selected by BlueZest Mortgages. These partner intermediaries have been chosen on the basis of their ability to source business in the particular product sets provided by BlueZest Mortgages. BlueZest Mortgages is actively engaged in ensuring that these partners are fully aware of the products available from BlueZest Mortgages and the target customers. BlueZest Mortgages is also working with these intermediaries to ensure a good understanding of its Lending Policy.

BlueZest Mortgages already has contractual arrangements in place with a number of intermediaries to launch the mortgage business giving coverage of over 3,000 brokers and is in due diligence with a large number of intermediaries that will provide broad market coverage including:

- large mortgage packagers (Brightstar, TBMC and AToM);
- large broker networks and clubs (for example, Sesame and PMS); and

- very large brokers (for example, London and Country).

The intention is to have an appropriate geographic spread of intermediaries across the UK.

The intermediaries are a sales channel to the mortgage market and do not formally provide any expertise in terms of assessing the risk profile of applicants. Whilst intermediaries have in-depth knowledge of product and criteria to help ascertain which lenders will be more likely to accept an application, the credit assessment is entirely performed by BlueZest Mortgages in accordance with its own credit risk policy.

Internet sales

As mentioned above, BlueZest Mortgages predicts that a minority of its sales will come directly through the BlueZest Group's website (www.bluezest.com).

Direct online applications will be made by the applicant using BlueZest Mortgages' user-friendly application system delivered via the BlueZest Group's website. The aim is to attract applicants by marketing through professional services companies, marketing through property portals, digital advertising, direct email campaigns to businesses of the right size and age from Companies House data, word of mouth, public relations and introductions through professional advisors such as accountants and other partners.

Execution of Mortgage Loans post-application approval

Once a mortgage loan application has been approved, the execution processes are the same whether the application was made through an intermediary or directly through the website.

BlueZest Mortgages has a panel of conveyancing companies, for conveyancing all types of Mortgage Loans (whether involving a property purchase, re-mortgage or second charge). These companies must track progress of each mortgage on BlueZest's Mortgages' application system to ensure that there is a single pipeline of Mortgage Loans. Having a single pipeline enables BlueZest Mortgages to ensure that each Tranche of Bonds issued under the Programme matches the Mortgage Loans being completed.

BlueZest has established fixed processes for each type of Mortgage Loan with the panel companies. BlueZest Mortgages can instruct each case digitally and can access status updates to ensure that the applicant can be updated on the progress of their Mortgage Loan as it proceeds. The panel companies provide BlueZest Mortgages with a weekly report covering the Mortgage Loans that are expected to complete in the following three weeks so that BlueZest Mortgages can ensure that it has the funds in place to make the completions, either from capital repayments on existing Mortgage Loans or through the issue of Bonds under the Programme.

BlueZest Mortgages provides completion monies to the panel solicitors to allow them to complete the Mortgage Loans and register the charges at HM Land Registry and Companies House.

9. MORTGAGE INDEMNITY GUARANTEE POLICY (MIG POLICY)

This section sets out information about the mortgage indemnity guarantee policy that is provided by AmTrust in respect of the Mortgage Loans

DESCRIPTION OF THE MORTGAGE INDEMNITY GUARANTEE POLICY (MIG POLICY)

Overview

Part of the security granted by BlueZest Mortgages to the Borrower Security Trustee in support of its obligations under the Loan Agreement includes security over its rights, title and interest in and to all Mortgages and Mortgaged Property. The value of the security granted by BlueZest Mortgages may be affected by, among other things, a decline in the value of the Mortgaged Properties. No assurance can be given that the values of the Mortgaged Properties will remain at the same level as at the dates of origination of the related Mortgage Loans.

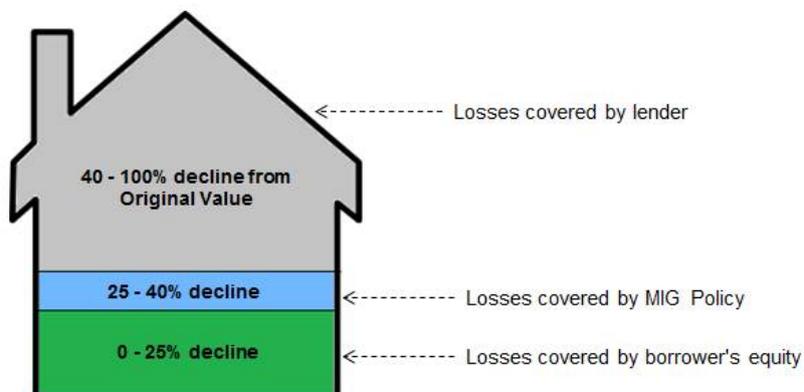
In order to reduce its exposure (and correspondingly the exposure of Investors under the Bonds) to a potential future decline in the value of the Mortgaged Properties, in addition to the equity provided by the borrower, BlueZest Mortgages has entered into a mortgage indemnity guarantee policy (the "**MIG Policy**") with AmTrust Europe Limited ("**AmTrust**") on or about the Closing Date (the "**Commencement Date**").

A mortgage indemnity guarantee policy is designed to protect a lender by covering a certain percentage of losses that a lender may otherwise incur following a repossession and sale of mortgaged property.

By way of example, assuming that:

1. the mortgaged property was valued at £500,000 prior to the date of the mortgage loan (the "**Original Value**");
2. the borrower provided £125,000 from alternative sources resulting in a mortgage loan amount of £375,000 (representing a loan-to-value (or LTV) of 75 per cent.);
3. the mortgage indemnity guarantee policy covers losses that would occur if the mortgaged property declined in value to 60 per cent. (or 65 per cent. in the case of a Buy-to-Let Loan) of its Original Value, being £300,000; (such level is referred to as the "**Attachment Percentage**"); and
4. all other terms and conditions under the policy are satisfied,

the value of the mortgaged property would have to decline by more than 40 per cent. from its Original Value (i.e. decline by £200,000) before the lender bears any losses that may result following a repossession and sale of the mortgaged property. The diagram below illustrates which party bears the risk of loss in this scenario:



It is noted that the level of insurance cover provided by the MIG Policy is sufficient to cover potential residential property market value declines such that in actuarial terms the remoteness of risk of loss in

excess of the bounds of the MIG Policy equates to a 1 in 200 year event, otherwise defined as the 99.9th percentile of risk.

MIG Policy provided by AmTrust to BlueZest Mortgages

1. AmTrust

AmTrust Europe Limited is the UK regulated insurance company of the AmTrust Group and is rated "A" (Excellent) by A.M. Best as at the date of this Base Prospectus (*source: AmTrust's website (<https://www.amtrusteurope.com/en-GB/about>)*). AmTrust is a limited liability company incorporated in England and Wales (with company no. 1229676) and its registered office address is 10th Floor Market Square House, Saint James' Street, Nottingham, Nottinghamshire, NG1 6FG.

2. Overview of the MIG Policy

Pursuant to the terms and conditions of the MIG Policy, AmTrust has agreed to indemnify BlueZest Mortgages up to a maximum of the Maximum Claim Amount against the Insured Loss in respect of each Mortgage Loan to which insurance has been extended under the MIG Policy and until such time as the Cover Limit has been reached, provided that certain conditions are satisfied.

Insurance is extended under the MIG Policy to all Mortgage Loans notified by BlueZest Mortgages to AmTrust which meet the following criteria:

- the date of the Mortgage Loan is after the commencement date of the MIG Policy and the Mortgage Loan is not in default at the date the insurance cover commences;
- the LTV of the Mortgage Loan is greater than the relevant Attachment Percentage at the date of notification;
- the LTV and principal amount of the Mortgage Loan fall within parameters outlined in the MIG Policy; and
- the Mortgage Loan was originated in accordance with the product factsheet and lending criteria approved by AmTrust or, if not originated in accordance with the product factsheet and lending criteria, has been separately approved by AmTrust.

AmTrust check the eligibility of all Mortgage Loans for insurance upon receiving sufficient data from BlueZest Mortgages and have the right to exclude from the MIG Policy any ineligible Mortgage Loans. Confirmation that insurance has been extended to a Mortgage Loan is given to BlueZest Mortgages in a commitment schedule issued by AmTrust under the terms of the MIG Policy.

BlueZest Mortgages is required to provide regular reporting to AmTrust under the terms of the MIG Policy in respect of those Mortgage Loans for which insurance cover has been extended.

The insured party under the MIG Policy is BlueZest Mortgages. The borrower has no interest in the policy. As set out in Section 13 (*Security for the Issuer's and BlueZest Mortgages' obligations*) of this Base Prospectus, BlueZest Mortgages has assigned its rights, title and interest arising under the MIG Policy to the Borrower Security Trustee for the benefit of the Borrower Secured Parties pursuant to the terms of the Borrower Deed of Charge. Practically

speaking, this will have little effect on the way in which claims are made and paid under the MIG Policy as they will continue to be administered by BlueZest Mortgages acting in its capacity as Servicer.

The MIG Policy is governed by and shall be construed in accordance with English law.

Defined terms:

"Book Year" means all Mortgage Loans having a drawdown date in the same calendar year;

"Cover Limit" means the maximum amount recoverable by BlueZest Mortgages under the MIG Policy in any given Book Year, such amount being:

- in respect of the portfolio of Buy-to-Let Loans, equal to 3.2 per cent. of the total loan amount attributable to all Buy-to-Let Loans which are drawn down in the same Book Year;
- in respect of the portfolio of Business Loans, equal to 4.2 per cent. of the total loan amount attributable to all Business Loans which are drawn down in the same Book Year;
- in respect of the portfolio of Property Development Loans, equal to 4.2 per cent. of the total loan amount attributable to all Property Development Loans which are drawn down in the same Book Year;

"Insured Loss" means (in summary), in respect of a Mortgage Loan, the amount by which:

- (A) the aggregate of (i) the outstanding principal amount of the Mortgage Loan at the Loss Date, (ii) any unpaid interest outstanding on the Mortgage Loan as at the date of default, and (iii) certain eligible costs and expenses, up to an agreed maximum amount, which have been paid or incurred by BlueZest Mortgages and which BlueZest Mortgages is entitled to recover under the Mortgage Loan;

exceeds

- (B) the aggregate of (i) the realisation amount of the Mortgaged Property (being the greater of (x) the gross proceeds of the sale of the Mortgaged Property and enforcement of any related security granted in favour of BlueZest Mortgages, and (y) the average of the values ascribed to the Mortgaged Property in two physical valuations which shall be obtained in connection with the Mortgage Loan) ("**Realisation Amount**"), (ii) any interest that exceeds the standard rate of interest calculated and capitalised in accordance with the Mortgage Loan, and (iii) where the Mortgaged Property has been damaged or destroyed by a risk that would normally be covered by a comprehensive buildings insurance policy, an amount equal to that which would be payable under such a policy less such part of it as has been applied in making good the damage or destruction concerned, minus (iv) any adjustment determined appropriate by AmTrust (in its sole discretion) arising from material differences between the methodology of the valuations of the Mortgaged Property.

"LTV" means the percentage given by the following expression:

$$W = \frac{X + Y}{Z}$$

where:

- W = the LTV;
- X = the loan amount of the Mortgage Loan (excluding a certain amount of fees associated with advancing the Mortgage Loan);
- Y = the outstanding amount of any other loan secured by way of a first charge over the Mortgaged Property, if any; and
- Z = the "**Acquisition Value**" (being the lesser of (i) the value ascribed to the Mortgaged Property in the valuation carried out prior to origination of the Mortgage Loan, and (ii) in the case of a loan for the purchase of a Mortgaged Property, the price paid by the borrower for the Mortgaged Property);

"**Maximum Claim Amount**" means, in respect of a Mortgage Loan for which insurance has been extended under the MIG Policy, the amount given by the following expression:

$$A = B \times (C - D)$$

where:

- A = the Maximum Claim Amount;
- B = the Acquisition Value;
- C = the LTV of the Mortgage Loan; and
- D = the Attachment Percentage (being 65 per cent. of the Acquisition Value in the case of a Buy-to-Let Loan and 60 per cent. of the Acquisition Value in the case of a Business Loan or a Property Development Loan).

3. **Conditions to making a claim under the MIG Policy**

For a claim to be made under MIG Policy:

- the Premium and any Additional Premium, if required, must have been paid;

"**Premium**" and "**Additional Premium**" are amounts calculated in accordance with the MIG Policy and payable by BlueZest Mortgages to AmTrust in consideration for the insurance in respect of a Mortgage Loan. AmTrust may vary the amount of Premium and Additional Premium payable in respect of Mortgage Loans not previously notified to AmTrust upon giving not less than 20 working days' notice. Premium and Additional Premium are payable by BlueZest Mortgages within 30 days of its receipt of an invoice issued by AmTrust. Default interest applies in cases where the Premium or Additional Premium is not paid when due.

- the Loss Date must occur during the relevant cover term;

"Loss Date" means the date on which BlueZest Mortgages receives the proceeds of any sale of the Mortgaged Property following its repossession and sale by a receiver appointed by BlueZest Mortgages or by the borrower's trustee in bankruptcy or the date on which other events occur which affect the Mortgaged Property and can trigger a claim under the MIG Policy.

- each of the Deductible, the Insured's Aggregate Retention and the Insured's Portfolio Retention must have been exceeded;

"Deductible", the **"Insured's Aggregate Retention"** and the **"Insured's Portfolio Retention"** are certain thresholds that have to be exceeded under the terms of the MIG Policy before BlueZest Mortgages can make a claim. The thresholds relate to the aggregate amount of claims that have been made under the MIG Policy for any given Book Year. Only the portion of a claim that exceeds the relevant threshold is payable in respect of a claim. As such, any claims up to the relevant threshold will be covered by BlueZest Mortgages.

- all conditions of AmTrust's obligation to make payment of a claim in accordance with the MIG Policy must have been satisfied.

Such conditions include, for example, BlueZest Mortgages' obligation not to, without the approval of AmTrust, agree to any amendment, waiver or release of the Mortgage Loan or any related security which is not permitted under the product factsheet or the lending criteria approved by AmTrust and which is prejudicial to the interest of AmTrust under the MIG Policy.

- there must have been submitted to AmTrust no later than the 20th working day after the Loss Date: a completed claim form together with a calculation of the Realisation Amount, relevant information and documents held by BlueZest Mortgages including those relating to origination and valuations and details of all personal guarantees that relate to the Mortgage Loan.

AmTrust shall pay a valid claim within 15 working days of its receipt of all of the materials referred to in the last bullet point above and satisfactory replies to any follow up enquiries made by AmTrust in accordance with the MIG Policy.

4. **Lapse of insurance cover**

Insurance in respect of a Mortgage Loan under the MIG Policy lapses in certain circumstances, including where:

- BlueZest Mortgages makes a further advance on, or makes an alteration to, the Mortgage Loan other than in accordance with the MIG Policy;
- a Mortgage Loan is transferred across mortgage products;
- any Premium or Additional Premium or accrued interest on the same is not paid following the completion of an escalation procedure as set out in the MIG Policy;

- BlueZest Mortgages fails to provide sufficient information on the Mortgage Loan following the completion of an escalation procedure as set out in the MIG Policy;
- an insured Mortgage Loan is administered otherwise than by BlueZest Mortgages or another person previously approved by AmTrust (which includes the Borrower Security Trustee);
- any person other than BlueZest Mortgages or another person previously approved by AmTrust (which includes the Borrower Security Trustee) acquires or becomes entitled to acquire an interest in the Mortgage Loan or related security without AmTrust's consent.

5. Exclusions from the MIG Policy

The MIG Policy does not provide insurance cover for certain losses, including those set out below:

- any loss, expense or diminished value resulting or arising from any loss, destruction or damage to the Mortgaged Property or from any in-complete works carried out on the Mortgaged Property;
- any loss, expense or diminished value resulting from any acts of a tenant or any losses in rental income;
- any loss resulting from a third party who is not a registered owner of the Mortgaged Property or a party to the Mortgage Loan, including a spouse, having a legal interest in the Mortgaged Property and preventing its sale;
- any loss arising directly or indirectly from certain force majeure events (including certain catastrophic events) and certain environmental events;
- any loss involving or arising out of the non-disclosure, misrepresentation, negligence, dishonesty, deceit or fraud of certain parties including BlueZest Mortgages, third party advisers and the borrower;
- any loss involving or arising out of title fraud in respect of the Mortgaged Property;
- any loss which is insured in whole or in part by or would but for the existence of the MIG Policy be so insured by any other indemnity or policy; and
- any losses arising out of a Mortgage Loan which did not, as at the drawdown date, satisfy the product factsheet or meet the lending criteria approved by AmTrust or pass AmTrust's policy checker system.

6. Closure of the MIG Policy

The MIG Policy may be closed by BlueZest Mortgages by not less than 90 days' notice to AmTrust but not in the first year of the MIG Policy.

The MIG Policy may be closed by AmTrust by not less 90 days' notice to BlueZest Mortgages or immediately at any time after the occurrence of a Specified Event whilst the same is continuing.

A "**Specified Event**" includes, for example:

- when BlueZest Mortgages defaults in the due performance or observance of any of its obligations and undertakings in the MIG Policy if such default is incapable of remedy or, if capable of remedy, continues unremedied for 30 working days after notice of the default has been given by AmTrust;
- BlueZest Mortgages ceases or threatens to cease to carry on its business or any material part of it or if there is any change in the nature or mode of conduct of its business; or
- BlueZest Mortgages, without the consent of AmTrust, makes any change in the scope or nature of its business or operations which in the reasonable opinion of AmTrust is likely to have a material adverse effect on the ability of AmTrust to perform its obligations under the MIG Policy.

After the MIG Policy is closed, the parties' rights and obligations in respect of Mortgage Loans to which insurance has been extended shall continue unaffected under the terms of the MIG Policy.

See Section 2 (*Risk Factors - 2.22 Security and insurance risk - mortgage indemnity guarantee policy (MIG Policy)*) of this Base Prospectus for a summary of risks associated with the MIG Policy.

10. DESCRIPTION OF THE CORPORATE SERVICES PROVIDER

This section sets out information about the Corporate Services Provider.

DESCRIPTION OF THE CORPORATE SERVICES PROVIDER

Link Trust Corporate Limited is a private limited company incorporated under the laws of England and Wales with company number 05322525 whose registered office is at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

The Issuer is a special purpose vehicle and does not have any employees. It has therefore contracted with Link Trust Corporate Limited as corporate services provider (the "**Corporate Services Provider**") to provide certain services to the Issuer.

A summary of the duties of the Corporate Services Provider is set out below. Investors should refer to Section 2 (*Risk Factors - 1.7 The Issuer's reliance on third parties*) of this Base Prospectus for further information.

Duties of the Corporate Services Provider

The duties that the Corporate Services Provider has agreed to perform are set out in a corporate services agreement (the "**Corporate Services Agreement**") entered into between, among others, the Issuer and the Corporate Services Provider on or about the date of this Base Prospectus. These services include, among others:

- (i) assisting the Issuer in the preparation and timely submission of the annual statutory financial statements required by Companies House; (for the avoidance of doubt, the Corporate Services Provider shall not be responsible for (a) maintaining the accounting records of the Issuer, or (b) drawing up draft accounts in preparation for the annual audit of the Issuer);
- (ii) performing all obligations incumbent on the directors or secretary of a company under the Companies Act 2006 and ensuring that all corporate formalities with respect to the Issuer's affairs are observed;
- (iii) instructing the auditors of the Issuer to carry out the annual audit of the statutory financial statements of the Issuer (as the case may be);
- (iv) assisting the Issuer in preparing and maintaining such books and records as are required to be prepared or maintained pursuant to any requirement of law or regulatory direction;
- (v) assisting the Issuer in preparing and maintaining the "Register of Persons with Significant Control", as required by the Companies Act 2006;
- (vi) maintaining at all times the registered office of the Issuer at the Corporate Services Provider's principal place of business in the United Kingdom or such other place in the United Kingdom as the Issuer may from time to time agree;
- (vii) as and when requested in writing by solicitors, auditors, accountants, financial or management advisers or other agents appointed by the board of directors on behalf of the Issuer, and with the written consent of the board of directors of the Issuer, delivering to such person such information in connection with the Issuer as may be in the possession of the Corporate Services Provider or, as the case may be, reasonably obtainable by it;
- (viii) accepting service of process in England and any other documents or notices to be served on the Issuer in England;
- (ix) responding to correspondence and other communication addressed to the Issuer at its registered office on behalf of the Issuer;
- (x) at the written request of the board of directors of the Issuer, preparing and forwarding to the shareholders of the Issuer all statements and notices which the board of directors is required to send and/or serve the same in accordance with the Issuer's articles of association and any requirement of law or any regulatory direction;

- (xi) convening shareholders' meetings and board of directors' meetings of the Issuer as and when required, providing facilities for holding such meetings, preparing and keeping minutes of such meetings and procuring that all shareholders' meetings and the majority of the meetings of the directors are held in the United Kingdom;
- (xii) arranging for the execution by the directors and/or company secretary of the Issuer of the Transaction Documents to which the Issuer is a party and any documentation required to be entered into by the Issuer pursuant to the Transaction Documents to which the Issuer is a party;
- (xiii) assisting the agents of the Issuer with the establishment of such bank accounts in the name of the Issuer as are provided for by the relevant Transaction Documents;
- (xiv) using its reasonable efforts to cause the Issuer (to the extent that the Issuer has sufficient funds and other resources and is otherwise able to do so) to comply with its obligations under any Transaction Documents and other agreements by which the Issuer is bound;
- (xv) communicating with the directors of the Issuer as necessary, and in particular, in respect of the Issuer, forward to the board of directors, copies of all notices received by the Issuer pursuant to the Transaction Documents;
- (xvi) acting at all times in accordance with all reasonable and proper directions, orders and instructions given to it in writing or in board meetings by the board of directors;
- (xvii) if applicable, preparing and maintaining an "insider list" within the meaning of Regulation (EU) No.569/2014 of 16 April 2014 and using reasonable endeavours to assist the Issuer in complying with its obligations (if any) under it; and
- (xviii) assisting the Issuer in complying with the reporting requirements of any governmental or regulatory agency and advising the Issuer in writing, in the event that the Corporate Services Provider considers that the Issuer is failing to comply with any applicable regulatory or statutory requirement pursuant to any requirement of law or regulation, of the action which it considers necessary to secure compliance.

Remuneration

The Corporate Services Provider shall be paid a fee as agreed between it and the Issuer.

Termination of the Corporate Services Agreement

The Corporate Services Provider and the Issuer each have the right to terminate the Corporate Services Agreement on the giving of 90 days' prior written notice to the other.

Upon receipt of a termination notice from the Corporate Services Provider, the Issuer is required to use its best endeavours to find and appoint a substitute corporate services provider and the Corporate Services Provider is required to its best endeavours to ensure, at the expense of the Issuer, the effective transfer of its duties under the Corporate Services Agreement and any ancillary documents and the transmission of all corporate documents and information in its possession in connection with the Issuer to the newly appointed corporate services provider, and shall procure the prompt resignation of any nominated directors and nominated secretaries, as required. Notwithstanding the foregoing, the termination of the Corporate Services Provider's appointment is not subject to the appointment of a replacement.

The Corporate Services Provider also has the right to terminate the Corporate Services Agreement immediately in the event that any properly rendered invoice sent to the Issuer by the Corporate Services Provider has not been paid in full within sixty (60) days of its becoming due.

The Corporate Services Agreement and any non-contractual obligation arising out of or in relation to the Corporate Services Agreement will be governed by, and construed in accordance with, English law.

11. DESCRIPTION OF THE SERVICER

This section sets out information about the Servicer.

DESCRIPTION OF THE SERVICER

Overview of mortgage servicing

BlueZest Mortgages will service the Mortgage Loans internally for an initial period (expected to be at least the first 6 months after the establishment of the Programme) while the volumes are low and then intends to delegate servicing to a third-party specialist loan servicer, Link Mortgage Services Limited.

Servicing during the initial period

During the initial period of internal servicing, BlueZest Mortgages has chosen a third party sourced industry standard platform. The platform has been configured as a standard (vanilla) mortgage processing platform able to undertake any of the transactions relating to servicing up-to-date Mortgage Loans and Mortgage Loans in early delinquency.

BlueZest Mortgages has recruited a mortgage support team to service the Mortgage Loans and intends to grow the team as the business grows. BlueZest Mortgages' business plan makes assumptions on the number of cases that a member of the mortgage support team can service and uses these to project the team growth.

BlueZest Mortgages' long term strategy is to develop and monetise the customer's relationship with its mortgage provider by offering existing customers digital access to their account through a digital platform. In the initial period, however, the decision to use a market leading internal platform was seen as a key differentiator is prompt service, not just speed of the application process, but also the responsiveness to existing customers' queries. By keeping this aspect of the business in-house, BlueZest Mortgages is able to control the level of service delivered and also ensure rapid adoption of digital servicing for the most common customer needs through an application.

All communication with customers and brokers through telephone, email and webchat channels are automatically recorded in the company's CRM system to ensure that all communication is dealt with according to Service Level Agreements ("SLA"). Management reporting allows the management team to ensure that its SLA's are being met and that recurring questions, issues and problems can be prioritised for remedial action. See Section 7 (*Description of BlueZest Mortgages - 8. Directors and senior management team*) of this Base Prospectus for information detailing the experiences of BlueZest Mortgages' management team in servicing mortgage loans.

Reporting

The Servicer will produce monthly performance reports in a uniform format that presents the key performance indicators of the portfolio of Mortgage Loans, including (i) interest payments and principal repayments received (ii) delinquency and default rates by product type and (ii) results of any financial covenants tested during the previous reporting period. Each monthly performance report will be published on the "Investor Relations" section of the website at <http://www.bluezest.com/bond-investors/>.

Collections and Recoveries Policy

Where Mortgage Loans fall into arrears or where borrowers are having difficulties servicing their mortgages, BlueZest Mortgages' Collections and Recoveries Policy ("**C&R Policy**") applies. The aims of the C&R Policy are to support borrowers to get up to date with their mortgages if they are in arrears or remain up to date with their repayments if they are in a period of short-term financial difficulty. The Servicer aims to only undertake litigation and possession activity only where other reasonable attempts to resolve a customer's situation have been fully explored. At all times, a principle objective of the C&R Policy is to keep customers in their residential home, however the Servicer will adopt a different approach for Mortgage Loans secured against properties which are not customers' primary residences.

The C&R Policy sets out the general principles and boundaries to which the Servicer operates in situations where:

1. a borrower has missed one full payment and the arrears on their Mortgage Loan is greater than or equal to one full payment;
2. a borrower's Mortgage Loan has reached maturity with an outstanding capital balance or Mortgage Loans which are within six months of their maturity date and a capital shortfall is anticipated; or
3. in other circumstances, for example where the account is up to date but the borrower is considered to be in financial difficulty.

Compliance with the C&R Policy means that such cases can be managed in line with the Lender's risk appetite and portfolio quality ambitions.

The policy provides that the Servicer will conduct an assessment of financial difficulty prior to agreeing any concession or change in payment schedule. This involves a full fact-find to best establish the borrower's circumstances, and where financial difficulty is suspected, an affordability assessment is undertaken.

Direct debit collections

In the case of payments by direct debit, such amounts will be collected by the Direct Debit Collection Agent on BlueZest Mortgages' behalf, held in a trust account at National Westminster Bank Plc (or a replacement financial institution) (in favour of BlueZest Mortgages as beneficiary) and then transferred into the Collections Account once the funds are cleared.

Summary of C&R Policy: Collections

Collection actions

The C&R Policy provides for a number of collections actions which can be taken in relation to borrowers who have been transferred to the BlueZest Mortgages' collections and recoveries team, as follows:

1. *arrangement to repay arrears*: this includes the borrower paying an agreed amount above the contractual monthly payment to clear arrears (subject to an affordability assessment);
2. *third party referral*: a referral to a third party to explore alternative repayment actions and manage the borrower's position with other creditors;
3. *reduced repayment plan*: the Lender agrees that the borrower may pay less than the contractual monthly payment for period of time not exceeding six months (subject to an affordability assessment), but arrears would continue to accrue during this period; or
4. *appointment of a LPA Receiver under the Law of Property Act 1925*: appointment of an LPA receiver by the Lender to ensure rental is used to service Mortgage Loan repayments.

Restructuring actions

The C&R Policy also provides for a number of restructuring actions which can be taken in respect of Mortgage Loans that have been transferred to the recoveries and collection team, as follows:

1. *temporary interest-only concession*: a temporary restructure of the Mortgage Loan so that the borrower makes interest-only repayments for a maximum period of 12 months, subject to certain criteria regarding previous concessions;
2. *term extension*: extension of the term of the Mortgage Loan so that contractual monthly payments are reduced; or

3. *capitalisation*: adding some or all of a customer's arrears, accrued interest or unpaid fees to the capital balance outstanding on the Mortgage Loan where a borrower cannot clear their arrears within 12 months, provided that there is evidence the borrower is able to afford the full standard contractual payments and that the Mortgage Loan will not be in negative equity following capitalisation.

Before any restructuring action is agreed, all of the following conditions must be met:

1. an affordability assessment must be carried out by the borrower;
2. the borrower must meet a restructure pre-screening criteria, which is designed to reduce the risk of restructuring Mortgage Loans where the borrower is likely to re-enter arrears;
3. the security for the Mortgage Loan must be the borrower's primary residence; and
4. the Mortgage Loan is on a capital and interest repayment basis.

Mortgage Loans to business customers

The C&R Policy provides that in relation to Mortgage Loans provided to business customers and which are secured against a director's residential property, the following hierarchy of action should be followed:

1. the Servicer shall interact with the borrower company to agree remedial action; then
2. the Servicer shall interact with the property owner of the residential property put up as security for the Mortgage Loan; then
3. the Servicer shall interact with the other directors of the borrower company who have provided a Director's Personal Guarantee.

The following additional action can be taken where Mortgage Loans have an outstanding balance following the maturity of the Mortgage Loan or an anticipated outstanding balance within six months of the maturity date of the Mortgage Loan:

1. *term extension (Buy-to-Let Loans only)*: extension of a Buy-to-Let Loan term by up to 6 months to allow the borrower additional time to sell the mortgage property and redeem the Mortgage Loan; and
2. *term extension (interest-only Business Loans)*: extension of an interest-only Business Loan term by up to 2 years to allow the borrower additional time to repay the mortgage, provided that mortgage repayments are not in arrears.

Exceptional circumstances

Where a natural disaster or other catastrophe occurs, and the ability or desires of a group of borrowers are affected, borrowers' Mortgage Loan repayments may be capitalised for a maximum period of 6 months. This is subject to the exceptional circumstances strategy being deployed by agreement between the BlueZest Mortgages' risk team and BlueZest Mortgages' collections and recoveries team (who shall also agree the length of time the strategy remains in existence).

Exceptions for vulnerable customers

The C&R Policy provides that certain action may be taken in relation to vulnerable borrowers, who, due to their personal circumstances, are especially susceptible to financial and/or personal detriment such as through disability, illness, sudden changes in circumstances or limited numeracy/literary skills. The following actions may be taken where a vulnerable borrower's residential property is at risk of repossession if other actions provided for in the C&R Policy are applied:

1. *reduced repayment plan*: the borrower's contractual monthly payment may be reduced to zero for a period of time not exceeding six months; or
2. *term extension*: where no other actions under the C&R Policy are appropriate, the term of the Mortgage Loan may be extended by up to five years (subject to underwriting approval).

Summary of Debt Recoveries Policy

Debt recovery actions

Where possible, the Servicer will carry out an affordability assessment on the borrower to determine if any of the actions set out in the collections policy are suitable. As a last resort, the Servicer may seek to recover monies owed under a Mortgage Loan through the following actions:

1. *shortfall sale*: as an alternative to litigation, the sale of the secured property which results in a shortfall;
2. *assisted voluntary sale*: the Servicer assisting the borrower in selling the secured property;
3. *voluntary repossession*: as an alternative to litigation, the borrower voluntarily transferring possession of the secured property to the Servicer; or
4. *repossession*: as a last resort, the Servicer taking legal action to take the secured property into possession.

The C&R Policy provides that the Servicer should begin to attempt recovery of any mortgage shortfall debt within six years following the sale of property.

The Servicer will consider litigation to recover amounts outstanding on the Mortgage Loan as a last resort, where the Mortgage Loan amount is over £25,000 and either:

1. the borrower has been in multiple cycles of arrears and is not subject to a collections or recoveries arrangement with the Lender; or
2. the Mortgage Loan has reached maturity and any term extension granted has expired. Litigation will not be commenced where there are low arrears or where other collections or recoveries arrangements have not been fully explored. If the secured property is on a market with an imminent sale expected, commencement of litigation may be delayed by up to three months.

The C&R Policy provides that once litigation has commenced, other collection and recoveries action within the scope of the policy can still be taken up to the time of the Lender obtaining a possession order for the property. However, once a warrant has been granted to the Lender, it will execute the warrant unless the customer repays the arrears in full.

Deceased Customers

Where a joint-borrower deceases and following the joint-borrower's death, the Mortgage Loan becomes subject to the C&R Policy, the Servicer may agree that mortgage repayments may be capitalised for a period of up to 6 months.

Where a borrower deceases, the C&R Policy provides that a reasonable period of time should be granted for the purposes of bereavement and to obtain probate. If no reasonable progress towards settling the estate has been made after two years then litigation may be considered as a last resort.

12. DESCRIPTION OF THE ACCOUNT BANK

This section sets out information about the bank at which the main accounts relating to the transaction are held.

DESCRIPTION OF THE ACCOUNT BANK

The Bank of New York Mellon, London Branch ("**BNYM**") is a banking corporation organised under the laws of the State of New York and operating through its branch in London at One Canada Square, London E14 5AL, United Kingdom.

BNYM has been appointed by the Issuer and BlueZest Mortgages to act as account bank (the "**Account Bank**") on the Programme.

BNYM's role as Account Bank is governed by the terms of:

- (i) an account bank agreement entered into between, among others, BlueZest Mortgages, BNYM (as Account Bank) and the Borrower Security Trustee dated on or about the Closing Date (the "**Borrower Account Bank Agreement**"); and
- (ii) an account bank agreement entered into between, among others, the Issuer, BNYM (as Account Bank) and the Issuer Security Trustee dated on or about the the Closing Date (the "**Issuer Account Bank Agreement**", and together with the Borrower Account Bank Agreement, the "**Account Bank Agreements**").

Account Bank Agreements

Under the terms of the Issuer Account Bank Agreement, the Account Bank has agreed to maintain the following accounts on behalf of, and in the name of, the Issuer:

- A. a transaction account, into which the proceeds of each Tranche of Bonds will be credited and all payments of interest and repayments of principal under the Loan shall be made (the "**Issuer Transaction Account**"); and
- B. a cash reserve account, into which the Cash Reserve will be held by the Issuer (the "**Issuer Cash Reserve Account**").

Under the terms of the Borrower Account Bank Agreement, the Account Bank has agreed to maintain the following accounts on behalf of, and in the name of, BlueZest Mortgages:

- A. a collections account, into which all payments in respect of the Mortgage Loans, Mortgages and Related Security are made (the "**Collections Account**").

The Issuer Transaction Account, the Issuer Cash Reserve Account, the Collections Account, the Completions Account (if any) and any other account designated as such by (i) the Issuer or BlueZest Mortgages (as the applicable holder of such account) and (ii) one or more of the Cash Manager, the Borrower Security Trustee, the Issuer Security Trustee or the Bond Trustee, together the "**Accounts**".

On receipt of written instructions or directions in substantially the same form as set out in a schedule to the Account Bank Agreements from a person designated in writing by the Issuer or the Issuer Security Trustee (in the case of the Issuer Account Bank Agreement) or BlueZest Mortgages or the Borrower Security Trustee (in the case of the Borrower Account Bank Agreement), the Account Bank will make the transfer referred to in such instruction (subject customary exceptions).

Under the Account Bank Agreements, the Account Bank is also entitled to act as directed by the Cash Manager and following notification to the Account Bank by the Issuer Security Trustee or the Borrower Security Trustee (as applicable) of the occurrence of a Bond Event of Default or Loan Event of Default, the Account Bank shall act upon the direction of the Issuer Security Trustee (in the case of the Issuer Account Bank Agreement) and the Borrower Security Trustee (in the case of the Borrower Account Bank Agreement). The Account Bank may also continue to follow the instructions of the Cash Manager following notification to it of the occurrence of an Event of Default unless the Issuer Security Trustee or the Borrower Security Trustee (as applicable) instructs the Account Bank otherwise.

Negative interest rates may apply to cash on deposit with the Account Bank if any recognised overnight benchmark rate or any official overnight interest rate set by a central bank or other monetary

authority is negative or zero or any market counterpart or other institution applies a negative interest rate to the relevant account or balance opened for the Issuer or BlueZest Mortgages (as applicable) by the Account Bank.

If the Issuer becomes indebted to the Account Bank the Issuer or BlueZest Mortgages (as applicable) shall reimburse the Account Bank on demand for such amounts in the same currency plus any interest on such amounts and the relevant cost of funding as certified by the Account Bank to the Issuer or BlueZest Mortgages (as applicable). Payment will not be "final" until the Account Bank has received immediately available funds which, under applicable local laws, regulations, rules, customs or practices, are not reversible.

Subject to the Priority of Payments, the Issuer or BlueZest Mortgages (as applicable) agrees to indemnify and keep the Account Bank indemnified against any loss, cost, damage, charge, expense, action, proceeding, claim, demand or other liability suffered or incurred by or made or brought against the Account Bank in connection with the performance of its role under the Account Bank Agreements, save that the indemnity shall not extend to any tax assessed in the Account Bank's jurisdiction of incorporation or tax residence or to any loss, cost, damage, charge, expense, action, proceeding, claim, demand or other liability to the extent that the same arises from the fraud, wilful misconduct or negligence of the Account Bank.

Remuneration

The Account Bank shall be paid a fee as agreed between it and the Issuer or BlueZest Mortgages (as applicable) and shall be paid in accordance with the relevant Priority of Payments.

Termination of the Account Bank Agreements

The Account Bank and the Issuer (with the prior written consent of the Issuer Security Trustee) may terminate the Issuer Account Bank Agreement on the giving of 90 days' prior written notice to the other (and, in respect of termination by the Account Bank, to the Issuer Security Trustee).

The Account Bank and BlueZest Mortgages (with the prior written consent of the Borrower Security Trustee) may terminate the Borrower Account Bank Agreement on the giving of 90 days' prior written notice to the other (and, in respect of termination by the Account Bank, to the Borrower Security Trustee).

Upon receipt of a termination notice from the Account Bank, the Issuer and/or BlueZest Mortgages (as appropriate) is required to use reasonable endeavours to find and appoint a substitute Account Bank within 15 days of receipt of notice of termination and the Account Bank shall assist the Issuer and/or BlueZest Mortgages (as appropriate) to effect an orderly transition of the banking arrangements thereunder.

Any termination of the Account Bank Agreements by the Account Bank will not take effect until a substitute Account Bank has been appointed, provided that the Account Bank shall be entitled to appoint a replacement Account Bank if a replacement has not been appointed within 15 days of the expiry of the termination notice period.

13. SECURITY FOR THE ISSUER'S AND BLUEZEST MORTGAGES' OBLIGATIONS

This section provides an overview of the security that has been granted by each of the Issuer and BlueZest Mortgages in respect of their respective obligations under the Bonds and the Loan Agreement.

SECURITY FOR THE ISSUER'S AND BLUEZEST MORTGAGES' OBLIGATIONS

Issuer Security

Under the terms of the Issuer Deed of Charge, the Issuer will grant the following security (the "**Issuer Security**") to be held by the Issuer Security Trustee for the benefit of itself and the Bondholders and the other Issuer Secured Parties, including the following:

- (a) an assignment by way of first fixed security of all of the Issuer's rights, title and interest in and to and the benefit of:
 - (i) the Loan Agreement and each of the Transaction Documents to which the Issuer is a party;
 - (ii) the benefit of its beneficial interest in the Borrower Security pursuant to the Borrower Security Documents;
- (b) a charge by way of first fixed charge over the Issuer Transaction Account (other than amounts standing to the credit of the Issuer Profit Ledger), the Issuer Cash Reserve Account and any other bank accounts of the Issuer from time to time including all monies and/or securities from time to time standing to the credit of such accounts and all debts represented thereby; and
- (c) a charge by way of first floating charge over the whole of the Issuer's undertaking and assets, present and future and wherever situated (other than amounts standing to the credit of the Issuer Profit Ledger), which are not for any reason effectively charged or assigned (whether in law or equity) pursuant to paragraphs (a) and (b) above.

Enforcement

The Issuer Security shall become enforceable upon the delivery of a Bond Enforcement Notice pursuant to Condition 15.1 (*Bond Events of Default*). The Security Trust Deed will set out the procedures by which the Issuer Security Trustee (acting on the instructions of the Bond Trustee) may take steps to enforce the Issuer Security.

Post-Enforcement Priority of Payments

The Issuer Deed of Charge and the Security Trust Deed set out the order of priority for the application of cash once the Issuer Security has become enforceable.

Governing Law

The Issuer Deed of Charge and the Security Trust Deed and any non-contractual obligation arising out of or in relation to the Issuer Deed of Charge and the Security Trust Deed will be governed by, and construed in accordance with, English law.

Borrower Security

Under the terms of Borrower Deed of Charge, BlueZest Mortgages will grant the following security (the "**Borrower Security**") to be held by the Borrower Security Trustee for the benefit of itself and the Issuer (as Lender under the Loan Agreement) and the other Borrower Secured Parties, including the following:

- (a) an assignment by way of first fixed security of all of BlueZest Mortgages' rights, title and interest in and to each Mortgage Loan, Mortgage and Related Security relating to such Mortgage Loan;
- (b) an assignment by way of security of all of the BlueZest Mortgages' rights, title and interest arising under the MIG Policy which relate to Mortgage Loans;
- (c) an assignment by way of security of all of BlueZest Mortgages' rights, title and interest arising under the Loan Agreement and each of the Transaction Documents to which BlueZest

Mortgages is a party; and

- (d) a charge by way of first fixed charge over the Collections Account and the Completions Account (if any) including all monies and/or securities from time to time standing to the credit of such accounts and all debts represented thereby.

Enforcement

The Borrower Security shall become enforceable upon the first to occur of either (i) the Loan becoming immediately due and payable pursuant to clause 11.2 (*Consequences of a Loan Event of Default*) of the Loan Agreement, or (ii) the Bonds becoming immediately due and repayable pursuant to Condition 15.1 (*Bond Events of Default*). The Borrower Deed of Charge and the Security Trust Deed will set out the procedures by which the Issuer Security Trustee (acting on the instructions of the Bond Trustee) shall give instructions to the Borrower Security Trustee to enforce the Borrower Security.

Post-Enforcement Priority of Payments

The Borrower Deed of Charge and the Security Trust Deed set out the order of priority for the application of cash once the Borrower Security has become enforceable.

Governing Law

The Borrower Deed of Charge and the Security Trust Deed and any non-contractual obligation arising out of or in relation to Borrower Deed of Charge and the Security Trust Deed will be governed by and construed in accordance with English law.

Summary of certain legal terminology:

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 (i.e. the individual or company granting the mortgage) to the mortgagee (i.e. the Borrower Security Trustee or the Issuer Security Trustee (as applicable) acting on behalf of the relevant Secured Parties), 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 Bonds (for example, if the Issuer were to fail to make a payment of interest when due under the Bonds).

Mortgages of rights, such as debts or rights under contracts, are generally taken by '**assignment by way of security**' which can either be effective at law or in equity. Like mortgages, an assignment by way of security provides security over the specified asset(s) and/or other interests of the person giving the security by transferring legal title to those assets with the person giving the security having the right to have such asset reassigned to it upon discharge of its indebtedness.

A '**fixed charge**' unlike a mortgage, does not transfer title, ownership or possession of the secured assets and/or interests to the secured party (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 Bonds 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 (i.e. the Borrower Security Trustee or the Issuer Security Trustee (as applicable) acting on behalf of the relevant Secured Parties). On the occurrence of any enforcement event, the Borrower Security Trustee or the Issuer Security Trustee (as applicable) may (if directed to do so by the relevant person(s)) and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction either require the mortgagor (i.e. the entity granting the mortgage) 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 Borrower Security Trustee or the Issuer Security Trustee (as applicable), acting on behalf of the relevant Secured Parties, would have a claim over the proceeds of the secured assets on trust for itself and the other relevant Secured Parties.

A **'floating charge'** enables a chargee (i.e. the Borrower Security Trustee or the Issuer Security Trustee (as applicable)) to take security over assets whilst at the same time enabling the chargor (i.e. BlueZest Mortgages or the Issuer, as the case may be) to continue to operate their respective businesses without the restrictions that would follow from granting fixed charges over those assets and/or interests in them. The assets subject to a floating charge can generally be dealt with by the chargor companies in the ordinary course of their respective businesses (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 companies, or if there is a default in the Issuer's and/or BlueZest Mortgages' obligations in relation to the Bonds or the Loan Agreement, as the case may be, 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 relevant chargor company, and prohibit them from disposing of any assets and/or interests in them going forwards without the Borrower Security Trustee's or the Issuer Security Trustee's (as applicable) prior consent.

14. SUBSCRIPTION AND SALE

This section sets out certain information with respect to the initial issue and distribution of the Bonds including certain information with respect to the public offer of the Bonds.

SUBSCRIPTION AND SALE

Subject to the terms and on the conditions contained in a programme agreement dated on or about the Closing Date (the “**Programme Agreement**”) between BlueZest Secured Retail Bond PLC (the “**Issuer**”) and Monsas Limited as initial dealer (the “**Initial Dealer**”), the Bonds will be issued from time to time by the Issuer and may be subscribed for from time to time by one or more Dealers. The Bonds 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 Bonds may also be sold by the Issuer through the Dealer(s), acting as agent(s) of the Issuer. The Programme Agreement also provides for Bonds to be issued in syndicated Tranches that are underwritten by two or more Dealers.

As at the date of this Base Prospectus, the Lead Manager and sole dealer is Monsas Limited but the Issuer may appoint other lead managers or dealers from time to time in accordance with the Programme Agreement, which appointment may be for a specific issue or on an ongoing basis (each new dealer being, a “**Dealer**”).

The Issuer may pay each relevant Dealer a commission as agreed between them in respect of Bonds subscribed by it.

In the Programme Agreement, the Issuer has agreed to reimburse and indemnify the Dealer(s) for certain of its expenses and liabilities in connection with the establishment and any future updates of the Programme and the issue of Bonds under the Programme. The Programme Agreement entitles the Dealer(s) to be released and discharged from its obligations in relation to any agreement to purchase Bonds under the Programme Agreement in certain circumstances prior to payment to the Issuer.

Selling Restrictions

Under the terms of the Programme Agreement, each of the Issuer and the Dealers has agreed to comply with the selling restrictions set out below.

United States of America

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (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 of the Securities Act. The Bonds are being offered and sold outside the U.S. to persons that are not U.S. persons (as defined in Regulation S) in reliance on Regulation S. No Bonds may at any time be offered, sold, resold, traded, pledged, redeemed, transferred or delivered, directly or indirectly, in or into the United States or to, or for the account or benefit of, any U.S. person and any offer, sale, resale, trade, pledge, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised. The Bonds have not been approved or disapproved by the U.S. Securities and Exchange Commission, any State securities commission in the United States or any other U.S. regulatory authority, nor has any of the foregoing authorities passed upon or endorsed the merits of the offering of the Bonds or the accuracy or the adequacy of this Base Prospectus. Any representation to the contrary is a criminal offence in the United States.

The Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its territories 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 United States Internal Revenue Code and regulations thereunder.

The Initial Dealer has agreed, and each Dealer appointed under the Programme will be required to represent and agree, that except as permitted by the Programme Agreement, it will not offer, sell or deliver Bonds, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Bonds comprising the relevant Tranche, as certified to the Issuer, within the United States or to, or for the account or benefit of, U.S. persons, and the Initial Dealer or such Dealer will have sent to each dealer to which it sells Bonds during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons. Until 40 days

after the commencement of the offering of Bonds comprising any Tranche, any offer or sale of Bonds 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 Initial Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of FSMA does not apply to the Issuer; and
- (b) **General compliance:** it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

Sales to EEA Retail Investors

From 1 January 2018, unless the Final Terms in respect of any Bonds specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", the Initial 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 Bonds 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 Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

Public offer selling restriction under the Prospectus Directive

Prior to 1 January 2018, and from that date if the Final Terms in respect of any Bonds specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", the Initial 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 Bonds 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 Bonds to the public in that Relevant Member State:

- (a) **Public Offer:** if the Final Terms in relation to the Bonds specify that an offer of those Bonds 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 Bonds 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) **Qualified investors:** at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) **Fewer than 150 offerees:** 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) **Other exempt offers:** at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

provided that no such offer of Bonds 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.

For the purposes of this provision, the expression an "**offer of Bonds to the public**" in relation to any Bonds 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 Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, 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 Initial 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 Bonds 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 Initial 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 Bonds 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 Initial Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Bonds 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

The Initial Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Bonds or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer, and will be required by any further Dealer, to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Bonds or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Programme Agreement provides that the Initial Dealer and any other further appointed Dealer shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Initial Dealer or any further appointed Dealer described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Bonds) or in a supplement to this Base Prospectus.

15. ADDITIONAL INFORMATION

This section sets out further information on the Issuer, BlueZest Mortgages and the Programme which the Issuer and BlueZest Mortgages is required to include under applicable rules.

These include the availability of certain relevant documents for inspection, confirmations from the Issuer and details of the listing of the Bonds.

ADDITIONAL INFORMATION

Use of proceeds

1. The Programme has been established as a means of providing a source of funding to BlueZest Mortgages to grant Mortgage Loans to eligible borrowers, whilst also providing investors with an investment opportunity which is secured against property situated in England and Wales.

The proceeds of each issue of Bonds will be made available by the Issuer to BlueZest Mortgages as a committed loan facility on the terms of the Loan Agreement. BlueZest Mortgages is permitted to use the proceeds of Advances of the Loan under the Loan Agreement from time to time to pay the fees, costs and expenses incurred in connection with the issue of Bonds under the Programme, and grant Mortgage Loans to borrowers which comply with its then applicable Lending Criteria.

Payments of interest and repayment of the principal by BlueZest Mortgages under the Loan Agreement will provide the Issuer with funds to make payments on the Bonds.

Authorisation

2. The establishment of the Programme was authorised by a resolution of the board of directors of BlueZest Secured Retail Bond PLC (the "**Issuer**") passed on 20 November 2017. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds.

Legal and Arbitration Proceedings

3. There are not, 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), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer and/or the BlueZest Group.

There are not, and have not been, any governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which BlueZest Mortgages is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of BlueZest Mortgages and/or the BlueZest Group.

Significant/Material Change

4. Since the date of its incorporation on 27 September 2016, no financial statements have been made up in respect of the Issuer for a full financial year as at the date of this Base Prospectus. There has been no material adverse change in the financial position or prospects of the Issuer since 27 September 2016.
5. There has been no material adverse change in the prospects of BlueZest Mortgages since 22 March 2017. There has been no significant change in the financial or trading position of BlueZest Mortgages since 22 March 2017.

Auditors / accountants

6. The auditors of the Issuer are Deloitte LLP of 2 New Street Square, London EC4A 3BZ, United Kingdom, registered to carry on audit work in the United Kingdom and Ireland by the Institute of Chartered Accountants in England and Wales. Since the date of its incorporation, the Issuer has not commenced operations and no financial statements have been made up at the date of this Base Prospectus.

The auditors of BlueZest Mortgages are Deloitte LLP of 2 New Street Square, London EC4A 3BZ, United Kingdom, registered to carry on audit work in the United Kingdom and Ireland by the Institute of Chartered Accountants in England and Wales. The auditors of BlueZest Mortgages have no material interest in BlueZest Mortgages.

Documents on Display

7. Copies of the following documents may be inspected during normal business hours at the offices of the Issuer and BlueZest Mortgages (at 16 Castle Boulevard, Nottingham, England, NG7 1FL) for 12 months from the date of this Base Prospectus:
- (a) the constitutional documents of the Issuer and BlueZest Mortgages;
 - (b) the profit and loss account, balance sheet and cash flow statement of BlueZest Mortgages for the period from its incorporation on 22 March 2017 to 30 September 2017;
 - (c) if Bonds other than Uncertificated Registered Bonds are issued by the Issuer, the agency agreement, as amended from time to time (the "**Agency Agreement**");
 - (d) the bond trust deed dated on or about the Closing Date, as amended from time to time (the "**Bond Trust Deed**");
 - (e) the borrower deed of charge dated on or about the Closing Date, as amended from time to time (the "**Borrower Deed of Charge**");
 - (f) the issuer deed of charge dated on or about the Closing Date, as amended from time to time (the "**Issuer Deed of Charge**");
 - (g) the security trust deed dated on or about the Closing Date, as amended from time to time (the "**Security Trust Deed**");
 - (h) the programme agreement dated on or about the Closing Date, as amended from time to time (the "**Programme Agreement**");
 - (i) the corporate services agreement dated on or about the Closing Date, as amended from time to time (the "**Corporate Services Agreement**");
 - (j) the account bank agreements dated on or about the Closing Date, as amended from time to time (the "**Account Bank Agreements**");
 - (k) the cash management agreement dated on or about the Closing Date, as amended from time to time (the "**Cash Management Agreement**");
 - (l) the master definitions schedule dated on or about the Closing Date, as amended from time to time (the "**Master Definitions Schedule**"); and
 - (m) the loan agreement dated on or about the Closing Date, as amended from time to time (the "**Loan Agreement**").

Material Contracts

8. The following are the only contracts, not being contracts entered into in the ordinary course of business that have been entered into by the Issuer and BlueZest Mortgages since incorporation and which are, or may be, material, or which have been entered into at any time by the Issuer and BlueZest Mortgages and which contain any provision under which any obligation or entitlement is, or may be, material to the Issuer and BlueZest Mortgages as at the date of this Base Prospectus.

8.1 *Bond Trust Deed*

The Bonds are constituted by, are subject to, and have the benefit of, a bond trust deed dated on or about the Closing Date (as amended or supplemented from time to time) between the Issuer and Bond Trustee (which includes all persons for the time being appointed as bond trustee under the Bond Trust Deed).

The Bond Trustee holds the benefit of the rights, powers and covenants in its favour contained in the Bond Trust Deed, the Conditions, the Bonds and the Transaction Documents upon trust for itself and the Bondholders according to its and their respective interests, upon and subject to the terms and conditions of the Transaction Documents.

The Bond Trust Deed provides for the Bond Trustee to take action on behalf of the Bondholders in certain circumstances, but only if the Bond Trustee is indemnified and/or secured and/or pre-funded to its satisfaction. It may not always be possible for the Bond Trustee to take certain actions, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it. Where the Bond Trustee is unable to take any action, the Bondholders are permitted to take the relevant action directly in accordance with the provisions of the Conditions and the Bond Trust Deed.

The Issuer agrees to indemnify the Bond Trustee from and against all any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, actions, proceedings or other liabilities whatsoever in consequence of the performance of the terms of the Bond Trust Deed or any other Transaction Document or anything done or purported to be done or omitted by any of them under or in connection with the Bond Trust Deed or any of the other Transaction Documents to which it is a party save to the extent that such liability arises as a result of the fraud, gross negligence or wilful default of the provisions of the Bond Trust Deed or any of the Transaction Documents by the person claiming to be entitled to be indemnified. The Bond Trustee is entitled to determine in respect of which Series of Bonds any such liabilities are incurred or to allocate any such liabilities between the Bonds of any Series.

Remuneration

The Bond Trustee shall be paid a fee as agreed between it and the Issuer (as applicable) and shall be paid in accordance with the relevant Priority of Payments, unless paid directly by BlueZest Mortgages. In the event of an occurrence of a Bond Event of Default or the Bond Trustee giving a Bond Enforcement Notice, the Bond Trustee shall be entitled to be paid additional remuneration calculated at its normal hourly rates in force from time to time.

Retirement or removal of the Bond Trustee

The Issuer may appoint a new bond trustee provided that such appointment has been approved by an extraordinary resolution of the holders of the Bonds (being, in the case of a duly convened meeting of the Bondholders, a resolution passed by not less than 75% of persons voting thereat or, in the case of a written resolution, a resolution signed by or on behalf of Bondholders holding not less than 75% of the principal amount outstanding of the Bonds) and such bond trustee is a corporation entitled by rules made under the Public Trustee Act 1906 or entitled pursuant to any other comparable legislation applicable to a trustee in any other jurisdiction to carry out the functions of a custodian trustee (a "**Trust Corporation**").

The Bond Trustee may retire at any time upon giving not less than 60 days' notice in writing to the Issuer without giving any reason therefor and without being responsible for any liabilities incurred by reason of such retirement. The Bondholders may by an extraordinary resolution remove the Bond Trustee. The retirement or removal of a sole Trust Corporation will not be effective until a Trust Corporation is appointed as successor Bond Trustee.

If the sole Trust Corporation gives notice of retirement or an extraordinary resolution is passed for its removal, the Issuer will use reasonable endeavours to procure that another Trust Corporation be appointed as Bond Trustee as soon as reasonably practicable thereafter. The

outgoing Bond Trustee has the power to appoint a new bond trustee if the Issuer fails to appoint a replacement Bond Trustee before the expiry of the 60 day notice period.

The Bond Trust Deed and any non-contractual obligation arising out of or in relation to the Issuer Deed of Charge will be governed by, and construed in accordance with, English law.

8.2 ***Issuer Deed of Charge and Borrower Deed of Charge***

See section 13 (*Security for the Issuer's and BlueZest Mortgages' obligations*) for further information.

8.3 ***Security Trust Deed***

See section 13 (*Security for the Issuer's and BlueZest Mortgages' obligations*) for further information.

8.4 ***Account Bank Agreements***

See section 12 (*Description of the Account Bank*) for further information.

8.5 ***Cash Management Agreement***

Link Asset Services (UK) Limited is a private limited company incorporated under the laws of England and Wales with company number 03376447 whose registered office is at 6th Floor 65 Gresham Street, London, United Kingdom, EC2V 7NQ.

The Cash Manager has been appointed by the Issuer and BlueZest Mortgages pursuant to a cash management agreement the Closing Date between the Issuer, BlueZest Mortgages, the Cash Manager, the Issuer Security Trustee, the Borrower Security Trustee and the Bond Trustee to provide certain cash management services and calculation services to the Issuer and BlueZest Mortgages in respect of the accounts they have established to support these and other cash flows arising from or otherwise relating to the Bonds and the Loan Agreement.

Subject to being designated the appropriate authority pursuant to the Account Bank Agreements, the Cash Manager may give such instructions to the Account Banks as the Cash Manager deems necessary to ensure that the transfers and payments set out in the Cash Management Agreement are effected in accordance with, and by the times specified in, the Cash Management Agreement.

The Issuer and BlueZest Mortgages have jointly and severally agreed to indemnify the Cash Manager on demand in respect of any any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, actions, proceedings or other liabilities whatsoever paid or incurred by it in acting as Cash Manager under the Cash Management Agreement or any other Transaction Document, that the indemnity shall not extend to any tax assessed in the Account Bank's jurisdiction of incorporation or tax residence or to the extent that such liability arises as a result of the fraud, gross negligence or wilful default on the part of the Cash Manager.

Cash management services

The Cash Manager has agreed to perform certain cash management services as set out in the Cash Management Agreement including, among others:

- (i) opening, with the reasonable assistance BlueZest Mortgages (in its capacity as Servicer), and maintaining ledgers in respect of the Collections Account and the Issuer Transaction Account;
- (ii) maintaining a record of payments made and certain payments due under the Loan Agreement (based on information provided by BlueZest Mortgages and/or BlueZest Funding);

- (iii) the application of amounts in the Collections Account;
- (iv) the application of amounts in the Issuer Transaction Account;
- (v) instructing the Account Bank to make payments of tax liabilities (on the instructions of the Issuer or BlueZest Funding on its behalf);
- (vi) prior to the service of a Bond Enforcement Notice, the application of amounts in the Issuer Transaction Account and the Issuer Cash Reserve Account based on the Cash Manager's calculations, in making payments, in accordance with the Pre-Enforcement Priority of Payment (as defined in the Conditions); and
- (vii) operating the Accounts in accordance with the terms of the Cash Management Agreement and the Account Bank Agreements, provided that the Cash Manager shall not be obliged to perform and procure performance of any obligation on the part of the Issuer or BlueZest Mortgages to make payment under or pursuant to this Agreement where there are insufficient funds for such purpose.

Calculation services

The Cash Manager has agreed to perform certain calculation services as set out in the Cash Management Agreement including, among others:

- (i) on each Determination Date, determining each amount which is described in each paragraph of the relevant Priority of Payments and would (assuming that funds were available for that purpose) be due and payable on the immediately following Interest Payment Date (and regardless of whether such amounts are capable of being paid in whole or in part on the immediately following Interest Payment Date) and the Maturity Mismatch based on information provided to the Cash Manager by the Servicer in its most recent Monthly Performance Report (as defined in the Loan Agreement) and inform BlueZest Mortgages and the Issuer, by 5 p.m. (London time) on each Determination Date, of the amounts determined;
- (ii) on each Calculation Date (as defined in the Conditions), determining the amount standing to the credit of the Issuer Transaction Account (other than amounts standing to the credit of the Issuer Profit Ledger) and the Issuer Cash Reserve Account as at such Calculation Date and the amounts to be paid on the immediately following Interest Payment Date under each limb of the relevant Priority of Payments;
- (iii) making those calculations and determinations required to be made by the Calculation Agent under the Conditions and the Transaction Documents (unless the Arranger or BlueZest Funding informs the Cash Manager that it is not to act as Calculation Agent for one or more Tranches or Series).

Remuneration

The Cash Manager shall be paid a fee as agreed between Issuer, BlueZest Mortgages and the Cash Manager and shall be paid in accordance with the relevant Priority of Payments, unless paid directly by BlueZest Mortgages.

Termination

If the Cash Manager fails to ensure any payment on a relevant due date as required by the Cash Management Agreement, defaults in any other obligation under the Cash Management Agreement, if it becomes unlawful for the Cash Manager to perform or comply with its obligations or an insolvency event occurs in respect of the Cash Manager, subject to applicable remedy periods, the Issuer or BlueZest Mortgages (or following the delivery of a Loan Enforcement Notice or a Bond Enforcement Notice, the Issuer Security Trustee and the Borrower Security Trustee (as applicable)) may terminate all of the rights and obligations of the Cash Manager as Cash Manager under the Cash Management Agreement.

The Cash Manager has the right to terminate its appointment under Cash Management Agreement on the giving of not less than 60 days' prior notice to the Issuer, BlueZest Mortgages and (following service of a Loan Enforcement Notice or a Bond Enforcement Notice) the Issuer Security Trustee and the Borrower Security Trustee. The Issuer or BlueZest Mortgages (with the written consent of the Issuer Security Trustee and the Borrower Security Trustee (as applicable)) and, following the delivery of a Loan Enforcement Notice or a Bond Enforcement Notice, the Issuer Security Trustee and the Borrower Security Trustee (as applicable) also has the right to terminate the Cash Manager's appointment under the Cash Management Agreement on the giving of not less than 60 days' prior notice to the Cash Manager.

Following the delivery of a termination notice, the Issuer or BlueZest Mortgages shall use all reasonable endeavours to procure the appointment of a successor to the Cash Manager in accordance with the Cash Management Agreement. Unless otherwise directed in accordance with the Cash Management Agreement, the termination of the Cash Manager's appointment will only take effect once a successor Cash Manager has been appointed in accordance with the Cash Management Agreement, provided that where the Cash Manager terminates its appointment on 60 days' prior notice, it is entitled to appoint any reputable and experienced financial institution with the requisite cash management experience 30 days before the expiry of the termination notice.

The Cash Management Agreement and any non-contractual obligation arising out of or in relation to it will be governed by, and construed in accordance with, English law.

8.6 ***Corporate Services Agreement***

See section 10 (*Description of the Corporate Services Provider*) for further information.

8.7 ***Registrar Agreement***

The Issuer has entered into an agreement with, among others, Link Market Services Limited dated on or about the Closing Date (such agreement, as amended and/or supplemented and/or restated from time to time, the "**Registrar Agreement**") appointing the latter as registrar and paying agent (the "**CREST Registrar**", which expression shall include any successor registrar and paying agent) with respect to Uncertificated Registered Bonds.

The duties that the CREST Registrar has agreed to perform are set out in the Registrar Agreement, which include, among others:

- (a) maintaining a record, on behalf of the Issuer, of the legal and beneficial holders of the Uncertificated Registered Bonds in accordance with the records of CREST;
- (b) providing the issuer with remote online access to the register of holders of the Uncertificated Registered Bonds; and
- (c) providing a bondholder web portal permitting bondholders online access to manage their holding of Bonds.

Under the Registrar Agreement, the Issuer agreed not to instruct any third party to provide, and shall not itself provide, services similar to the services agreed to be provided by the CREST Registrar under the Registrar Agreement. The Issuer also agreed to grant the CREST Registrar first right of refusal to provide proxy solicitation and related company secretarial services where required in the run-up to meetings of Bondholders.

The Issuer (or the Cash Manager on its behalf) shall notify the CREST Registrar of any amounts to be paid to Bondholders and shall ensure that the requisite cleared funds are transferred to the CREST Registrar's bank account at least (i) 72 hours prior to the relevant payment date for all payments to be made by BACS and (ii) 24 hours prior to the relevant payment date for all payments to be made through CREST.

Following the occurrence of a Bond Event of Default (as defined in the Conditions) which is continuing, the Bond Trustee may require that (i) the CREST Registrar act on the instructions of the Bond Trustee in relation to payments to be made by or on behalf of the Bond Trustee under the terms of the Bond Trust Deed and to hold and/or deliver all Bonds and all sums, documents and records in respect of Bonds on behalf of the Bond Trustee and (ii) the Issuer to make all subsequent payments in respect of the Bonds to or to the order of the Bond Trustee and not to the CREST Registrar.

The Issuer has agreed to indemnify, defend and hold harmless the CREST Registrar from and against all losses, damages, liabilities, professional fees (including but not limited to legal fees), court costs, and expenses incurred by the CREST Registrar resulting or arising from a breach of the Registrar Agreement by the Issuer and, in addition, any third-party claims, actions, proceedings, investigations or litigation relating to or arising from or in connection with the Registrar Agreement, except to the extent such losses are determined to have resulted solely from the fraud, wilful default or negligence of the CREST Registrar.

Remuneration

The CREST Registrar shall be paid a fee as agreed pursuant to the Registrar Agreement.

Termination of the Registrar Agreement

The CREST Registrar and/or the Issuer may terminate the Registrar Agreement on (i) 20 Business Days' written notice to the other party if the CREST Registrar and/or the Issuer (as appropriate) commits a material breach of the Registrar Agreement which is not remedied within 20 Business Days' of receipt of a written notice to do so or (ii) on written notice on the insolvency of the other party. The Issuer may terminate the Registrar Agreement on three months written notice in the event that the Issuer and CREST Registrar do not agree to any increases in fees.

The Registrar Agreement and any non-contractual obligation arising out of or in relation to the Registrar Agreement will be governed by, and construed in accordance with, English law.

8.8 ***Programme Agreement***

See section 10 (*Description of the Corporate Services Provider*) and section 14 (*Subscription and Sale*) for further information.

8.9 ***Agency Agreement***

Prior to the issuance of any Bonds other than Uncertificated Registered Bonds by the Issuer, the Issuer will enter into an agency agreement with a principal paying agent (the "**Principal Paying Agent**", which expression includes any successor Principal Paying Agent appointed from time to time in connection with the Bonds); a registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Bonds); a transfer agent (the "**Transfer Agent**", which expression includes any successor transfer agent appointed from time to time in connection with the Bonds); and the Bond Trustee, the key terms of which will be detailed in the relevant Final Terms.

8.10 ***Loan Agreement***

See Appendix F (*Form of Loan Agreement*) for further information.

8.11 ***MIG Policy***

See section 9 (*Mortgage indemnity guarantee policy (MIG Policy)*) for further information.

Listing and admission to trading of the Bonds

9. Application has been made to admit Bonds issued during the period of 12 months from the date of this Base Prospectus to the Official List of the FCA and to trading on the London Stock Exchange's regulated market.

Bonds may be admitted to trading through the order book for fixed income securities ("**OFIS**").

In the case of Bonds issued under the Programme which are tradable on the London Stock Exchange plc's OFIS, a registered market maker will be appointed for each issue of Bonds when issued.

Clearing of the Bonds

10. The Bonds (other than the Uncertificated Registered Bonds) may be accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Bonds of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Registered Bonds for clearance together with any further appropriate information.

The Uncertificated Registered Bonds are participating securities for the purposes of the Uncertificated Securities Regulations. The Operator is in charge of maintaining the Operator Register. Title to the Uncertificated Registered Bonds is recorded and will pass on registration in the Operator Register. As at the date of this Base Prospectus, the relevant Operator for the purposes of the Uncertificated Securities Regulations is Euroclear UK and Ireland Limited (formerly known as CRESTCo. Limited).

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, 42 Avenue JF Kennedy, L-1855 Luxembourg.

If so specified in the applicable Final Terms, interests in the Registered Bonds may also be held through CREST through the issuance of CDIs representing Underlying Bonds. The address of CREST is Euroclear UK & Ireland, 33 Cannon Street, London EC4M 5SB, United Kingdom.

Issue Price and Yield

11. Bonds may be issued at any price. The Issue Price of each Tranche of Bonds to be issued under the Programme will be determined by the Issuer and the Lead Manager and any relevant entity appointed from time to time as an additional dealer (the "**Dealers**") at the time of issue in accordance with prevailing market conditions and the Issue Price of the relevant Bonds or the method of determining the price and the process for its disclosure will be set out in the applicable Final Terms. In the case of different Tranches of a Series of Bonds, the Issue Price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche.

The yield of each Tranche of Bonds set out in the applicable Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant Issue Price. It is not an indication of future yield.

Dealers transacting with the Issuer

12. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer or BlueZest Mortgages in the ordinary course of business.

Bond Trustee's action

13. The Conditions and the Bond Trust Deed provide for Link Corporate Trustees (UK) Limited in its capacity as trustee in respect of the Bonds (the "**Bond Trustee**") to take action on behalf of the Bondholders in certain circumstances, but only if the Bond Trustee is indemnified and/or secured and/or pre-funded to its satisfaction. It may not always be possible for the Bond Trustee to take certain actions, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it. Where the Bond Trustee is unable to take any action, the Bondholders are permitted by the Conditions and the Bond Trust Deed to take the relevant action directly in accordance with the provisions of the Conditions and the Bond Trust Deed.

Issuer profit

14. Subject to the availability of funds for such purpose, £1,000 shall be retained by the Issuer per annum in accordance with the relevant Priority of Payments and will be recognised in the accounts of the Issuer as profit for the relevant accounting year. Any such amount so applied shall be credited to the Issuer Profit Ledger and applied in satisfaction of the Issuer's obligations in respect of United Kingdom corporation tax and in payment of dividends.

16. IMPORTANT LEGAL INFORMATION

This section contains some important legal information regarding the basis on which this Base Prospectus may be used, forward-looking statements and other matters.

IMPORTANT LEGAL INFORMATION

Relating to Public Offers of Bonds

If, in the context of a Public Offer, you are offered Bonds by any entity, you should check that such entity is authorised to use this Base Prospectus for the purposes of making such offer before agreeing to purchase any Bonds. To be authorised to use this Base Prospectus in connection with a Public Offer (referred to below as, an "**Authorised Offeror**"), an entity must be:

- named as an "Initial Authorised Offeror" in the relevant Final Terms; or
- named on the relevant page of the BlueZest Group's website (<http://www.bluezest.com/bond-investors/>) as an Authorised Offeror in respect of the relevant Public Offer (if the entity has been appointed after the relevant Final Terms were published); or
- if so specified in Section A.2 of the "Issue Specific Summary" attached to the Final Terms, authorised to make such offers under FSMA or other applicable legislation implementing Directive 2004/39 (EC), as amended, of the European Parliament and of the Council on markets in financial instruments (the "**Markets in Financial Instruments Directive**" or "**MIFID**") and have published on its website that it is using this Base Prospectus for such Public Offer in accordance with the consent of the Issuer and the conditions attached thereto.

Valid offers of Bonds may only be made by an Authorised Offeror in the context of a Public Offer if the offer is made in the United Kingdom, as specified in the relevant Final Terms 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 of Bonds by any person in any circumstances and such person is not permitted to use this Base Prospectus in connection with any offer of Bonds.

Please see below for certain important legal information relating to Public Offers.

Restrictions on Public Offers of Bonds in Relevant Member States where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus

Certain Tranches of Bonds with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under Article 3.2 of Directive 2003/71/EC (as amended) (the "**Prospectus Directive**") to publish a prospectus. Any such offer is referred to as a "**Public Offer**". This Base Prospectus has been prepared on a basis that permits Public Offers of Bonds. However, any person making or intending to make a Public Offer of Bonds in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") may only do so if this Base Prospectus 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) and published in accordance with the Prospectus Directive, provided that the Issuer has consented to the use of this Base Prospectus in connection with such offer as provided under "*Consent given in accordance with Article 3.2 of the Prospectus Directive*" and the conditions attached to that consent are complied with by the person making the Public Offer of such Bonds.

Consent given in accordance with Article 3.2 of the Prospectus Directive

In the context of a Public Offer of Bonds, the Issuer accepts responsibility in the United Kingdom for the content of this Base Prospectus under section 90 of the Financial Services and Markets Act 2000, as amended ("**FSMA**") in relation to any person (an "**Investor**") who purchases any Bonds in a Public Offer, including with respect to any subsequent resale or final placement of the Bonds, made by any person, including any financial intermediary, to whom the Issuer has given consent to the use of this Base Prospectus (an "**Authorised Offeror**") in that connection, provided that the conditions attached to that consent are complied with by the Authorised Offeror. The consent and conditions attached to it are set out under "*Consent*" and "*Common Conditions to Consent*" below.

Neither the Issuer nor any Dealer makes any representation as to the compliance by an Authorised Offeror with any applicable conduct of business rules or other applicable regulatory or securities law requirements in relation to any Public Offer and neither the Issuer nor any Dealer has any responsibility or liability for the actions of that Authorised Offeror.

Except for the circumstances set out in the following paragraphs, neither the Issuer nor any Dealer has authorised the making of any Public Offer by any offeror and the Issuer has not consented to the use of this Base Prospectus by any other person in connection with any Public Offer of Bonds. Any Public Offer made without the consent of the Issuer is unauthorised and neither the Issuer nor any Dealer accept any responsibility or liability for the actions of the persons making any such unauthorised offer. If, in the context of a Public Offer, an Investor is offered Bonds by a person which is not an Authorised Offeror, the Investor should check with that person whether anyone is responsible for this Base Prospectus as required by United Kingdom securities laws and regulations in the context of the Public Offer and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Base Prospectus and/or who is responsible for its contents it should take legal advice.

Consent

In connection with each Tranche of Bonds and subject to the conditions set out below under "*Common Conditions to Consent*":

- (a) the Issuer consents to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Public Offer of such Bonds during the relevant Offer Period stated in the relevant Final Terms by the relevant Dealer(s) and by:
 - (i) any financial intermediary named as an Initial Authorised Offeror in the relevant Final Terms; and
 - (ii) any financial intermediary appointed after the date of the relevant Final Terms and whose name is published on the BlueZest Group's website (<http://www.bluezest.com/bond-investors/>) and identified as an Authorised Offeror in respect of the relevant Public Offer;
- (b) if (and only if) so specified in section A.2 of the "Issue Specific Summary" attached to the relevant Final Terms, the Issuer hereby offers to grant its consent to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Public Offer of Bonds during the relevant Offer Period stated in the relevant Final Terms by any financial intermediary which satisfies the following conditions:
 - (i) it is an authorised person and therefore authorised to make such offers under FSMA or other applicable legislation implementing the Markets in Financial Instruments Directive (in which regard, Investors should consult the register maintained by the Financial Conduct Authority at: <https://register.fca.org.uk/>); and
 - (ii) it accepts the Issuer's offer to grant consent to the use of this Base Prospectus by publishing on its website the following statement (with the information in square brackets completed with the relevant information):

*"We, [insert legal name of financial intermediary], refer to the [insert title of relevant Bonds] (the "**Bonds**") described in the Final Terms dated [insert date] (the "**Final Terms**") published by [BlueZest Secured Retail Bond PLC] (the "**Issuer**"). We hereby accept the offer by the Issuer of its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Bonds in accordance with the Authorised Offeror Terms and subject to the conditions to such consent, each as specified in the Base Prospectus, and we are using the Base Prospectus accordingly."*

The "**Authorised Offeror Terms**", being the terms to which the relevant financial intermediary agrees in connection with using this Base Prospectus, include 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:
- I. 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 its guidance for distributors in "The Responsibilities of Providers and Distributors for the Fair Treatment of Customers") from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Bonds by any person and disclosure to any potential Investor, and will immediately inform the Issuer and the relevant Dealer(s) if at any time such financial intermediary becomes aware or suspects that it is or may be in violation of any Rules and take all appropriate steps to remedy such violation and comply with such Rules in all respects;
 - II. comply with the restrictions set out under "*Subscription and Sale*" in this Base Prospectus which would apply as if it were a Dealer;
 - III. ensure that any fee (and any other commissions or benefits of any kind) received or paid by that financial intermediary in relation to the offer or sale of the Bonds does not violate the Rules and, to the extent required by the Rules, is fully and clearly disclosed to Investors or potential Investors;
 - IV. hold all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Bonds under the Rules (including authorisation under FSMA and/or the Financial Services Act 2012);
 - V. comply with applicable anti-money laundering, anti-bribery, anti-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 Bonds by the Investor), and will not permit any application for Bonds in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
 - VI. retain Investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested and to the extent permitted by the Rules, make such records available to the relevant Dealer(s), 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 applying to the Issuer and/or the relevant Dealer(s);
 - VII. ensure that no holder of Bonds or potential Investor in Bonds 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;
 - VIII. co-operate with the Issuer and the relevant Dealer(s) in providing such information (including, without limitation, documents and records maintained pursuant to paragraph (VI) 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 any regulator in relation to the Bonds, 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 any 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 Bonds 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;

- IX. during the Offer Period: (i) only sell the Bonds at the Offer Price specified in the applicable Final Terms (unless otherwise agreed with the relevant Dealer(s)); (ii) only sell the Bonds for settlement on the Issue Date specified in the relevant 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 Bonds (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);
- X. either (i) obtain from each potential Investor an executed application for the Bonds, 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 Bonds on their behalf, and in each case maintain the same on its files for so long as is required by any applicable Rules;
- XI. 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;
- XII. comply with the conditions to the consent referred to under "*Common Conditions to Consent*" below and any further requirements relevant to the Public Offer as specified in the applicable Final Terms;
- XIII. make available to each potential Investor in the Bonds this Base Prospectus (as supplemented as at the relevant time, if applicable), the applicable Final Terms 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 Base Prospectus;
- XIV. if it conveys or publishes any communication (other than this Base Prospectus 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 none of the Issuer and/or the relevant Dealer(s) accepts 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 Bonds on the basis set out in this Base Prospectus; and

XV. in applying for Bonds in any Public Offer as agent for Investors, be, or will at the time of application be, duly authorised by such Investors to sign and submit the relevant application form for such Bonds to the Arranger or the relevant Dealer and will be applying as agent for Investors on behalf of its clients generally, and any agreement of such Investors to apply for Bonds in the Public Offer will not be made in breach of the conduct of business rules of the FCA or the terms of any customer agreement existing between the relevant financial intermediary and any such Investor or otherwise contrary to any instructions or limitations applicable to the terms of any authorities, discretions or powers exercisable by the relevant financial intermediary on behalf of any such Investor.

(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:

I. the contract between the Issuer and the financial intermediary formed upon acceptance by the financial intermediary of the Issuer's offer to use this Base Prospectus 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;

II. subject to (IV) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Authorised Offeror Contract (including any dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) (a "**Dispute**") and the Issuer and the financial intermediary submit to the exclusive jurisdiction of the English courts;

III. for the purposes of (C)(II) and (IV), the Issuer and the financial intermediary waive any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any dispute;

IV. this paragraph (IV) is for the benefit of the Issuer and each relevant Dealer. To the extent allowed by law, the Issuer and each relevant Dealer 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

V. each relevant Dealer 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, warranties, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.

Any financial intermediary who is an Authorised Offeror falling within (b) above who meets all of the conditions set out in (b) and the other conditions stated in "*Common Conditions to Consent*" below and who wishes to use this Base Prospectus in connection with a Public Offer is required, for the duration of the relevant Offer Period, to publish on its website the statement (duly completed) specified at paragraph (b)(ii) above, which states that it is using this Base Prospectus for such Public Offer in accordance with the consent of the Issuer and the conditions attached thereto.

Common Conditions to Consent

The conditions to the Issuer's consent to the use of this Base Prospectus in the context of the relevant Public Offer are (in addition to the conditions described in paragraph (b) above if (and only if) so specified in section A.2 of the "Issue Specific Summary" attached to the relevant Final Terms) that such consent:

- (i) is only valid during the Offer Period specified in the relevant Final Terms;
- (ii) only extends to the use of this Base Prospectus to make Public Offers of the relevant Tranche of Bonds in the United Kingdom as specified in the relevant Final Terms; and
- (iii) is subject to any other conditions set out in Section A.2 of the "Issue Specific Summary" attached to the Final Terms.

The consent referred to above relates only to Offer Periods occurring within 12 months from the date of this Base Prospectus.

The only Relevant Member State which may, in respect of any Tranche of Bonds, be specified in the relevant Final Terms (if any Relevant Member States are so specified) as indicated in (ii) above will be the United Kingdom and accordingly each Tranche of Bonds may only be offered to Investors as part of a Public Offer in the United Kingdom as specified in the relevant Final Terms, or otherwise in circumstances in which no obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

ARRANGEMENTS BETWEEN INVESTORS AND AUTHORISED OFFERORS

An Investor who intends to purchase any Bonds in a Public Offer from an Authorised Offeror will do so, and offers and sales of such Bonds to an investor by such Authorised Offeror will be made, in accordance with the terms and conditions and other arrangements in place between such Authorised Offeror and such Investor including in relation to price, allocations, expenses and settlement. The Issuer will not be a party to any such arrangements with such Investors in connection with the Public Offer or sale of the Bonds concerned and, accordingly, this Base Prospectus and any Final Terms will not contain such information. The relevant information will be provided by the Authorised Offeror at the time of such offer. Neither the Issuer nor any Dealer (except where such Dealer is the relevant Authorised Offeror) has any responsibility or liability to an Investor in respect of the information described above including information on the arrangements in relation to price allocations, expenses and settlement.

Public Offers: Issue Price and Offer Price

Bonds to be offered pursuant to a Public Offer will be issued by the Issuer at the Issue Price specified in the relevant Final Terms. The Issue Price will be determined by the Issuer (acting on the instructions of BlueZest Funding Limited) in consultation with the relevant Dealer at the time of the relevant Public Offer and will depend, amongst other things, on prevailing market conditions at that time. The offer price of such Bonds will be the Issue Price or such other price as may be agreed between an Investor and the Authorised Offeror making the offer of the Bonds to such Investor. The Issuer will not be party to arrangements between an Investor and an Authorised Offeror, and the Investor will need to look to

the relevant Authorised Offeror to confirm the price at which such Authorised Offeror is offering the Bonds to such Investor.

Selling Restrictions

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Bonds and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Bonds, see Section 14 (*Subscription and Sale*) of this Base Prospectus. In particular, Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and are subject to U.S. tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered within the United States or to U.S. persons.

Outstanding Bonds

The maximum aggregate principal amount of Bonds outstanding at any one time under the Programme will not exceed £1,500,000,000. The Issuer intends, subject to prevailing market conditions, to issue £250,000,000 in principal amount of Bonds in the period of 12 months immediately following the date of this Base Prospectus. The maximum aggregate principal amount of Bonds which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Programme Agreement as defined under "*Subscription and Sale*".

Currencies

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**pounds sterling**", "**sterling**" and "**£**" are to the lawful currency of the United Kingdom and certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Ratings

Tranches of Bonds issued under the Programme may be rated or unrated by any or all of Moody's Investors Service Ltd. ("**Moody's**"), Fitch Ratings Ltd ("**Fitch**") or Standard & Poor's Ratings Group ("**S&P**"). Each of Moody's, Fitch and S&P is established in the European Economic Area ("**EEA**") and registered under the CRA Regulation. Where a Tranche of Bonds is rated, such rating will not necessarily be the same as the rating(s) assigned to Bonds already issued. Where a Tranche of Bonds is rated, the applicable rating(s) will be specified in the relevant Final Terms.

Investment activities

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each prospective investor should consult its legal advisors to determine whether and to what extent (1) Bonds are legal investments for it, (2) Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

CREST depository interests

In certain circumstances, Investors may also hold interests in the Bonds through Euroclear UK & Ireland Limited (formerly CREST Co Limited) ("**CREST**") through the issuance of dematerialised depository interests (dematerialised here means that they are represented by electronic interests in the records of the depository – as opposed to being represented by physical certificates), held, settled and transferred through CREST ("**CREST Depository Interests**" or "**CDIs**"), representing the interests in

the relevant Bonds underlying the CDIs (the "**Underlying Bonds**"). CDIs are independent securities constituted under English law and transferred through CREST and will be issued by CREST Depository Limited pursuant to a global deed poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated). Neither the Bonds nor any rights attached to the Bonds will be issued, settled, held or transferred within the CREST system other than through the issue, settlement, holding or transfer of CDIs. Holders of CDIs will not be entitled to deal directly in the Bonds and, accordingly, all dealings in the Bonds will be effected through CREST in relation to the holding of CDIs. Prospective investors should note that the CDIs are the result of the CREST settlement mechanics and are not the subject of this Base Prospectus.

The Arranger, the Bond Trustee, the Borrower Security Trustee and the Issuer Security Trustee

None of the Arranger, the Bond Trustee, the Borrower Security Trustee or the Issuer Security Trustee has independently verified or confirmed the information contained in this Base Prospectus. No representation, warranty or undertaking, express or implied, is made by the Arranger, the Bond Trustee, the Borrower Security Trustee or the Issuer Security Trustee as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by the Issuer or BlueZest Mortgages in connection with the offering of any Bonds. None of the Arranger, the Bond Trustee, the Borrower Security Trustee or the Issuer Security Trustee accepts liability in relation to the information contained in this Base Prospectus or any other information provided by the Issuer or BlueZest Mortgages in connection with the offering of any Bonds or their distribution.

The Arranger, the Bond Trustee, the Borrower Security Trustee and/or the Issuer Security Trustee and their respective 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 or BlueZest Mortgages in the ordinary course of business.

No incorporation of websites

In this Base Prospectus, reference to websites or uniform resource locators (URLs) are inactive textual references. The contents of any such website or URL shall not form part of, or be deemed to be incorporated into, this Base Prospectus.

Forward-looking statements

This Base Prospectus 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 Base Prospectus and include, but are not limited to, the following: statements regarding the intentions, beliefs or current expectations of the Issuer and BlueZest Mortgages, as the case may be, concerning, amongst other things, the Issuer's and the BlueZest Mortgages' results of operations, financial condition, prospects, growth, strategies and the industries in which the Issuer and BlueZest Mortgages operates. By their nature, forward-looking statements involve risk 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 Issuer's and BlueZest Mortgages' operations and financial condition may differ materially from those described in, or suggested by, the forward-looking statements contained in this Base Prospectus. In addition, even if the results of operations and financial condition are consistent with the forward-looking statements contained in this Base Prospectus, those results may not be indicative of results in subsequent periods. These and other factors are discussed in more detail under Section 2 (*Risk Factors*) of this Base Prospectus. Many of these factors are beyond the control of the Issuer and BlueZest Mortgages. 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 Base Prospectus as anticipated, believed, estimated or expected. Except to the extent required by laws and regulations, the Issuer and BlueZest Mortgages do not intend, and do not assume any obligation, to update any forward-looking statements set out in this Base Prospectus.

This Base Prospectus is based on English law in effect as of the date of issue of this Base Prospectus.

Except to the extent required by laws and regulations, the Issuer and BlueZest Mortgages do not intend, and do not assume any obligation, to update this Base Prospectus in light of the impact of any judicial decision or change to English law or administrative practice after the date of this Base Prospectus.

A

**APPENDIX A:
DEFINED TERMS INDEX**

The following is an index that indicates the location in this Base Prospectus where certain terms have been defined.

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B

APPENDIX B: TERMS AND CONDITIONS OF THE BONDS

This appendix sets out the terms and conditions which apply to the Bonds issued under the Programme.

TERMS AND CONDITIONS OF THE BONDS

The following is the text of the terms and conditions which, as completed by the relevant Final Terms, will be endorsed on each Bond in definitive form issued under the Programme. In the case of any Tranche of Bonds which is being (a) offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive) or (b) admitted to trading on a regulated market in a Member State, the relevant Final Terms shall not amend or replace any information in this Base Prospectus. Subject to this, to the extent permitted by applicable law and/or regulation, the Final Terms in respect of any Tranche of Bonds may complete any information in this Base Prospectus.

The terms and conditions applicable to any Bond in global form will differ from those terms and conditions which would apply to the Bond were it in definitive form to the extent described under "Summary of Provisions Relating to the Bonds while in Global Form" below.

1. Introduction

- (a) *Programme:* BlueZest Secured Retail Bond PLC (the "**Issuer**") has established a programme (the "**Programme**") for the issuance of Bonds (the "**Bonds**").
- (b) *Final Terms:* Bonds issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Bonds. Each Tranche is the subject of a final terms document (the "**Final Terms**") which completes these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Bonds are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) *Loan Agreement:* The proceeds of each issue of Bonds under the Programme will be made available by the Issuer to BlueZest Mortgages as a committed loan facility in a maximum principal amount equal to the aggregate of the outstanding principal amount of each issue of Bonds. The initial principal amount of an issue of Bonds may be loaned by the Lender to BlueZest Mortgages as one or more advances (each an "**Advance**") of a loan (the "**Loan**") on the terms of a loan agreement (the "**Loan Agreement**") entered into between, amongst others, the Issuer and BlueZest Mortgages and Loans Limited ("**BlueZest Mortgages**") on or about the Closing Date. BlueZest Mortgages will use the proceeds of Advances of the Loan under the Loan Agreement from time to time to grant mortgage loans ("**Mortgage Loans**") to borrowers that satisfy its then applicable Lending Criteria and/or pay costs and expenses incurred by the Issuer in connection with the issue of Bonds under the Programme.
- (d) *Bond Trust Deed:* The Bonds are constituted by, are subject to, and have the benefit of, a bond trust deed dated on or about the Closing Date (as amended or supplemented from time to time, the "**Bond Trust Deed**") between the Issuer and Link Corporate Trustees (UK) Limited as trustee in respect of the Bonds (the "**Bond Trustee**", which expression includes all persons for the time being appointed as bond trustee under the Bond Trust Deed).
- (e) *Issuer Security:* The security for the Bonds is constituted by an issuer deed of charge dated on or about the Closing Date (as amended or supplemented from time to time, the "**Issuer Deed of Charge**") between the Issuer (as the party granting security) and Link Corporate Trustees (UK) Limited as the issuer security trustee (the "**Issuer Security Trustee**", which expression includes all persons for the time being appointed as Issuer Security Trustee under the Issuer Deed of Charge). The security granted by the Issuer pursuant to the Issuer Deed of Charge (the "**Issuer Security**") is made in favour of the Issuer Security Trustee for itself and as trustee for and on behalf of each of the Bondholders, the Bond Trustee, the Borrower Security Trustee, the Issuer Security Trustee, any receiver or other appointee, the Account Bank, the Cash Manager, the Calculation Agent, the CREST Registrar, the Servicer, the Corporate Services Provider and any other party from time to time acceding to the Security Trust Deed or who is expressed in any deed supplemental to the Security Trust Deed to be an Issuer Secured Party and any successor, transferee, replacement or assignee of any of such parties (the "**Issuer Secured Parties**").

- (f) *Borrower Security*: The security for the Loan Agreement is constituted by a borrower deed of charge dated on or about the Closing Date (as amended or supplemented from time to time, the "**Borrower Deed of Charge**") between BlueZest Mortgages (as the party granting security) and Link Corporate Trustees (UK) Limited as the borrower security trustee (the "**Borrower Security Trustee**", which expression includes all persons for the time being appointed as Borrower Security Trustee under the Borrower Deed of Charge). The security granted by BlueZest Mortgages pursuant to the Borrower Deed of Charge (the "**Borrower Security**") is made in favour of the Borrower Security Trustee for itself and as trustee for and on behalf of the Issuer (in its capacity as lender (the "**Lender**") under the Loan Agreement) and the Issuer Secured Parties (the "**Borrower Secured Parties**").
- (g) *Security Trust Deed*: The Issuer, BlueZest Mortgages, the Issuer Security Trustee and the Borrower Security Trustee (amongst other parties) have also entered into a security trust deed dated on or about the Closing Date (as amended or supplemented from time to time, the "**Security Trust Deed**") which governs, *inter alia*, how the Issuer Security and the Borrower Security may be enforced and how the proceeds of any enforcement shall be distributed.
- (h) *Agency Agreement*: If any Bonds other than Uncertificated Registered Bonds are issued by the Issuer, such Bonds will be the subject of an agency agreement (the "**Agency Agreement**") to be entered into between the Issuer, a principal paying agent (the "**Principal Paying Agent**", which expression includes any successor Principal Paying Agent appointed from time to time in connection with the Bonds); a registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Bonds); a transfer agent (the "**Transfer Agent**", which expression includes any successor transfer agent appointed from time to time in connection with the Bonds); and the Bond Trustee. In these Conditions references to the "**Agents**" are to the Principal Paying Agent (if appointed), the Registrar (if appointed), the Transfer Agent (if appointed) and the CREST Registrar and any reference to an "**Agent**" is to any one of them.
- (i) *Registrar Agreement*: The Issuer has entered into an agreement with, among others, Link Market Services Limited dated on or about the Closing Date (such agreement, as amended and/or supplemented and/or restated from time to time, the "**Registrar Agreement**") appointing the latter as registrar and paying agent (the "**CREST Registrar**", which expression shall include any successor registrar and paying agent) with respect to Uncertificated Registered Bonds.
- (j) *Account Bank Agreements*: The Bonds are the subject of: a borrower account bank agreement dated on or about the Closing Date between BlueZest Mortgages, The Bank of New York Mellon, London Branch as account bank (the "**Account Bank**", which expression includes any successor account bank appointed from time to time in connection with the Bonds) and the Borrower Security Trustee (the "**Borrower Account Bank Agreement**"); and an issuer account bank agreement dated on or about the Closing Date between the Issuer, the Account Bank and the Issuer Security Trustee (the "**Issuer Account Bank Agreement**", and together with the Borrower Account Bank Agreement, the "**Account Bank Agreements**").
- (k) *The Bonds*: The Bonds may be issued in certificated registered form ("**Registered Bonds**") or in uncertificated registered form ("**Uncertificated Registered Bonds**"), without receipts, coupons or talons. Pursuant to the Issuer's articles of association, the execution by the Issuer of any Bonds issued under the Programme will be under hand and not under seal. All subsequent references in these Conditions to "**Bonds**" are to the Bonds which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing at the registered office of the Issuer (at 6th Floor, 65 Gresham Street, London, EC2V 7NQ).
- (l) *Summaries*: Certain provisions of these Conditions are summaries of the Bond Trust Deed, the Borrower Deed of Charge, the Issuer Deed of Charge, the Security Trust Deed, the Registrar Agreement, the Agency Agreement (if entered into), the Account Bank Agreements and certain other of the Transaction Documents are subject to their detailed provisions. Bondholders are bound by, and are deemed to have notice of and are entitled to the benefit of,

all the provisions of the Bond Trust Deed, the Borrower Deed of Charge, the Issuer Deed of Charge, the Security Trust Deed, the Registrar Agreement, the Agency Agreement (if entered into), the Account Bank Agreements and certain other of the Transaction Documents applicable to them.

Copies of the Bond Trust Deed, the Borrower Deed of Charge, the Issuer Deed of Charge, the Security Trust Deed, the Registrar Agreement, the Agency Agreement (if entered into), the Account Bank Agreements and the other Transaction Documents are available for viewing by Bondholders during normal business hours at the registered office of the Issuer (at 6th Floor, 65 Gresham Street, London, EC2V 7NQ).

2. Interpretation

(a) *Definitions:* In these Conditions the following expressions have the following meanings:

"Arranger" means Monsas Limited or any other entity appointed as arranger for the Bonds in respect of any particular issue of Bonds, as may be specified in the applicable Final Terms;

"Authorised Offeror Agreements" means, in respect of each Tranche of Bonds, each authorised offeror agreement entered into between, among others, the Issuer and the relevant authorised offeror pursuant to which the authorised offeror agrees to procure subscriptions for the relevant Bonds from retail investors;

"Bond Enforcement Notice" has the meaning given to it in Condition 15.1;

"Bond Event of Default" has the meaning given to it in Condition 15.1;

"Bondholder" has the meaning given in Condition 3(b) (*Form, Denomination and Title - Title to Registered Bonds*) in the case of Registered Bonds and Condition 3(j) (*Form, Denomination and Title - Title to Uncertificated Registered Bonds*) in the case of Uncertificated Registered Bonds;

"Broken Amount" has the meaning given in the relevant Final Terms;

"Business Day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business in London;

"Business Day Convention", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day; and
- **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"Calculation Agent" means the Cash Manager or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest

Amount(s) and/or such other amount(s) as may be specified in the Conditions or the relevant Final Terms;

"Calculation Amount" has the meaning given in the relevant Final Terms;

"Calculation Date" means the date falling five Business Days prior to each Interest Payment Date and/or Maturity Date (as applicable), subject to adjustment in accordance with the Business Day Convention;

"Closing Date" means 22 November 2017;

"Collections Account" means the account in the name of BlueZest Mortgages with the Account Bank having the account number as notified by BlueZest Mortgages to the Issuer on or about the date of the Loan Agreement, in respect of which BlueZest Mortgages has granted security in favour of the Borrower Security Trustee in accordance with the Borrower Deed of Charge;

"Completions Account" means an account in the name of BlueZest Mortgages having the account number as notified by BlueZest Mortgages to the Issuer after such account has been opened by BlueZest Mortgages, in respect of which BlueZest Mortgages will grant security in favour of the Borrower Security Trustee in accordance with the Borrower Deed of Charge;

"CREST" means the computer based system known as "CREST" operated by Euroclear UK & Ireland for the transfer of uncertificated securities;

"Day Count Fraction" means, in respect of the calculation of an amount for any period of time (the **"Calculation Period"**), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (a) if **"Actual/Actual (ICMA)"** is so specified, means:
 - (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
 - (iii) if **"Actual/Actual (ISDA)"** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the 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);
 - (iv) if **"Actual/365 (Fixed)"** is so specified, means the actual number of days in the Calculation Period divided by 365;

- (v) if "**Actual/365 (Sterling)**" is so specified, means 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;
- (vi) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (vii) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times M_2 - M_1] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30";

- (viii) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times M_2 - M_1] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30; and

- (ix) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times M_2 - M_1] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"Designated Maturity" has the meaning specified in the applicable Final Terms;

"Determination Date" means the date falling eight Business Days prior to each Interest Payment Date;

"Extraordinary Resolution" means:

- (a) a resolution passed at a meeting of Bondholders duly convened and held in accordance with schedule 4 (*Provisions for meetings of Bondholders*) to the Bond Trust Deed by a majority consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than 75 per cent. of the votes cast on such poll; or
- (b) a resolution signed in writing (which may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Bondholders), by or on behalf of Bondholders holding not less than 75 per cent. in Principal Amount Outstanding of the Bonds (a **"Written Resolution"**);

"Fee Letters" means the fee letters entered into by (or on behalf of) the Issuer and BlueZest Mortgages and:

- (a) the Bond Trustee, the Borrower Security Trustee and the Issuer Security Trustee;

- (b) the Cash Manager;
- (c) the Account Bank; and
- (d) the Corporate Services Provider;

"Final Redemption Amount" means, in respect of any Bond, its principal amount or such other amount as may be specified in the relevant Final Terms;

"First Interest Payment Date" means the date specified in the relevant Final Terms;

"Fitch" means Fitch Ratings Ltd or any successor thereof;

"Fixed Coupon Amount" has the meaning given in the relevant Final Terms;

"Fixed Rate Bond Provisions" means the provisions set out in Condition 9 (*Fixed Rate Bond Provisions*);

"Floating Rate Bond Provisions" means the provisions set out in Condition 10 (*Floating Rate Bond Provisions*);

"Floating Rate Option" has the meaning specified in the applicable Final Terms;

"Holder" has the meaning given in Condition 3(b) (*Form, Denomination and Title - Title to Registered Bonds*) in the case of Registered Bonds and Condition 3(j) (*Form, Denomination and Title - Title to Uncertificated Registered Bonds*) in the case of Uncertificated Registered Bonds;

"Interest Amount" means, in relation to a Bond and an Interest Period, the amount of interest payable in respect of that Bond for that Interest Period;

"Interest Commencement Date" means the Issue Date of the Bonds or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"Interest Determination Date" has the meaning given in the relevant Final Terms;

"Interest Payment Date" means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms, as the same may be adjusted in accordance with the relevant Business Day Convention;

"Interest Period" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"ISDA Definitions" means the 2000 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Bonds of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.) or, if so specified in the relevant Final Terms, the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Bonds of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

"Issuance Costs" means, in relation to each issue of Bonds, the fees, costs and expenses payable by the Issuer to the Lead Manager or Dealer(s) (as the case may be) in connection with such issue of Bonds;

"Issue Date" has the meaning given in the relevant Final Terms;

"Issuer Cash Reserve Account" means the account in the name of the Issuer with the Account Bank having the account number as notified by the Issuer to the Cash Manager on or about the date of the first issue of Bonds under the Programme, in respect of which the Issuer has granted security in favour of the Issuer Security Trustee in accordance with the Issuer Deed of Charge;

"Issuer Profit Amount" means retained profit of the Issuer in an amount of £1,000 per annum for retention by the Issuer and to be recognised in the accounts of the Issuer as profit for the relevant accounting year;

"Issuer Profit Ledger" means a ledger established in the Issuer Transaction Account used to record the retained revenue of the Issuer;

"Issuer Secured Obligations" means all Liabilities and all other present and future obligations at any time due, owing or incurred by, the Issuer to each of the Issuer Secured Parties under or in connection with each of the Transaction Documents to which it is a party;

"Issuer Transaction Account" means the account in the name of the Issuer with the Account Bank having the account number, as notified by the Issuer to BlueZest Mortgages on or about the date of the Loan Agreement, in respect of which (other than amounts standing to the credit of the Issuer Profit Ledger) the Issuer has granted security in favour of the Issuer Security Trustee in accordance with the Issuer Deed of Charge;

"Lead Manager" means the lead manager named in the applicable Final Terms;

"Lending Criteria" means, on any date, the then applicable lending criteria articulated in BlueZest Mortgages' lending policy against which all applications for Mortgage Loans are assessed;

"Liabilities" means, in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, actions, proceedings or other liabilities whatsoever including proper legal fees and any Taxes and penalties incurred by that person;

"Loan" means the loan granted by the Issuer to BlueZest Mortgages on the terms of the Loan Agreement;

"Loan Agreement" means the loan agreement dated on or about the Closing Date and entered into between the Issuer, BlueZest Mortgages and the Borrower Security Trustee in connection with the Loan;

"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 the British Bankers' Association 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);

"Make-Whole Amount" has the meaning given in the relevant Final Terms;

"Margin" has the meaning given in the relevant Final Terms;

"Maturity Date" has the meaning given in the relevant Final Terms;

"Maturity Mismatch" shall occur if, when calculated by the Calculation Agent on the relevant Determination Date in accordance with the Cash Management Agreement: (a) the average life of all Series of Bonds issued under the Programme, exceeds (b) the weighted average life of all outstanding Mortgage Loans;

"Maximum Issuance Amount" means £1,500,000,000;

"Maximum Redemption Amount" has the meaning given in the relevant Final Terms;

"MIG Policy" means the mortgage indemnity guarantee policy entered into between BlueZest Mortgages and the MIG Provider pursuant to which the MIG Provider provides certain insurance cover in respect of Mortgage Loans that satisfy criteria set out in the policy;

"MIG Provider" means AmTrust Europe Limited;

"Minimum Redemption Amount" has the meaning given in the relevant Final Terms;

"Moody's" means Moody's Investor Services Limited or any successor thereof;

"Mortgage Loan" means a mortgage loan granted by BlueZest Mortgages to an eligible borrower in accordance with the Lending Criteria using the proceeds of an Advance of the Loan;

"Optional Redemption Amount (Call)" means, in respect of any Bond, its principal amount or such other amount as may be specified in the relevant Final Terms;

"Optional Redemption Date (Call)" has the meaning given in the relevant Final Terms;

"outstanding" means, in relation to a Series of Bonds, all the Bonds of that Series which have been issued except:

- (a) those which have been redeemed in full in accordance with the Conditions;
- (b) those in respect of which the date for redemption in full has occurred and the full amount of redemption moneys (including all interest accrued on such Bonds to the date for such redemption and any interest payable under the Conditions after such date) have been duly paid to the Bond Trustee, the Principal Paying Agent or the CREST Register (as the case may be) as provided in clause 2 (*Amount of the Bonds and Covenant to Pay*) of the Bond Trust Deed (and, where appropriate, notice to that effect has been given to the Bondholders in accordance with Condition 21 (*Notices*)) and remain available for payment against presentation and surrender of Bonds; and
- (c) those which have become void or in respect of which claims have become prescribed,

provided that for each of the following purposes:

- (i) ascertaining the right to attend and vote at any meeting of the Bondholders; and
- (ii) the determination of how many Bonds are outstanding for the purposes of Condition 15 (*Bond Events of Default and Enforcement*) and Condition 19 (*Meetings of Bondholders; Modifications and Waiver; Substitution*) and schedule 4 (*Provisions for Meetings of Bondholders*) to the Bond Trust Deed,

those Bonds which are beneficially held by or on behalf of the Issuer shall (unless no longer so held) be deemed not to remain outstanding;

"Paying Agent" has the meaning given in the Agency Agreement;

"Payment Business Day" means any day which is a day on which banks in the relevant place of presentation are open for presentation and payment of debt securities and for dealings in foreign currencies;

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"Post-Enforcement Priority of Payments" has the meaning given to it in Condition 7.1 (*Post-enforcement*);

"Pre-Enforcement Priority of Payments" has the meaning given to it in Condition 7.2 (*Pre-enforcement*);

"Principal Amount Outstanding" means, as at any date, with respect to any Bond which is outstanding the initial principal amount of that Bond less the aggregate of the principal repayments or redemption payments made prior to that date pursuant to these Conditions relating to that Bond;

"Priority of Payments" means each of the Pre-Enforcement Priority of Payments and the Post-Enforcement Priority of Payments or any one of them, as the context requires;

"Programme Resolution" shall mean any Extraordinary Resolution to direct the Bond Trustee to accelerate the Bonds pursuant to Condition 15 (*Bond Events of Default and Enforcement*) or to direct the Bond Trustee to take any enforcement action pursuant to Condition 15 (*Bond Events of Default and Enforcement*);

"Quotation Time" has the meaning given in the relevant Final Terms;

"Rate of Interest" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Bonds specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

"Redemption Amount" means, as appropriate, the Final Redemption Amount, the Optional Redemption Amount (Call), the Redemption Amount (Prepayment of Loan) or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms;

"Redemption Amount (Prepayment of Loan)" means, in respect of any Bond, its principal amount or such other amount as may be specified in the relevant Final Terms;

"Reference Banks" means four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"Reference Rate" means LIBOR, in respect of the currency and period specified in the relevant Final Terms;

"Register" means the register maintained by the Registrar in respect of the Registered Bonds in accordance with the Agency Agreement;

"Regular Period" means:

- (a) in the case of Bonds where interest is scheduled to be paid only by means of regular payments, each period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and each successive period from (and including) one Interest Payment Date to (but excluding) the next Interest Payment Date;
- (b) in the case of Bonds where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from (and including) a Regular Date falling in any year to (but excluding) the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Bonds where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from (and including) a Regular Date falling in any year to (but excluding) the next Regular Date, where **"Regular Date"** means the day and month (but not the

year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"Relevant Date" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in London by the Principal Paying Agent, the CREST Registrar or the Bond Trustee (as applicable) on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Bondholders;

"Relevant Screen Page" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"Relevant Time" has the meaning given in the relevant Final Terms;

"Reset Date" has the meaning specified in the applicable Final Terms;

"Series Reserved Matter" means each of the following matters:

- (a) a reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Bonds;
- (b) alteration of the currency in which payments under the Bonds are to be made;
- (c) alteration of the majority required to pass an Extraordinary Resolution;
- (d) any amendment to the Issuer Deed of Charge (except in a manner determined by the Bond Trustee not to be materially prejudicial to the interests of the Bondholders of any Series); and
- (e) alteration of this definition or the proviso to paragraph 2 (*Convening a Meeting*) of schedule 4 (*Provisions for meetings of Bondholders*) to the Bond Trust Deed;

"Specified Denomination(s)" has the meaning given in the relevant Final Terms;

"Specified Office" has the meaning given in the Agency Agreement or, before entry into the Agency Agreement, means the relevant Person's registered office;

"Specified Period" has the meaning given in the relevant Final Terms;

"Standard & Poor's" means Standard & Poor's Rating Services or any successor thereof;

"Tax" shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same, but excluding taxes on net income) imposed or levied by or on behalf of (or pursuant to any agreement with) any Tax Authority and **"Taxes"**, **"taxation"**, **"taxable"** and comparable expressions shall be construed accordingly;

"Tax Authority" means any government, state or municipality or any local, state, federal or other authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function (including, without limitation, Her Majesty's Revenue and Customs);

"Third Party Expenses" means any amounts due and payable by the Issuer to third parties, including any Liabilities payable in connection with:

- (a) the issuance of Bonds (other than Issuance Costs);
- (b) any filing or registration of any Transaction Documents;
- (c) any provision for and payment of the Issuer's liability to any Tax Authority for any Tax (to the extent not payable from the Issue Profit Ledger);
- (d) any legal or audit or other professional advisory fees (including rating agency fees);
- (e) any directors' fees;
- (f) any rating agency fees;
- (g) the admission of the Bonds to listing and trading on any stock exchange; and
- (h) any other amounts then due and payable to third parties and incurred without breach by the Issuer of the provisions of the Transaction Documents,

together with, in each case, any amount in respect of VAT payable thereon, *but excluding* amounts that are payable to third parties elsewhere in the relevant Priority of Payments; and

"Transaction Documents" means the Bond Trust Deed; the Borrower Deed of Charge; the Issuer Deed of Charge; the Security Trust Deed; the Account Bank Agreements; the Cash Management Agreement; the Corporate Services Agreement; the Registrar Agreement; the Programme Agreement; the Agency Agreement (if any); the Loan Agreement, the Fee Letters, the Authorised Offeror Agreements, and any other document agreed between the Issuer, the Bond Trustee and the Issuer Security Trustee to be a "Transaction Document".

- (b) *Interpretation:* In these Conditions:
 - (i) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 14 (*Taxation*), any premium payable in respect of a Bond and any other amount in the nature of principal payable pursuant to these Conditions;
 - (ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 14 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
 - (iii) references to Bonds being "outstanding" shall be construed in accordance with the Bond Trust Deed;
 - (iv) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Bonds; and
 - (v) any reference to a Transaction Document shall be construed as a reference to the relevant Transaction Document, as amended and/or supplemented from time to time.

3. Form, denomination and title

- (a) *Denomination:* The Bonds are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Final Terms and higher integral multiples of a smaller amount specified in the relevant Final Terms.
- (b) *Title to Registered Bonds:* Title to Registered 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 Agency Agreement. The Registrar will maintain the Register in accordance with the

provisions of the Agency Agreement. A certificate (each, a "**Bond Certificate**") will be issued to each Holder of Bonds in respect of its entire holding. Each Bond Certificate will be numbered serially with an identifying number which will be recorded in the Register. "**Holder**" means the person in whose name such Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Bondholder**" shall be construed accordingly.

- (c) *Ownership:* The Holder of any Bond shall (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 other interest therein, any writing on the Bond Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No Person shall have any right to enforce any term or condition of any Bond under the Contracts (Rights of Third Parties) Act 1999.
- (d) *Transfers of Registered Bonds:* Subject to paragraphs (g) (*Closed periods*) and (h) (*Regulations concerning transfers and registration*) below and to the conditions set forth in the Agency Agreement, a Registered Bond may be transferred upon surrender of the relevant Bond Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or Transfer Agent (as the case may be) together with such evidence as the Registrar or Transfer Agent (as the case may be) may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided however* that a Registered Bond may not be transferred unless the principal amount of Registered Bonds transferred and (where not all of the Registered Bonds held by a Holder are being transferred) the principal amount of the balance of Registered Bonds not transferred are Specified Denominations. Where not all the Registered Bonds represented by the surrendered Bond Certificate are the subject of the transfer, a new Bond Certificate in respect of the balance of the Registered Bonds will be issued to the transferor.
- (e) *Registration and delivery of Bond Certificates:* Within five Registrar Business Days of the surrender of a Bond Certificate in accordance with paragraph (d) (*Transfers of Registered Bonds*) above, the Registrar will register the transfer in question and deliver a new Bond Certificate of the principal amount of the Bonds transferred to each relevant Holder at its Specified Office or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**Registrar Business Day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar has its Specified Office.
- (f) *No charge:* The transfer of a Registered Bond will be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents but subject to payment to the Registrar or the Transfer Agents in respect of any tax or other duty or other governmental charges of whatsoever nature which may be levied or imposed in connection with such transfer or the giving of such indemnity as the Registrar or the Transfer Agents may require.
- (g) *Closed periods:* Bondholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Bonds.
- (h) *Regulations concerning transfers and registration:* All transfers of Registered Bonds and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Bond Trustee, the Registrar and the Transfer Agents.
- (i) *Uncertificated Registered Bonds:* The Uncertificated Registered Bonds shall be issued in uncertificated registered form in accordance with the Uncertificated Securities Regulations 2001, including any modification or re-enactment thereof for the time being in force (the "**Uncertificated Securities Regulations**"). The Uncertificated Registered Bonds are participating securities for the purposes of the Uncertificated Securities Regulations.

- (j) *Title to the Uncertificated Registered Bonds:* Title to the Uncertificated Registered Bonds is recorded on the relevant Operator register of corporate securities. The CREST Registrar on behalf of the Issuer shall maintain a record of uncertificated corporate securities (the "**Record**") in relation to the Uncertificated Registered Bonds and shall procure that the Record is regularly updated to reflect the Operator register of corporate securities in accordance with the rules of the Operator. Subject to this requirement, (i) each person who is for the time being shown in the Record as the holder of a particular number of Uncertificated Registered Bonds shall be treated by the Issuer and the CREST Registrar as the holder of such number of Uncertificated Registered Bonds for all purposes (and the expressions "**Bondholder**" and "**Holder**" and related expressions shall be construed accordingly), and (ii) neither the Issuer nor the CREST Registrar shall be upon the assumption that the particulars entered in the Record which the CREST Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to the Uncertificated Registered Bonds.
- (k) *Transfers of Uncertificated Registered Bonds:* Title to Uncertificated Registered Bonds will pass upon registration of the transfer in the Operator register of corporate securities. All transactions in relation to Uncertificated Registered Bonds (including transfers of Uncertificated Registered Bonds) in the open market or otherwise must be effected through an account at the Operator subject to and in accordance with the rules and procedures for the time being of the Operator.

No provision of these Conditions as amended in accordance with the relevant Final Terms shall (notwithstanding anything contained therein) apply or have effect to the extent that it is in any respect inconsistent with (I) the holding of title to Uncertificated Registered Bonds in uncertificated form, (II) the transfer of title to Uncertificated Registered Bonds by means of a relevant system or (III) the Uncertificated Securities Regulations. Without prejudice to the generality of the preceding sentence and notwithstanding anything contained in these Conditions or the relevant Final Terms, so long as the Uncertificated Registered Bonds are participating securities, (A) the Operator register of corporate securities relating to the Uncertificated Registered Bonds shall be maintained at all times in the United Kingdom, (B) the Uncertificated Registered Bonds may be issued in uncertificated form in accordance with and subject as provided in the Uncertificated Securities Regulations, and (C) for the avoidance of doubt, the Conditions and the relevant Final Terms in relation to any Uncertificated Registered Bond shall remain applicable notwithstanding that they are not endorsed on any certificate for such Uncertificated Registered Bond.

As used herein each of "**Operator register of corporate securities**", "**participating securities**", "**record of uncertificated corporate securities**" and "**relevant system**" is as defined in the Uncertificated Securities Regulations and the relevant Operator (as such term is used in the Uncertificated Securities Regulations) is CREST (or any additional or alternative operator from time to time approved by the Issuer and the CREST Registrar in relation to the Uncertificated Registered Bonds and in accordance with the Uncertificated Securities Regulations. Any reference herein to the "**Operator**" shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator from time to time and notified to the holders of the Uncertificated Registered Bonds in accordance with Condition 20 (*Notices*).

If at any time:

- (i) a Bondholder ceases for any reason to be a member of CREST; or
- (ii) the Uncertificated Registered Bonds cease for any reason to be participating securities capable of being held in CREST,

then the Issuer (or BlueZest Funding Limited on its behalf) shall procure, with the reasonable assistance of the CREST Registrar, that Registered Bonds are issued in exchange for the Uncertificated Registered Bonds in accordance with the rules and procedures governing CREST, and that such Registered Bonds are registered in such names as the Operator shall notify to the Issuer.

4. Status

The Bonds are direct, unconditional and unsubordinated obligations of the Issuer, are secured in the manner set out in Condition 5 (*Issuer Security*), and rank *pari passu* among themselves.

5. Issuer Security

The Issuer's obligations in respect of the Bonds and under the Bond Trust Deed are secured (subject as provided in these Conditions) pursuant to the Issuer Deed of Charge in favour of the Issuer Security Trustee for the benefit of itself and the Bondholders and the other Issuer Secured Parties as follows:

(a) an assignment by way of first fixed security of all of its present and future rights, title and interest (actual and contingent) in, to, arising under and the benefit of:

- (A) each of the Transaction Documents to which it is a party;
- (B) the benefit of its beneficial interest in the security trust established in respect of the Borrower Security pursuant to the Security Trust Deed;
- (C) each other contract, agreement and deed governed by English law to which the Issuer is or becomes a party (other than the Bond Trust Deed and the Issuer Deed of Charge), and any other document, present and future, in each case relating to all or any part of the Issuer Charged Assets; and
- (D) all of its present and future rights, title and interest (actual and contingent) in and to and the benefit of each Advance and all of its other book debts, present and future, the proceeds of the same and all other moneys due and payable to it and the benefit of all rights, securities and guarantees of any nature enjoyed or held by it in relation to any of the foregoing (including entitlements to interest),

including, without limitation, all rights to receive payment of any amounts which may become payable to the Issuer thereunder and all payments received by the Issuer thereunder from time to time, all rights to serve notices and/or make demands thereunder and/or to take such steps as are required to cause payments to become due and payable thereunder and all rights of action in respect of any breach thereof and all rights to receive damages or obtain other relief in respect thereof;

(b) a charge by way of first fixed charge of:

- (A) the benefit of the Issuer Transaction Account and the Issuer Cash Reserve Account and all monies at any time standing to the credit of such accounts, together with all interest from time to time accrued or accruing on such monies, any investment made out of such monies or account and all rights to repayment of any of the foregoing; and
- (B) all of its present and future rights, title and interest (actual and contingent), in and to and the benefit of all of its rights in any agreements, reports and other documents from time to time relating to all or any part of the Issuer Charged Assets (but only if and to the extent the rights in question have not been effectively assigned); and

(c) a charge by way of first floating charge over the whole of the Issuer's undertaking and all of its property, assets and rights, whatsoever and wheresoever, present and future (other than amounts standing to the credit of the Issuer Profit Ledger), which are not for any reason effectively charged or assigned (whether in law or equity) pursuant to paragraphs (a) and (b) above.

The property charged and assigned pursuant to the Issuer Deed of Charge listed in paragraphs (a) to (c) above, together with any other property or assets held by and/or assigned to the Issuer Security Trustee and/or any deed or document supplemental thereto, in each case to the extent that they relate to the Bonds, is referred to herein as the "**Issuer Charged Assets**" and the security created thereby, the "**Issuer Security**".

The Issuer Security shall become enforceable upon the service of a Bond Enforcement Notice pursuant to Condition 15.1 (*Bond Event of Default*).

6. Borrower Security

BlueZest Mortgages' obligations in respect of the Loan Agreement are secured (subject as provided in these Conditions) pursuant to the Borrower Deed of Charge in favour of the Borrower Security Trustee for the benefit of itself and the Issuer (in its capacity as Lender under the Loan Agreement) and the other Borrower Secured Parties as follows:

- (a) an assignment by way of first fixed security of all of its present and future rights, title and interest (actual and contingent) in, to, arising under and the benefit of:
 - (A) the Mortgage Loans, Mortgages and Related Security;
 - (B) the MIG Policy which relate to Mortgage Loans;
 - (C) each of the Transaction Documents to which it is a party;
 - (D) each other contract, agreement and deed governed by English law to which the Borrower is or becomes a party (other than this Deed), and any other document, present and future, in each case relating to all or any part of the Borrower Charged Assets; and
 - (E) all of its other book debts, present and future, the proceeds of the same and all other moneys due and payable to it and the benefit of all rights, securities and guarantees of any nature enjoyed or held by it in relation to any of the foregoing (including entitlements to interest),

including, without limitation, all rights to receive payment of any amounts which may become payable to the Borrower thereunder and all payments received by the Borrower thereunder from time to time, all rights to serve notices and/or make demands thereunder and/or to take such steps as are required to cause payments to become due and payable thereunder and all rights of action in respect of any breach thereof and all rights to receive damages or obtain other relief in respect thereof; and

- (b) a charge by way of first fixed charge of:
 - (A) the benefit of the Collections Account and the Completions Account and all monies at any time standing to the credit of such accounts, together with all interest from time to time accrued or accruing on such monies, any investment made out of such monies or account and all rights to repayment of any of the foregoing; and
 - (B) all of its present and future rights, title and interest (actual and contingent), in and to and the benefit of all of its rights in any agreements, reports and other documents from time to time relating to all or any part of the Issuer Charged Assets (but only if and to the extent the rights in question have not been effectively assigned).

The property charged and assigned pursuant to the Borrower Deed of Charge listed in paragraphs (a) and (b) above, together with any other property or assets held by and/or assigned to the Borrower Security Trustee and/or any deed or document supplemental thereto,

in each case to the extent that they relate to the Loan Agreement, is referred to herein as the "**Borrower Charged Assets**" and the security created thereby, the "**Borrower Security**".

The Borrower Security shall become enforceable upon the service of a Loan Enforcement Notice pursuant to clause 11.2 (*Consequence of a Loan Event of Default*) of the Loan Agreement or a Bond Enforcement Notice pursuant to Condition 15.1 (*Bond Event of Default*).

7. Order of payments

7.1 Pre-enforcement

Prior to the service of a Bond Enforcement Notice, on each Interest Payment Date in respect of a Series of Bonds, the Cash Manager (on behalf of the Issuer) shall apply an amount equal to the monies standing to the credit of the Issuer Transaction Account (other than amounts standing to the credit of the Issuer Profit Ledger) and the Issuer Cash Reserve Account as at the immediately preceding Calculation Date, in making payments, based on the Cash Manager's calculations, in the following order of priority (the "**Pre-Enforcement Priority of Payments**"):

first, in payment, on a *pro rata* and *pari passu* basis, of any unpaid fees, costs, charges, expenses and liabilities incurred by or payable to the Bond Trustee, the Borrower Security Trustee, the Issuer Security Trustee and any appointee in preparing and executing the trusts under the Bond Trust Deed, the Borrower Deed of Charge, the Issuer Deed of Charge and the Security Trust Deed (including the costs of realising (i) any Issuer Security or Borrower Security and (ii) the Bond Trustee's and/or Borrower Security Trustee's and/or the Issuer Security Trustee's (as applicable) and any appointee's remuneration), together with any amount in respect of VAT payable thereon as provided for therein;

second, in payment, on a *pro rata* and *pari passu* basis, of any unpaid fees, costs, charges, expenses and liabilities incurred by or payable to the Account Bank, the Calculation Agent, the Cash Manager, the Corporate Services Provider, the Principal Paying Agent (if appointed), the CREST Registrar, the Registrar (if appointed) and/or the Transfer Agent (if appointed) under the Transaction Documents, together with any amount in respect of VAT payable thereon as provided for therein, together with any other Third Party Expenses of the Issuer;

third, at the request of BlueZest Mortgages, in payment of amounts due to BlueZest Mortgages by way of reimbursement of amounts paid by BlueZest Mortgages to the MIG Provider under the MIG Policy which have not yet been reimbursed;

fourth, at the request of BlueZest Mortgages, in payment, of all amounts due and payable to the Servicer under the Transaction Documents, which have not yet been paid, together with any amount in respect of VAT payable thereon as provided for therein;

fifth, to retain an amount equal to the Issuer Profit Amount, which shall be credited to the Issuer Profit Ledger;

sixth, in payment, on a *pro rata* and *pari passu* basis, to the Bondholders of any interest due and payable in respect of the Bonds;

seventh, in payment, on a *pro rata* and *pari passu* basis, to the Bondholders of any principal and other amount due and payable in respect of the Bonds;

eighth, at the request of BlueZest Mortgages, in payment of all amounts due to BlueZest Mortgages by way of reimbursement of (i) any amounts payable by the Issuer to the Account Bank, the Calculation Agent, the Cash Manager, the Corporate Services Provider, the Principal Paying Agent (if appointed), the CREST Registrar, the Registrar (if appointed) and/or the Transfer Agent (if appointed) under the Transaction Documents to the extent such amounts have been paid by BlueZest Mortgages on behalf of the Issuer, together with any amount in respect of VAT payable thereon as provided for therein; and (ii) any Third Party

Expenses of the Issuer paid by BlueZest Mortgages on behalf of the Issuer, in each case, to the extent such amounts have not yet been reimbursed;

ninth, in payment, on a *pro rata* and *pari passu* basis, of any amounts payable to any other creditor of the Issuer;

tenth, during the Cash Reserve Accumulation Period or if a Bond Event of Default has occurred and is continuing, in increasing the Cash Reserve by an amount equal to any surplus by crediting such amount to the Issuer Cash Reserve Account; and

eleventh, after the Cash Reserve Accumulation Period and provided that no Bond Event of Default has occurred and is continuing, in payment to BlueZest Mortgages of any surplus, as an additional servicing fee, by crediting such account as BlueZest Mortgages may specify.

7.2 **Post-enforcement**

Following the service of a Bond Enforcement Notice, the Issuer Security Trustee shall use all monies standing to the credit of the Issuer Transaction Account, the Issuer Cash Reserve Account and the net proceeds of enforcement of the Borrower Security and Issuer Security in making payments in the following order of priority (the "**Post-Enforcement Priority of Payments**"):

first, in payment, on a *pro rata* and *pari passu* basis, of any unpaid fees, costs, charges, expenses and liabilities incurred by or payable to the Bond Trustee, the Borrower Security Trustee, the Issuer Security Trustee and any appointee in preparing and executing the trusts under the Bond Trust Deed, the Borrower Deed of Charge, the Issuer Deed of Charge and the Security Trust Deed (including the costs of enforcing and/or realising (i) any Issuer Security or Borrower Security and (ii) the Bond Trustee's and/or Borrower Security Trustee's and/or the Issuer Security Trustee's (as applicable) and any appointee's remuneration), together with any amount in respect of VAT payable thereon as provided for therein;

second, in payment, on a *pro rata* and *pari passu* basis, of any unpaid fees, costs, charges, expenses and liabilities incurred by or payable to the Account Bank, the Calculation Agent, the Cash Manager, the Corporate Services Provider, the Principal Paying Agent (if any), the CREST Registrar, the Registrar (if any) and/or the Transfer Agent (if any) under the Transaction Documents, together with any amount in respect of VAT payable thereon as provided for therein, together with any Third Party Expenses of the Issuer;

third, in payment, on a *pro rata* and *pari passu* basis, to the Bondholders of any interest due and payable in respect of the Bonds;

fourth, in payment, on a *pro rata* and *pari passu* basis, to the Bondholders of any principal and other amount due and payable in respect of the Bonds;

fifth, in payment of amounts due to BlueZest Mortgages by way of reimbursement of amounts paid by BlueZest Mortgages to the MIG Provider under the MIG Policy which have not yet been reimbursed;

sixth, in payment, of all amounts due and payable to the Servicer under the Transaction Documents, which have not yet been paid, together with any amount in respect of VAT payable thereon as provided for therein;

seventh, in payment of all amounts due to BlueZest Mortgages by way of reimbursement of (i) any amounts payable by the Issuer to the Account Bank, Calculation Agent, the Cash Manager, the Corporate Services Provider, the Principal Paying Agent (if any), the CREST Registrar, the Registrar (if any) and/or the Transfer Agent (if any) under the Transaction Documents to the extent such amounts have been paid by BlueZest Mortgages on behalf of the Issuer, together with any amount in respect of VAT payable thereon as provided for therein; and (ii) any Third Party Expenses of the Issuer paid by BlueZest Mortgages on behalf of the Issuer, in each case, to the extent such amounts have not yet been reimbursed;

eighth, in payment, on a *pro rata* and *pari passu* basis, of any amounts payable to any other creditor of the Issuer; and

ninth, in payment to BlueZest Mortgages of any surplus, as an additional servicing fee, by crediting such account as BlueZest Mortgages may specify.

8. Covenants

Save with the prior written consent of the Bond Trustee and the Issuer Security Trustee or as expressly provided in or as expressly envisaged by the Transaction Documents, the Issuer shall not, so long as any Issuer Secured Obligation remains outstanding:

- (a) **Negative Pledge:** create or permit to subsist any mortgage, security, pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking other than pursuant to any of the Transaction Documents;
- (b) **Restrictions on Activities:**
 - (i) engage in any activity or do anything other than: issue Bonds under the Transaction Documents subject always to the Maximum Issuance Amount prevailing from time to time; make the proceeds of the issue of Bonds available to BlueZest Mortgages as a committed loan facility under the Loan Agreement; perform its obligations under the Bond Trust Deed, the Issuer Deed of Charge, the Loan Agreement and the other Transaction Documents to which it is a party; and perform any acts incidental to or necessary in connection with the aforesaid at all times in accordance with its constitutional documents;
 - (ii) have any employees or subsidiary companies, act as director of any other entity, consolidate or merge with any other person, convey or transfer its properties or assets substantially as an entirety to any person (save as provided in the Transaction Documents), give any guarantee or indemnity or create or permit to subsist, over any of the security constituted by or created pursuant to the Issuer Security Documents or any other Transaction Document, any mortgage or charge or any other security interest (other than by operation of law) over its assets other than pursuant to the Transaction Documents or any document supplemental to the Transaction Documents;
- (c) **Dividends or Distributions:** pay any dividend or make any other distribution to its shareholders (except from amounts standing to the credit of the Issuer Profit Ledger which are available for distribution) or issue any further shares; or
- (d) **Borrowings:** incur or permit to subsist any indebtedness in respect of borrowed money whatsoever or give any guarantee in respect of any obligation of any person;
- (e) **Disposal of Assets:** transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option over, present or future, or right to acquire, any of the Issuer Charged Assets or any interest, estate, right, title or benefit therein or thereto or agree or attempt or purport to do so, except that the Issuer may (and may agree to), in respect of all or any part of its assets or undertaking, transfer, sell, lend, pledge, part

with or otherwise dispose of or deal with, or grant any option over any present or future right to acquire any of its assets or undertaking or any interest, estate right title or benefit therein where contemplated in or provided for in the Transaction Documents and where the proceeds of the same are applied *inter alia*, in or towards the redemption of the Bonds in accordance with the terms and conditions of the Bonds and the terms of the Transaction Documents;

- (f) **Insolvency:** take any action which would lead to the dissolution, liquidation or winding-up of itself (including, without limitation, the filing of documents with the court or the service of a notice of intention to appoint an administrator) or to the amendment of its constitutional documents or to the impairment of the rank, validity and effectiveness of any security created pursuant to the Issuer Deed of Charge or any other Transaction Document;
- (g) **Other:** permit any of the Transaction Documents or the priority of the security interests created thereby to be amended, invalidated, rendered ineffective, terminated or discharged, or consent to any variation thereof, or exercise of any powers of consent or waiver in relation thereto pursuant to the terms of the Bond Trust Deed and these Conditions, or permit any party to any of the Transaction Documents or any other person whose obligations form part of the Security to be released from such obligations, or dispose of any Mortgage, in each case save as envisaged in the Transaction Documents.

9. Fixed Rate Bond Provisions

- (a) **Application:** This Condition 9 is applicable to the Bonds only if the Fixed Rate Bond Provisions are specified in the relevant Final Terms as being applicable.
- (b) **Accrual of interest:** The Bonds bear interest from (and including) the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 12 (*Payments - Registered Bonds*) or Condition 13 (*Payments - Uncertificated Registered Bonds*) (as applicable). Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 9(b) (as well after as before judgment) until (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Principal Paying Agent, CREST Registrar or the Bond Trustee (as applicable) has notified the Bondholders that it has received all sums due in respect of the Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) **Fixed Coupon Amount / Broken Amount:** The amount of interest payable in respect of each Bond for any Interest Period shall be the relevant Fixed Coupon Amount or, if specified in the applicable Final Terms, the Broken Amount and, if the Bonds are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount or Broken Amount (if applicable) in respect of the relevant Specified Denomination.
- (d) **Calculation of interest amount:** The amount of interest payable in respect of each Bond for any period for which a Fixed Coupon Amount or Broken Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest £0.01 (with £0.005) being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Bond divided by the Calculation Amount.

10. Floating Rate Bond Provisions

- (a) **Application:** This Condition 10 is applicable to the Bonds only if the Floating Rate Bond Provisions are specified in the relevant Final Terms as being applicable.

- (b) *Accrual of interest:* The Bonds bear interest from (and including) the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 12 (*Payments - Registered Bonds*) or Condition 13 (*Payments - Uncertificated Registered Bonds*) (as applicable). Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Principal Paying Agent, CREST Registrar or the Bond Trustee (as applicable) has notified the Bondholders that it has received all sums due in respect of the Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Bonds for each Interest Period will be determined by the Calculation Agent on the following basis:
- (i) the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (iii) if such rate does not appear on that page, or if the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal London offices of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the London interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
 - (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in London selected by the Calculation Agent, at approximately 11.00 a.m. (local time in London) on the first day of the relevant Interest Period for loans in pounds sterling to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,
- and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Bonds during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Bonds in respect of a preceding Interest Period.
- (d) *ISDA Determination:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Bonds for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.
- (e) *Bank of England Base Rate Determination for Floating Rate Bonds:* If Bank of England Base Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Bonds for each Interest Period will be the Bank of England Base Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any) all as determined by the Calculation Agent.

"Bank of England Base Rate" means the most recent published rate for deposits for a period equal to the Designated Maturity (as specified in the applicable Final Terms) which appears on the Relevant Screen Page (as specified in the applicable Final Terms) as of 5:00 p.m., London time, on the Interest Determination Date (as specified in the applicable Final Terms) or, if such Relevant Screen Page is not available, such replacement page as the Calculation Agent shall select, or if the Calculation Agent determines no suitable replacement page exists, the rate determined by the Calculation Agent in good faith and in a commercially reasonable manner.

- (f) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified. Unless otherwise stated in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.
- (g) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Bond for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest £0.01 (with £0.005 being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Bond divided by the Calculation Amount.
- (h) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Principal Paying Agent or the CREST Registrar (as applicable) and each competent authority, stock exchange and/or quotation system (if any) by which the Bonds have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the third Business Day thereafter. Notice thereof shall also promptly be given to the Bondholders.

The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Bond having the minimum Specified Denomination.

- (i) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 10 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer,

the Principal Paying Agent, the CREST Registrar, the Bondholders, the Cash Manager and BlueZest Mortgages and (in the absence of fraud) no liability to any Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

- (j) *Determination or Calculation by Bond Trustee:* If the Calculation Agent fails at any time to determine a Rate of Interest or to calculate an Interest Amount, the Bond Trustee may (but is not obliged to) determine such Rate of Interest and make such determination or calculation which shall be deemed to have been made by the Calculation Agent. In doing so, the Bond Trustee shall apply all of the provisions of these Conditions with any necessary consequential amendments to the extent that, in its sole opinion and with absolute discretion, it can do so and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances and will not be liable for any loss, liability, cost, charge or expense which may arise as a result thereof. Any such determination or calculation made by the Bond Trustee shall be binding on the Issuer, the Principal Paying Agent, the CREST Registrar and the Bondholders and the Bond Trustee may rely on the advice of a professional adviser in making such determinations or calculations or appoint an agent on behalf of the Issuer to do so.
- (k) All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 10 by the Calculation Agent or the Bond Trustee (or agent appointed or nominated by it), as the case may be, shall (in the absence of manifest error) be binding on the Issuer, the Principal Paying Agent, the CREST Registrar, the Cash Manager, BlueZest Mortgages and the Bondholders and (in the absence of fraud) no liability to any Person shall attach to the Calculation Agent or the Bond Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to this Condition 10.

11. Redemption and Purchase

- (a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their Final Redemption Amount together with accrued interest on the Maturity Date, subject as provided in Condition 12 (*Payments - Registered Bonds*).
- (b) *Mandatory redemption following prepayment of the Loan:* If Mandatory Redemption (Prepayment of Loan) is specified in the relevant Final Terms as being applicable and BlueZest Mortgages elects to prepay one or more Advance(s) of the Loan as and when permitted to do so in the Loan Agreement, the Issuer shall redeem such amount of Bonds (as corresponds to the Advance(s) prepaid) on the Interest Payment Date falling after the Optional Loan Prepayment Date.

In these Conditions, "**Optional Loan Prepayment Date**" means any date on which BlueZest Mortgages prepays one or more Advance(s) of the Loan in accordance with clause 5(b) of the Loan Agreement.

Each Bond redeemed pursuant to this Condition 11(b) will be redeemed in sterling by the Issuer at the Redemption Amount (Prepayment of Loan), as determined (where necessary) by the Calculation Agent (together, if appropriate, with interest accrued to (but excluding) the relevant redemption date).

The Issuer will give not less than 30 nor more than 60 days' notice to the Bond Trustee, the Principal Paying Agent, the CREST Registrar and, in accordance with Condition 21 (*Notices*), the Bondholders (which notice shall be irrevocable), prior to the date of redemption of the Bonds pursuant to this Condition 11(b).

- (c) *Redemption at the option of the Issuer on a specified date:* If Call Option (Specified Date) is specified in the relevant Final Terms as being applicable, the Bonds may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Bondholders, the Bond Trustee, the Principal Paying Agent and the CREST

Registrar, or such other period(s) as may be specified in the relevant Final Terms, (which notice shall be irrevocable and shall oblige the Issuer to redeem the Bonds or, as the case may be, the Bonds specified in such notice on the relevant Optional Redemption Date (Call)) at the applicable amount specified in the relevant Final Terms (together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date (Call)) being the Optional Redemption Amount (Call), as determined (where necessary) by the Calculation Agent.

On the date specified for redemption in the notice given by the Issuer, the Issuer shall redeem the Bonds as specified in the notice in accordance with this Condition 11(c).

All notifications, opinions, determinations, certifications, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 11(c) by the Principal Paying Agent or the CREST Registrar (as applicable), shall (in the absence of manifest error), be binding on the Issuer, the Principal Paying Agent, the Bond Trustee, the Paying Agents, the CREST Registrar (if applicable) and all Bondholders.

(d) *Make-Whole Amount:* If Make-Whole Amount is specified as the Redemption Amount, the Redemption Amount per Bond shall be equal to the greater of the following, in each case together with interest accrued to (but excluding) the relevant redemption date(s):

- (i) the principal amount of the Bond; and
- (ii) the principal amount of the Bond multiplied by the price (as reported in writing to the Issuer and the Bond Trustee by an independent financial adviser acting as expert (the "**Financial Adviser**") appointed by the Issuer (or BlueZest Funding on its behalf) and at the Issuer's expense and approved in writing by the Bond Trustee) 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)) equal to the Gross Redemption Yield at the Quotation Time (specified in the relevant Final Terms) on the Determination Date (specified in the relevant Final Terms) of the Reference Bond (specified in the relevant Final Terms) (or, where the Financial Adviser advises the Issuer and the Bond Trustee that, for reasons of illiquidity or otherwise, such Reference Bond (specified in the Final Terms) is not appropriate for such purpose, such other government stock as such Financial Adviser may recommend) plus any applicable Redemption Margin (specified in the relevant Final Terms).

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

In this Condition 11(d), "**Gross Redemption Yield**" means a yield calculated in accordance with generally accepted market practice at such time, as advised to the Issuer and the Bond Trustee by the Financial Adviser.

(e) *Redemption at the option of a representative of a deceased Bondholder:* If Put Option (Deceased Bondholder) is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of the representative of a deceased Bondholder, redeem the Bonds held by such Bondholder on a redemption date (which must be an Interest Payment Date in relation to the relevant Bonds) selected by such representative and notified in writing to the Issuer, and at the principal amount outstanding of such Bonds (together with interest (if any) accrued to such redemption date), provided that the conditions to redemption (as specified in the applicable Final Terms) have been satisfied.

(f) *Mandatory redemption to cure a Maturity Mismatch:* If Mandatory Redemption (Maturity Mismatch) is specified in the relevant Final Terms as being applicable, the Calculation Agent shall calculate on each Determination Date whether a Maturity Mismatch has occurred.

If, in relation to a Determination Date, the Calculation Agent determines that a Maturity Mismatch has occurred, it shall notify the Issuer and BlueZest Mortgages of such occurrence and the Issuer shall redeem, on an Interest Payment Date in accordance with the relevant

Priority of Payments, such amount of Bonds (as determined by BlueZest Funding Limited, in order of the Bonds that have the shortest remaining scheduled maturities), will cure the Maturity Mismatch.

Each Bond redeemed pursuant to this Condition 11(f) will be redeemed in sterling by the Issuer at the outstanding principal amount of such Bond (together, if appropriate, with interest accrued to (but excluding) the relevant redemption date).

The Issuer will give not less than 30 nor more than 60 days' notice to the Bond Trustee, the Cash Manager, the Principal Paying Agent (if appointed), the CREST Registrar and, in accordance with Condition 21 (*Notices*), the Bondholders (which notice shall be irrevocable), prior to the date of redemption of the Bonds pursuant to this Condition 11(f).

- (g) *Partial redemption:* If the Bonds are to be redeemed in part only on any date in accordance with Condition 11(c) (*Redemption at the option of the Issuer on a specified date*) or Condition 11(f) (*Mandatory redemption to cure a Maturity Mismatch*), each Bond shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Bonds to be redeemed on the relevant redemption date bears to the aggregate principal amount of outstanding Bonds on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the amount of Bonds so redeemed shall in no event be greater than the maximum or be less than the minimum so specified.
- (h) *No other redemption:* The Issuer shall not be entitled to redeem the Bonds otherwise than as provided in paragraphs (a) to (g) above.
- (i) *Purchase:* The Issuer may at any time purchase Bonds in the open market or otherwise and at any price.
- (j) *Cancellation:* All Bonds so redeemed or purchased by the Issuer or any Bond Certificate surrendered shall be cancelled and may not be reissued or resold.

12. Payments - Registered Bonds

This Condition 12 is only applicable to Registered Bonds.

- (a) *Principal:* Payments of principal shall be made by cheque drawn on, or by transfer to a sterling account maintained by the payee with, a bank in the United Kingdom and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Bond Certificates at the Specified Office of a Paying Agent.
- (b) *Interest:* Payments of interest shall be made by cheque drawn on, or by transfer to a sterling account maintained by the payee with, a bank in the United Kingdom and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Bond Certificates at the Specified Office of a Paying Agent.
- (c) *Payments subject to fiscal laws:* All payments in respect of Registered Bonds will be subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 14 (*Taxation*) 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 (inclusive) of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.
- (d) *Payments on Business Days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Bond Certificate is surrendered (or, in the case of part payment only, endorsed) at the

Specified Office of the relevant Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Bond shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 12 arriving after the due date for payment or being lost in the mail.

- (e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Registered Bond, the Registrar (on behalf of the Issuer) shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Bond Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Bond Certificate.
- (f) *Record date:* Each payment in respect of a Registered Bond will be made to the person shown as the Holder in the Register at the close of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Bond is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the close of business on the relevant Record Date.

13. Payments - Uncertificated Registered Bonds

- (a) *Principle and interest:* The Issuer (or the CREST Registrar on its behalf) shall pay or cause to be paid when due payments of principal and interest (if any) in respect of Uncertificated Registered Bonds to: (i) the relevant Bondholder's cash memorandum account (as shown in the records of the Operator), such payment to be made in accordance with the rules of the Operator; or (ii) by transfer to a sterling account maintained by the payee with a bank in the United Kingdom. In the case of payments made in accordance with the rules of the Operator, each of the persons shown in the Operator register of corporate securities as holder of a particular principal amount of Uncertificated Registered Bonds must look solely to the settlement bank or institution at which its cash memorandum account is held for its share of each such payment so made by or on behalf of the Issuer.
- (b) *Record date:* Each payment in respect of an Uncertificated Registered Bonds will be made to the person shown as the Holder in the Record at the close of business in the place of the CREST Registrar's Specified Office on the fifteenth Business Day before the due date for such payment (the "**Record Date**").

14. Taxation

- (a) *Gross up:* All payments of principal and interest in respect of the Bonds by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall make payments after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. None of the Issuer, a Paying Agent or the CREST Registrar shall be obliged to make any additional payments to Bondholders in respect of such withholding or deduction.
- (b) *Taxing jurisdiction:* If the Issuer becomes subject at any time to any taxing jurisdiction either in addition to, or other than, the United Kingdom, references in these Conditions to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.
- (c) *FATCA:* Notwithstanding any other provisions contained herein, the Issuer shall be permitted to withhold or deduct any amounts required by FATCA ("**FATCA withholding**") and none of the Issuer, a Paying Agent or the CREST Registrar will have any obligation to pay additional

amounts or otherwise indemnify a Holder for any such FATCA withholding deducted or withheld by the Issuer or any other party.

15. Bond Events of Default and Enforcement

15.1 Bond Events of Default

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 20 per cent. in Principal Amount Outstanding of the Bonds or if so directed by a Programme Resolution shall (subject in each case to being indemnified and/or secured and/or prefunded to its absolute satisfaction), (but in the case of the happening of any of the events described in paragraphs (b) and (d) to (f) inclusive below, only if the Bond Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Bondholders), give notice in writing to the Issuer ("**Bond Enforcement Notice**") that each Bond is, and each Bond shall thereupon immediately become due and repayable at the Final Redemption Amount together with accrued but unpaid interest as provided in the Bond Trust Deed (and the Issuer Security and Borrower Security shall thereupon become enforceable) if any of the following events (each a "**Bond Event of Default**") shall occur:

- (a) if default is made in the payment of any principal or interest due in respect of the Bonds or any of them and the default continues for a period of 10 Business Days in the case of principal and 10 Business Days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under the Conditions or the Bond Trust Deed, insofar as they relate to the Bonds, and (except in any case where, in the opinion of the Bond Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the Bond Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if any order is made by any competent court or resolution passed for the winding-up or dissolution of the Issuer, save for the purposes of reorganisation on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution; or
- (d) if the Issuer ceases or threatens to cease to carry on the whole or substantially all of its business, save for the purposes of reorganisation on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution, or the Issuer stops payment of, or is unable to pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (e) if (A) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, liquidator, manager, administrator or other similar official, or an administrative or other receiver, liquidator, manager, administrator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them and (B) in any case (other than the appointment of an administrator) is not discharged within 14 days; or
- (f) if the Issuer initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a

proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

15.2 Enforcement

The Bond Trustee may at any time, at its discretion and without notice, take such proceedings and/or other action or steps or proceedings (including lodging an appeal in any proceedings) against or in relation to the Issuer as it may think fit to enforce the provisions of the Bond Trust Deed, the Bonds and/or (to the extent that they relate to the Bonds or otherwise) any of the other Transaction Documents and at any time after the service of a Bond Enforcement Notice, the Bond Trustee may instruct the Issuer Security Trustee (who shall direct the Borrower Security Trustee) to take any action specified in the Borrower Deed of Charge, the Issuer Deed of Charge and the Security Trust Deed to enforce the same (including the Issuer Security and the Borrower Security), but it shall not be bound to take any such proceedings or other steps or action unless (i) it shall have been so directed by a Programme Resolution or so requested in writing by the holders of at least 20 per cent. in Principal Amount Outstanding of the Bonds (whichever shall be the first to so direct or request) and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

The Bond Trustee, the Borrower Security Trustee and the Issuer Security Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Bond Trustee, the Borrower Security Trustee and the Issuer Security Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power. No Bondholder shall be entitled to (i) take any steps or action against the Issuer to enforce the performance of any of the provisions of the Bond Trust Deed, the Bonds and/or the Transaction Documents or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer unless the Bond Trustee, having become bound so to take such action, steps or proceedings, fails so to do within a reasonable period and the failure shall be continuing.

15.3 Limited Recourse

Notwithstanding any other Condition or any provision of the Transaction Documents, all obligations of the Issuer to the Bondholders and the Issuer Secured Parties are limited in recourse to the Issuer Charged Assets. If:

- (a) there are no Issuer Charged Assets remaining which are capable of being realised or otherwise converted into cash;
- (b) all amounts available from the Issuer Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Issuer Deed of Charge and the Security Trust Deed; and
- (c) there are insufficient amounts available from the Issuer Charged Assets to pay in full, in accordance with the provisions of the Bond Trust Deed, amounts outstanding under the Bonds (including payments of principal, premium and interest), then the Bondholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid (including, for the avoidance of doubt, payments of principal, premium and/or interest in respect of the Bonds) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

In addition, none of the Bondholders or the other Issuer Secured Parties shall be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, reorganisation, arrangement, insolvency or liquidation proceedings or other

proceedings under applicable bankruptcy or similar law in connection with any obligations of the Issuer relating to the issuance of the Bonds, save for lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer and *provided that* the Issuer Security Trustee may enforce the Issuer Security and appoint an administrative or other receiver in accordance with the provisions of the Issuer Deed of Charge and the Security Trust Deed.

16. Prescription

Claims in respect of principal and interest in respect of the Registered Bonds will become prescribed unless the relevant Bond Certificates are presented for payment, within 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date therefor.

For these purposes, the "**Relevant Date**" means a day on which such payment first becomes due, except that, if the full amount of the moneys payable has not been received by the Bond Trustee or the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received and notice has been duly given to Bondholders in accordance with Condition 21 (*Notices*) that, upon further surrender of Bond Certificates representing such Bond being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

17. Replacement of Bond Certificate

If any Bond or Bond Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar or Transfer Agent (as the case may be) (and, if the Bonds are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a principal agent in any particular place, the principal agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system 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 may reasonably require. Mutilated or defaced Bonds or Bond Certificates must be surrendered before replacements will be issued.

18. Bond Trustee, Borrower Security Trustee, Issuer Security Trustee and Agents

Under the Bond Trust Deed, the Borrower Deed of Charge, the Issuer Deed of Charge, the Security Trust Deed and any other Transaction Document (as applicable), the Bond Trustee, the Borrower Security Trustee and the Issuer Security Trustee are entitled to be indemnified and/or secured and/or prefunded and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Bondholders. In addition, the Bond Trustee, the Borrower Security Trustee and the Issuer Security Trustee are entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

Each of the Bond Trust Deed, the Borrower Deed of Charge, the Issuer Deed of Charge and the Security Trust Deed (as applicable) provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Bond Trustee or the Borrower Security Trustee or the Issuer Security Trustee (as applicable) shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Bondholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

In the exercise of its trusts, rights, powers and discretions under these Conditions, the Bond Trust Deed and any other Transaction Document to which it is party, the Bond Trustee will have regard to the general interests of the Bondholders as a class and will not have regard or

be responsible for any consequence for individual Bondholders as a result of such Bondholders being connected in any way with a particular territory or taxing jurisdiction and the Bond Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer, the Bond Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders except to the extent already provided for in Condition 14 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 14 (*Taxation*) pursuant to the Bond Trust Deed.

In acting under the Agency Agreement and the Registrar Agreement and in connection with the Bonds the Agents act solely as agents of the Issuer and (to the extent provided therein and so required by the Bond Trustee) the Bond Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders.

The Issuer reserves the right (with the prior written approval of the Bond Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor Principal Paying Agent, Registrar, Transfer Agent or Calculation Agent and additional or successor paying agents in the manner specified in the Agency Agreement; *provided, however, that:*

- (i) the Issuer shall at all times maintain, in the case of Bonds other than Uncertificated Registered Bonds, a Principal Paying Agent, a Registrar and a Transfer Agent or, in the case of Uncertificated Registered Bonds, a CREST Registrar (as the case may be); and
- (ii) the Issuer shall at all times maintain a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC; and
- (iii) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (iv) if and for so long as the Bonds are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a paying agent and/or a transfer agent in any particular place, the Issuer shall maintain a paying agent and/or a transfer agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Bondholders in accordance with Condition 21 (*Notices*).

19. Meetings of Bondholders; Modification and Waiver; Substitution

- (a) *Meetings of Bondholders:* The Bond Trust Deed contains provisions for convening meetings of Bondholders to consider matters relating to the Bonds, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Bond Trustee and shall be convened by the Bond Trustee upon the request in writing of Bondholders holding not less than 10 per cent. of the Principal Amount Outstanding of the Bonds, subject to the Bond Trustee being indemnified, secured and/or pre-funded to its satisfaction.

The quorum at any meeting for passing an Extraordinary Resolution (subject as provided below) or a Programme Resolution shall be one or more persons present holding or representing more than 50 per cent. of the Principal Amount Outstanding of the Bonds of the relevant Series for the time being outstanding *provided that* at any meeting the business of which includes any Series Reserved Matter (other than in relation to a Programme Resolution) (each of which shall, subject to certain conditions), only be capable of being effected after having been approved by Extraordinary Resolution), the quorum shall be one or more persons present holding or representing in the aggregate not less than 66.67 per cent. of the Principal Amount Outstanding of the Bonds of all Series for the time being outstanding.

Notwithstanding the provisions of the immediately preceding paragraph, any Programme Resolution shall only be capable of being passed at a single meeting of the holders of the Bonds of all Series then outstanding.

In addition, a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Bonds which resolution will take effect as if it were an Extraordinary Resolution. 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 Bond Trustee and the Issuer may, without the consent of the Bondholders, agree to any modification of the Bonds, the Bond Trust Deed, the Conditions or any of the other Transaction Documents (other than in respect of a Series Reserved Matter) which is, in the opinion of the Bond Trustee, not materially prejudicial to the interests of Bondholders and to any modification of the Bonds, the Bond Trust Deed, the Conditions or any of the other Transaction Documents which, in the opinion of the Bond Trustee, is of a formal, minor or technical nature or is to correct a manifest or proven error or to comply with mandatory provisions of law.

In addition, the Bond Trustee may, without the consent of the Bondholders authorise or waive any proposed breach or breach of the Bonds, the Bond Trust Deed, the Conditions or any of the other Transaction Documents (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Bond Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

Unless the Bond Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Bondholders as soon as practicable thereafter. Any such authorisation, waiver or modification shall be binding on the Bondholders and the other Issuer Secured Parties.

- (c) *Substitution:* The Bond Trust Deed contains provisions under which the Bond Trustee may, without the consent of the Bondholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) of any other company as the principal debtor under the Bonds and the Bond Trust Deed *provided that* certain conditions specified in the Bond Trust Deed are fulfilled.

No Bondholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Bondholder, except to the extent provided for in Condition 14 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Bond Trust Deed).

20. Further Issues

The Issuer may from time to time, without the consent of the Bondholders and in accordance with these Conditions, the Bond Trust Deed and the other Transaction Documents create and issue further Bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest) so as to form a single Series with the Bonds. The Issuer may from time to time, with the consent of the Bond Trustee, create and issue other Series of Bonds having the benefit of the Bond Trust Deed.

21. Notices

- (a) *Registered Bonds:* Notices to Holders of Registered Bonds shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.
- (b) *Uncertificated Registered Bonds:* Notices to Holders of Uncertificated Registered Bonds shall be sent by:

- (i) first class mail or (if posted to an address overseas) by airmail to the Holders at their respective addresses appearing in the Record and will be deemed to have been given on the fourth day after mailing; or
 - (ii) electronic mail according to the details appearing in the Record and will be deemed to have been given on the Business Day after the electronic mail is sent.
- (c) The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed or by which they have been admitted to trading.

22. Currency Indemnity

If any sum due from the Issuer in respect of the Bonds or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Bonds, the Issuer shall indemnify each Bondholder, on the written demand of such Bondholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Paying Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Bondholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

23. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.) and (b) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

24. 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, but this does not affect any right or remedy of any person which exists or is available apart from under the Contracts (Rights of Third Parties) Act 1999.

25. Governing Law

The Bonds and the Transaction Documents and any non-contractual obligations arising out of or in connection with them are governed by, and construed in accordance with, English law.

C

APPENDIX C: FORM OF THE BONDS

This appendix sets out the legal form in which the Bonds will be issued, including that legal title to the Bonds shall pass by registration in the relevant register and that Investors will trade legal and/or beneficial interests in the Bonds electronically in certain clearing or settlement systems.

FORMS OF THE BONDS

Registered Bonds

Each Tranche of Registered Bonds will be in the form of either individual bond certificates in registered form ("**Definitive Registered Bonds**") or a global bond in registered form (a "**Global Registered Bond**"), in each case as specified in the relevant Final Terms.

In a press release dated 22 October 2008, "*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*", the European Central Bank (the "**ECB**") announced that it has assessed the new holding structure and custody arrangements for registered securities which the international central securities depositories (together, the "**ICSDs**") had designed in cooperation with market participants and that Bonds to be held under the new structure (the "**New Safekeeping Structure**" or "**NSS**") would be in compliance with the "*Standards for the use of EU securities settlement systems in ESCB credit operations*" of the central banking system for the euro (the "**Eurosystem**"), subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Bonds to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2010 and that registered debt securities in global registered form held issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used.

Whether or not the Bonds are intended to be held in a manner which would allow Eurosystem eligibility will be set out in the relevant Final Terms. Note that the designation "Yes" in the relevant Final Terms means that the Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, and does not necessarily mean that the Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. Where the designation is specified as "No" in the relevant Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Bonds are capable of meeting them, the Bonds may then be deposited with one of the ICSDs as common safekeeper and registered in the name of a nominee of one of the ICSDs acting as common safekeeper. Note that this does not necessarily mean that the Bonds will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

Each Global Registered Bond will either be: (a) in the case of a Bond which is not to be held under the New Safekeeping Structure, registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Bond will be deposited on or about the issue date with the common depository and will be exchangeable in accordance with its terms; or (b) in the case of a Bond to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Bond will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg and will be exchangeable for Definitive Registered Bonds in accordance with its terms.

If the relevant Final Terms specifies the form of Bonds as being "*Global Registered Bond exchangeable for Definitive Registered Bonds in the limited circumstances described in the Global Registered Bond*", then the Bonds will initially be in the form of a Global Registered Bond which will be exchangeable in whole, but not in part, for Definitive Registered Bonds if any of the following events occurs:

- (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business;
- (b) any of the circumstances described in Condition 15 (*Bond Events of Default and Enforcement*) occurs; or

- (c) if, on the occasion of the next payment due in respect of the Bonds of the relevant Series, the Issuer or a Paying Agent would be required to make any deduction or withholding from any payment in respect of such Bonds which would not be required were such Bonds in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Bond Trustee.

Whenever a Global Registered Bond is to be exchanged for Definitive Registered Bonds, each person having an interest in a Global Registered Bond must provide the relevant registrar (the "**Registrar**") (through the relevant clearing system) with such information as the Issuer and the Registrar may require to complete and deliver Definitive Registered Bonds (including the name and address of each person in which the Bonds represented by the Definitive Registered Bonds are to be registered and the principal amount of each such person's holding).

Whenever the Global Registered Bond is to be exchanged for Definitive Registered Bonds, the Issuer shall procure that Definitive Registered Bonds will be issued in an aggregate principal amount equal to the principal amount of the Global Registered Bond within five Business Days of the delivery, by or on behalf of the registered holder of the Global Registered Bond to the Registrar of such information as is required to complete and deliver such Definitive Registered Bonds (including, without limitation, the names and addresses of the persons in whose names the Definitive Registered Bonds are to be registered and the principal amount of each such person's holding) against the surrender of the Global Registered Bond at the specified office of the Registrar or Transfer Agent (as the case may be).

Such exchange will be effected in accordance with the provisions of the Bond Trust Deed and the agency agreement to be entered into if the Issuer will issue Bonds other than Uncertificated Registered Bonds (the "**Agency Agreement**") and the regulations concerning the transfer and registration of Bonds scheduled to the Agency Agreement and, in particular, shall be effected without charge to any holder, but against payment to the Registrar or the Transfer Agents (as the case may be) in respect of any tax or other duty or other governmental charges of whatsoever nature which may be levied or imposed in connection with such exchange or the giving of such indemnity as the Registrar or the Transfer Agents (as the case may be) may require.

Terms and conditions applicable to the Bonds

The terms and conditions applicable to any Definitive Registered Bond will be endorsed on that Definitive Registered Bond and will consist of the terms and conditions set out under "*Terms and Conditions of the Bonds*" above and the provisions of the relevant Final Terms which completes those terms and conditions.

The terms and conditions applicable to any Global Registered Bond will differ from those terms and conditions which would apply to the Bond were it in definitive form to the extent described under "*Summary of Provisions Relating to the Bonds while in Global Form*" below.

For purposes of clarity, references herein to "**Registered Bonds**" do not include Bonds issued in uncertificated registered form (the "**Uncertificated Registered Bonds**"), and Registered Bonds, in either global or definitive form, are not exchangeable for Uncertificated Registered Bonds and *vice versa* (except that Uncertificated Registered Bonds shall be exchanged for Registered Definitive Bonds in certain limited circumstances specified in the Trust Deed, including in circumstances where such Uncertificated Registered Bonds cease to be participating securities capable of being held in CREST).

Crest Depository Interests

If so specified in the applicable Final Terms, Investors may also hold interests in the Registered Bonds through Euroclear UK & Ireland Limited (formerly known as CREST Co Limited) ("**CREST**") through the issuance of dematerialised depository interests (dematerialised here means that they are represented by electronic interests in the records of the depository – as opposed to being represented by physical certificates) ("**CDIs**"). See Appendix G (*Book-entry clearance systems - CREST Depository Interests*) for more information regarding holding CDIs.

Uncertificated Registered Bonds

Each Tranche of Uncertificated Registered Bonds will be in uncertificated registered form comprising Bonds which are uncertificated units of a security in accordance with the Uncertificated Securities Regulations. Uncertificated Registered Bonds will be credited to the subscribers' accounts with CREST on the issue date thereof upon certification as to non-U.S. beneficial ownership. Uncertificated Registered Bonds will not be exchangeable for Bonds in definitive registered form. Title to Uncertificated Registered Bonds is recorded on the relevant Operator register of corporate securities.-

Each person who is for the time being shown in the Record (as defined under "Terms and Conditions of the Bonds") as the holder of a particular number of Uncertificated Registered Bonds shall be treated by the Issuer, the CREST Registrar and the Trustee as the holder of such number of Uncertificated Registered Bonds for all purposes (and the expressions "Bondholder" and "holder of Uncertificated Registered Bonds" and related expressions shall be construed accordingly).

D

APPENDIX D: SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

This appendix provides a summary of the provisions relating to the Bonds while in global form.

Bonds may, subject to all applicable legal and regulatory requirements, be issued in Tranches or Series comprising either Registered Bonds or Uncertificated Registered Bonds as specified in the relevant Final Terms. The summary that follows is only in relation to Registered Bonds.

Clearing System Accountholders

In relation to any Tranche of Bonds represented by a global Bond in registered form ("**Global Registered Bond**"), references in the Conditions to "**Bondholder**" are references to the person in whose name such Global Registered Bond is for the time being registered in the Register which, for so long as the Global Registered Bond is held by or on behalf of a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or common safekeeper or a nominee for that depositary or common depositary or common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Registered Bond (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the holder of such Global Registered Bond and in relation to all other rights arising under such Global Registered Bond. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Registered Bond will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Bonds are represented by a Global Registered Bond, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Bonds and such obligations of BlueZest Secured Retail Bond PLC (the "**Issuer**") will be discharged by payment to the holder of such Global Registered Bond.

Conditions applicable to Global Registered Bonds

Each Global Registered Bond will contain provisions which modify the Conditions as they apply to the Global Registered Bond. The following is a summary of certain of those provisions:

- (a) *Payments*: All payments in respect of a Global Registered Bond which, according to the Conditions, require presentation and/or surrender of a Bond or a certificate (a "**Bond Certificate**") issued to the Holder of such Global Registered Bond will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Registered Bond to or to the order of the Principal Paying Agent (as specified in an agency agreement to be entered into if the Issuer issues any Bonds other than Uncertificated Registered Bonds (the "**Agency Agreement**")) and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Bonds.
- (b) *Payment Business Day*: In the case of any Global Registered Bond shall be any day which is a day on which dealings in sterling may be carried on in London.
- (c) *Payment Record Date*: Each payment in respect of a Global Registered Bond will be made to the person in whose name such Global Registered Bond is for the time being registered in the register (the "**Register**") maintained by the registrar to be appointed if the Issuer issues Bonds other than Uncertificated Registered Bonds (the "**Registrar**"), in accordance with the Agency Agreement at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Registered Bond is being held is open for business.
- (d) *Partial redemptions*: In connection with a redemption under Condition 11(c) (*Redemption at the option of the Issuer on a specified date*) or Condition 11(f) (*Mandatory redemption to cure a Maturity Mismatch*) in relation to some only of the Bonds, the Global Registered Bond may be redeemed in part in the principal amount specified by the Issuer

in accordance with the Conditions and the Bonds to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

- (e) *Notices*: Notwithstanding Condition 21 (*Notices*), while all the Bonds are represented by a Global Registered Bond and the Global Registered Bond is deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Bondholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Bondholders in accordance with Condition 21 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

E

APPENDIX E: FORM OF FINAL TERMS

This appendix sets out the form of Final Terms that the Issuer will publish if it issues any Bonds under the Programme. This details the relevant information applicable to the issue adjusted to be relevant only to the Bonds issued under the relevant Final Terms.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Bonds issued under the Programme pursuant to this Base Prospectus.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS:

THE BONDS ARE NOT INTENDED], FROM 1 JANUARY 2018,] TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND], WITH EFFECT FROM SUCH DATE,] 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, AS AMENDED (“MIFID II”);

(B) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE 2002/92/EC, AS AMENDED, 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 KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 AS AMENDED (THE “PRIIPS REGULATION”) FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.]¹⁰

Final Terms dated [•]

BLUEZEST SECURED RETAIL BOND PLC

Issue of [aggregate nominal amount of Tranche] [title of Bonds]

under the £1,500,000,000 Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the bonds (the "**Conditions**") set forth in the Base Prospectus dated [●] 2017 [and the supplemental Base Prospectus dated [●] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Bonds 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 Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus [is] [are] available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]]. A summary of the individual issue is annexed to these Final Terms.]

[The Bonds shall be consolidated and form a single series with the [insert description of the Series] on [insert date/the Issue Date.]

¹⁰ Prior to the date of application of the PRIIPs Regulation, this legend is not required and “Prohibition of Sales to EEA Retail Investors” (see Part B, Para 8(vi)) may be specified as “Not Applicable”. This legend will be required after the date of application of the PRIIPs Regulation if “Prohibition of Sales to EEA Retail Investors” is specified as being “Applicable” (See Part B, Para 8).

1. Issuer: BlueZest Secured Retail Bond PLC
2. [(i) Series number:] [●]
 [(ii) Tranche number:] [●]]
 [(iii) Date on which the Bonds become fungible:] [Not applicable/The Bonds shall be consolidated, form a single Series and be interchangeable for trading purposes with the [●] on [●]/the Issue Date.]]
3. Specified currency or currencies: Sterling
4. Aggregate Nominal Amount:
 [(i) Series:] [●]
 [(ii) Tranche:] [●]
5. Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
6. (i) Specified Denomination: [●]
 (ii) Calculation Amount: [£1,000]/[●]
7. (i) Issue Date: [●]
 (ii) Interest Commencement Date: [[●]/Issue Date/Not applicable]
8. Maturity Date: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed on [●] the Interest Payment Date falling in or nearest to [●]
9. Interest Basis: [[●] per cent. Fixed Rate]
 [[LIBOR/Bank of England Base Rate] +/- [●] per cent. Floating Rate]
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Bonds will be redeemed on the Maturity Date at [100] per cent of their nominal amount.
11. Change of Interest or Redemption/Payment Basis: [●]/[Not applicable]
12. Date [Board] approval for issuance of Bonds obtained: [●] [and [●], respectively]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. **Fixed Rate Bond Provisions** [Applicable/Not applicable]
 - (i) Rate[(s)] of Interest: [●] per cent per annum
 - (ii) Interest Payment Date(s): [[●] in each year, subject to adjustment in accordance with the Business Day Convention set

- out below]
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]/[Not applicable]
- (iv) Broken Amount(s): [●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]/[Not applicable]
- (v) Day Count Fraction: [Actual/Actual (ICMA/ISDA) / Actual/365 (Fixed/Sterling) / Actual/360 /30/360 30E/360]
- (vi) Other terms relating to the method of calculating interest for the Bonds: [None]/[●]
- (vii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
14. **Floating Rate Bond Provisions** [Applicable/Not applicable]
- (i) Interest Period(s): [●]
- (ii) Specified Period: [●]
- (iii) Specified Interest Payment Dates: [[●] in each year, subject to adjustment in accordance with the Business Day Convention set out below]
- (iv) First Interest Payment Date: [●]
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (vi) Manner in which the [ISDA Determination/Screen Rate Determination/Bank of England Base Rate Determination] Rate(s) of Interest is/are to be determined: [●]
- (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent): [[●] shall be the Calculation Agent]
- (viii) Screen Rate Determination: [Applicable/Not applicable]
- Reference Rate: [●][●] LIBOR]
 - Reference Price: [●]
 - Interest Determination Date(s): [●]

- Relevant Screen Page: [●]
 - Relevant Time: [●]
 - [Relevant Financial Centre:] [London]
 - Quotation Time: [●]
- (ix) ISDA Determination: [Applicable/Not applicable]
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
 - ISDA Definitions: 2006
- (x) Bank of England Base Rate Determination: [Applicable/Not applicable]
- Designated Maturity: [●]
 - Interest Determination Date(s): [●]
 - Relevant Screen Page: [●]
- (xi) Margin(s): [+/-][●] per cent. per annum
- (xii) Minimum Rate of Interest: [[●] per cent. per annum/Not applicable]
- (xiii) Maximum Rate of Interest: [[●] per cent. per annum/Not applicable]
- (xiv) Day Count Fraction: [Actual/Actual (ICMA/ISDA) / Actual/365 (Fixed/Sterling) / Actual/360 /30/360 / 30E/360]

PROVISIONS RELATING TO REDEMPTION

15. *Call Option (Specified Date)* [Applicable/Not applicable]
- (i) Optional Redemption Date (Call): [●]
- (ii) Optional Redemption Amount (Call): [[●] per Calculation Amount] / [Make-Whole Amount: [*Reference Bond*]] [plus margin: [●] per cent.]]
- [Make-Whole Amount: Quotation Time: [●]
- Determination Date: [●]
- Reference Bond: [●] [or if such stock is no longer in issue, such other [●]] stock with a maturity date as near as possible to the Maturity Date, as the Financial Adviser may recommend]
- Redemption Margin: [[●] per cent.] [None]]

16. *Mandatory Redemption (Prepayment of Loan)* [Applicable/Not applicable]
- Redemption Amount (Prepayment of Loan): [[●] per Calculation Amount] / [Make-Whole Amount: [*Reference Bond*]] [plus margin: [●] per cent.]
- [Make-Whole Amount: Quotation Time: [●]
- Determination Date: [●]
- Reference Bond: [●] [or if such stock is no longer in issue, such other [●] stock with a maturity date as near as possible to the Maturity Date, as the Financial Adviser may recommend]
- Redemption Margin: [[●] per cent.] [None]
17. *Put Option (Deceased Bondholder)* [Applicable/Not applicable]
- Conditions to redemption: [●]
18. *Mandatory Redemption (Maturity Mismatch)* [Applicable/Not applicable]
- Conditions to redemption: [●]
19. *Scheduled redemption*
- Final Redemption Amount of each Bond: Unless previously redeemed, or purchased and cancelled, each Bond will be redeemed at its Final Redemption Amount of [●].
- Final Repayment Date: [●]
20. *Maximum and minimum redemptions*
- Maximum Redemption Amount: [●]
- Minimum Redemption Amount: [●]

GENERAL PROVISIONS APPLICABLE TO THE BONDS

21. Form of the Bonds: [Registered Bonds]
- [Global Registered Bond exchangeable for Definitive Registered Bonds in the limited circumstances specified in the Global Registered Bond.]
- [Definitive Registered Bond]
- [Uncertificated Registered Bonds]
- [Uncertificated Registered Bonds exchangeable for Registered Bonds in the circumstances specified in the Conditions.]

[Holders of CDIs will hold CDIs constituted and issued by the CREST Depository representing indirect interests in the Bonds. The CDIs will be issued and settled through CREST.]

[CREST Depository Interests:]

[Not Applicable/[●]]

- 22. Security identification number(s): [●]
- 23. Other special provisions relating to payment dates: [●]

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 inaccurate or misleading.].

Signed on behalf of BlueZest Secured Retail Bond PLC:

By:
[●]
as Director

PART B - OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING** [Application [has been/will be] made by the Issuer (or on its behalf) for the Bonds to be listed on the Official List of the FCA and admitted to trading on [the order book for fixed income securities ("**OFIS**") of] the regulated market of the London Stock Exchange, with effect from or about [●].]

2. **RATINGS**

Ratings: The Bonds to be issued [are not/have been/are] expected to be rated: [Standard & Poor's: [●]; [Moody's: [●]]; [Fitch: [●]].

[[*Rating agency*] is established in the European Union and registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the "**CRA Regulation**").]

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 Bonds has an interest material to the offer. [There are no conflicts of interest which are material to the offer of the Bonds.]

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[(i)] Reasons for the offer: [●]

[(ii)] Estimated net proceeds: [[●] (being the gross proceeds less Issuance Costs of [●])]

[(iii)] Estimated total expenses: [The expenses to be charged by those Authorised Offerors known to the Issuer as of the date of the Final Terms are unknown.] [The Issuer estimates that, in connection with the sale of Bonds to an investor, the expenses charged by the [Authorised Offeror(s)] will be up to [●] per cent. of the aggregate principal amount of the Bonds sold to such investor.]

5. **[FIXED RATE BONDS ONLY - YIELD**

Yield on the Issue Date: [●]

6. **[FLOATING RATE BONDS ONLY - HISTORIC INTEREST RATES**

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

7. **OPERATIONAL INFORMATION**

ISIN Code: [●]

Common Code: [●]

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s): [Not applicable/ give name(s) and number(s)]

[Intended to be held in a manner which would allow Eurosystem eligibility: [Yes]/[No]

8. DISTRIBUTION

- (i) Name and address of the Arranger: [●]
- (ii) If syndicated: [Not applicable/[●]]
- (a) Names and addresses of Lead Manager, managers and underwriting commitments: [●]
- (b) Date of subscription agreement: [●]
- (iii) [If non-syndicated, name and address of Dealer: [Not applicable/[●]]]
- (iv) Date of underwriting / subscription agreement: [●]
- (v) Material features of underwriting / subscription agreement, including quotas: [●]
- (vi) Portion of issue/offer not covered by underwriting commitments: [●]
- (vii) Indication of the overall amount of the underwriting commission and of the placing commission: [●] per cent. of the Aggregate Nominal Amount
- (viii) Public Offer: [Not Applicable; the Bonds are issued in denominations of less than €100,000 (or its equivalent in any other currency) but there is not, for this issue, a Public Offer of the Bonds.]

[Consent: Subject to the conditions set out below, the Issuer and, as applicable, BlueZest Mortgages each consent to the use of the Base Prospectus and the Final Terms and accepts responsibility for the content of the Base Prospectus also with respect to subsequent resale or final placement of the Bonds by any financial intermediary which is given consent to use this Base Prospectus:

(i) the Public Offer is only made in the United Kingdom;

(ii) the Public Offer is only made during the period from, and including, [●] and ending at [●], or such earlier date as may be published by the Issuer (the "Offer Period"); and

(iii) the Public Offer is only made by [●], [each financial intermediary whose name is published on the relevant section of the BlueZest Group's website (<http://www.bluezest.com/bond-investors/>) and identified as being appointed as an Authorised Offeror in respect of the Public Offer] [and] [any financial intermediary which is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) as amended] ([each] an "Authorised Offeror").]

[Any financial intermediary who wishes to use the Base Prospectus in connection with a Public Offer is required, for the duration of the Offer Period, to publish on its website that it is using this Base Prospectus for such Public Offer in accordance with the consent of each of the Issuer and, as applicable, BlueZest Mortgages and the conditions attached thereto.]

A Public Offer may only be made, subject to the conditions set out above, during the Offer Period by [●] and/or an Authorised Offeror.

(ix) Prohibition of Sales to EEA Retail Investors [Applicable / Not applicable]

9. TERMS AND CONDITIONS OF THE OFFER

Offer Price: [●]

Conditions to which the offer is subject: [Not applicable/[●]]

[Total amount of the offer: [Not applicable/[●]]]

[Description of arrangements and timing for announcing the offer to the public: [Not applicable/[●]]]

[Offer Period including any possible amendments, during which the offer will be open: [The period from [[●] until [●]/[the Issue Date]/[the date which falls [●] days thereafter]]]

Description of the application process: [Not applicable/[●]]

Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not applicable/[●]]

Details of the minimum and/or maximum amount of application: [Not applicable/[●]]

Details of the method and time limits for paying up and delivering the

Bonds:

Manner in and date on which results of the offer are to be made public: [Not applicable/[●]]

Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not applicable/[●]]

Categories of prospective investors to which the Bonds are offered and whether Tranche(s) have been reserved for certain countries: [Not applicable/[●]]

Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not applicable/[●]]

Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not applicable/[●]]

[Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [None/[●]]]

[Name and address of any paying agents and depositary agents: [None/[●]]]

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: [None/[●]]

10. **[REGISTERED MARKET MAKER(S)]**

In the case of Bonds issued under the Programme which are tradable on the London Stock Exchange plc's OFIS, [●] and [●] will be appointed as registered market maker[s] of the Bonds through the OFIS when the Bonds are issued.]

11. **INITIAL AUTHORISED OFFERORS**

The following have been appointed as "Initial Authorised Offerors" for the Bonds:

[●]; and

[●].

ISSUE SPECIFIC SUMMARY

[●]

F

APPENDIX F: FORM OF LOAN AGREEMENT

This appendix contains the Loan Agreement that will be entered into between the Issuer, BlueZest Mortgages and the Borrower Security Trustee for the purposes of recording the Loan by the Issuer to BlueZest Mortgages of the proceeds of issue of the Bonds and the payment of interest and repayment of principal by BlueZest Mortgages in respect of such Loan.

DATED

2017

**(1) BLUEZEST SECURED RETAIL BOND PLC
as Lender**

- and -

**(2) BLUEZEST MORTGAGES AND LOANS LIMITED
as Borrower and Servicer**

- and -

**(3) LINK CORPORATE TRUSTEES (UK) LIMITED
as Borrower Security Trustee and the Bond Trustee**

LOAN AGREEMENT

THIS AGREEMENT is made on ___ November 2017

BETWEEN:

- (1) **BLUEZEST SECURED RETAIL BOND PLC**, registered number 10396732, a public limited company incorporated under the laws of England and Wales whose registered office is at 6th Floor, 65 Gresham Street, London, EC2V 7NQ, United Kingdom, in its capacity as lender under this Agreement (the "**Lender**");
- (2) **BLUEZEST MORTGAGES AND LOANS LIMITED**, registered number 10685117, a private limited company incorporated under the laws of England and Wales whose registered office is at 16 Castle Boulevard, Nottingham, England, NG7 1FL, in its capacity as borrower under this Agreement (the "**Borrower**") and as servicer (the "**Servicer**"); and
- (3) **LINK CORPORATE TRUSTEES (UK) LIMITED**, registered number 00239726, a private limited company incorporated under the laws of England and Wales whose registered office is at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, United Kingdom (the "**Borrower Security Trustee**", which expression shall include any other persons for the time being the Borrower Security Trustee under the Borrower Deed of Charge and the "**Bond Trustee**", which expression shall include any other persons for the time being the Bond Trustee under the Transaction Document),

each a "**Party**" and together, the "**Parties**").

BACKGROUND:

- A The Lender, in its capacity as issuer, has established a £1,500,000,000 programme (the "**Programme**") for the issuance of bonds ("**Bonds**") to investors from time to time.
- B Bonds issued under the Programme may be issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Bonds.
- C The Lender intends to use the proceeds of each Tranche of Bonds under the Programme to make separate advances of a loan to the Borrower, in its capacity as borrower, under this Agreement.
- D The Borrower intends to use the amount of each Advance under this Agreement to, among other things, grant mortgage loans to eligible borrowers in accordance with the Lending Criteria.
- E This Agreement sets out, among other things, the terms upon which the Loan will be advanced, interest will be paid and principal repaid.

IT IS AGREED:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

- 1.1 Unless otherwise defined in this Agreement or the context otherwise requires, words and expressions used in this Agreement (including the background section and schedules hereto) shall have the meanings given to them in the Master Definitions

Schedule dated on or about the date of this Agreement in connection with the Issuer's debt issuance programme (the "**Master Definitions Schedule**").

1.2 This Agreement shall be construed in accordance with the principles of construction and interpretation set out in the Master Definitions Schedule as if schedule 2 (*Principles of Construction*) of the Master Definitions Schedule was set out in full in this Agreement, *mutatis mutandis*.

1.3 In the event of a conflict between the provisions of this Agreement and those of the Master Definitions Schedule, the provisions of this Agreement shall prevail.

1.4 In this Agreement:

"Accounting Principles" means GAAP in the United Kingdom including international accounting standards within the meaning of IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements;

"Advance" has the meaning given to such term in clause 2.1 (*The Loan*) of this Agreement;

"Advance Date" means, in respect of a Tranche A Advance, the Issue Date of the Corresponding Tranche and in respect of a Tranche B Advance, the Business Day following receipt of the relevant utilisation request;

"Authorisation" means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration;

"Base Prospectus" means the prospectus dated on or about the Closing Date for use in connection with the issue of the Bonds;

"Bond Trustee" means Link Corporate Trustees (UK) Limited in its capacity as bond trustee under the Programme in accordance with the Bond Trust Deed or any replacement bond trustee;

"Bonds" has the meaning given to such term in paragraph "A" of the background section above;

"Borrower Deed of Charge" means the borrower deed of charge dated on or about the date of this Agreement between the Borrower and the Borrower Security Trustee;

"Borrower Security Documents" means the Borrower Deed of Charge, the Security Trust Deed and any other document entered into from time to time which purports to create any Security Interest in favour of any of the Borrower Secured Parties in connection with any Transaction Document;

"Business Day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business in London;

"Code" means the U.S. Internal Revenue Code of 1986, as amended;

"Collections Account" means the account in the name of the Borrower at the Account Bank having the account number as notified by the Borrower to the Lender on or about the date of this Agreement, in respect of which the Borrower has granted

security in favour of the Borrower Security Trustee in accordance with the Borrower Deed of Charge;

"Collections and Recoveries Policy" means, on any date, the Servicer's then applicable collections and recoveries policy (as may be amended from time to time in accordance with the terms of the policy), which, at the date of this Agreement, is the *"BlueZest Mortgages Collections & Recoveries Policy v2.0.5"* dated October 2017;

"Compliance Certificate" means a certificate substantially in the form of Schedule 1 (*Form of Compliance Certificate*) to this Agreement;

"Corresponding Tranche" has the meaning given to such term in clause 2.2 (*The Advances*) of this Agreement;

"Default" means a Loan Event of Default or a Potential Loan Event of Default;

"FATCA" means:

- (a) sections 1471 to 1474 of the Code or any associated regulations;
- (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or referred to in paragraph (a); or
- (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction;

"FATCA Withholding" means any withholding or deduction from a payment required by FATCA;

"GAAP" means generally accepted accounting principles;

"Interest Period" means the period from (and including) (i) in respect of the first interest period, the Interest Commencement Date, and (ii) in respect of succeeding interest periods, an Interest Payment Date, to (but excluding) in both cases the immediately following Interest Payment Date;

"Issuer" means BlueZest Secured Retail Bond PLC;

"Issuer Deed of Charge" means the issuer deed of charge entered into on or around the date of this Agreement between the Issuer and the Issuer Security Trustee;

"Issuer Security Trustee" means Link Corporate Trustees (UK) Limited (and all other persons for the time being acting under the Issuer Deed of Charge in the capacity of Issuer Security Trustee);

"Issuer Transaction Account" means the account in the name of the Lender at the Account Bank having the account number as notified by the Lender to the Borrower on or about the date of this Agreement, in respect of which (other than amounts standing to the credit of the Issuer Profit Ledger) the Lender has granted security in favour of the Issuer Security Trustee in accordance with the Issuer Deed of Charge;

"Lending Criteria" means, on any date, the lending criteria articulated in the Lending Policy against which all applications for Mortgage Loans are assessed;

"Lending Policy" means, on any date, the Borrower's then applicable lending policy (as may be amended from time to time in accordance with the terms of the policy), which, at the date of this Agreement, is the *"BlueZest Mortgages Lending Policy v5.0.2"* dated October 2017;

"Loan" has the meaning given to such term in clause 2.1 (*The Loan*) of this Agreement;

"Loan Event of Default" means any event or circumstance specified in clause 11 (*Loan Events of Default*);

"MIG Policy" means the mortgage indemnity guarantee policy entered into between the Borrower and the MIG Provider pursuant to which the MIG Provider provides certain insurance cover in respect of Mortgage Loans that satisfy criteria set out in the policy;

"MIG Provider" means AmTrust Europe Limited;

"Monthly Performance Reporting Date" means, in respect of a calendar month, the third Business Day to fall within the following calendar month (or such other date as may be agreed between the Servicer and the Cash Manager);

"Mortgage" means, in relation to a Mortgage Loan, the mortgage or legal charge securing that Mortgage Loan including, in each case, all principal sums, interest, costs, charges, expenses and other moneys secured or intended to be secured by that mortgage or legal charge (together the **"Mortgages"**);

"Mortgage Loans" means any mortgage loan originated by BlueZest Mortgages and Loans Limited using the proceeds of an Advance of the Loan and secured by a Mortgage and, where applicable, other related security (and **"Mortgage Loan"** means any of the Mortgage Loans);

"Potential Loan Event of Default" means any event or circumstance specified in clause 11 (*Loan Events of Default*) which would (with the expiry of a grace period, the giving of notice or the making of any determination under this Agreement) be a Loan Event of Default;

"Programme" has the meaning given in paragraph "A" of the background section above;

"Security Interests" means:

- (a) a mortgage, charge, assignment, pledge, lien or other encumbrance securing any obligation of any person;
- (b) any arrangement under which money or claims to money or the benefit of a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or
- (c) any other type of preferential arrangement (including any title transferred and retention arrangement) having similar effect;

"Security Trust Deed" means the security trust deed entered into on or around the date of this Agreement between, among others, the Issuer, the Borrower, the Bond Trustee, the Borrower Security Trustee and the Issuer Security Trustee;

"Series" has the meaning given to such term in paragraph "B" of the background section above;

"Servicer" means the BlueZest Mortgages and Loans Limited in its capacity as servicer of the Mortgage Loans;

"Tax" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including but not limited to FATCA Withholding), including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same;

"Total Commitments" means, on any date, the aggregate of the outstanding principal amount of each issue of Bonds under the Programme;

"Tranche" has the meaning given to such term in paragraph "B" of the background section above;

"Tranche A Advance" means a Tranche made available pursuant to clause 2.2(a) (*The Advances*);

"Tranche B Advance" means a Tranche made available pursuant to clause 2.2(b) (*The Advances*);

"UK" means the United Kingdom;

"VAT" means:

- (a) any Tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and
- (b) any other Tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such Tax referred to in paragraph (a) above or imposed elsewhere; and

"Verification Agent" means the international accounting firm appointed from time to time by the Borrower to act as its verification agent under the Programme with responsibility for verifying the Borrower's calculations of, and compliance with, the financial covenants in this Agreement.

1.2 Interpretation

In this Agreement, except to the extent that the context requires otherwise:

- (a) references to a statute or statutory provision include that statute or provision as from time to time modified, re-enacted or consolidated;
- (b) use of the singular shall include the plural and vice versa;
- (c) headings are for ease of reference only and shall be ignored in interpreting this Agreement;

- (d) references to an agreement, deed, instrument, licence, code or other document (including this Agreement), or to a provision contained in any of these, shall be construed, at the particular time, as references to it as it may then have been amended, varied, supplemented, modified, suspended, assigned or novated;
- (e) the words "include" and "including" are to be construed without limitation;
- (f) a reference to a "judgment" includes any order, injunction, determination, award or other judicial or arbitral measure in any jurisdiction;
- (g) a reference to any party to any agreement includes its successors in title, permitted assigns and permitted transferees; and
- (h) a Default or a breach is "continuing" if it has not been remedied or waived.

2. THE LOAN

2.1 The Loan

Subject to the terms and conditions of this Agreement, the Lender shall make available to the Borrower a sterling-denominated committed loan facility in a maximum aggregate principal amount equal to the Total Commitments (the "**Loan**") which shall be utilised by the Borrower as one or more advances (each an "**Advance**" and together, the "**Advances**") of the Loan in accordance with this Agreement.

2.2 The Advances

(a) Tranche A:

- (i) On each Issue Date the Lender shall make available to the Borrower an Advance in an amount equal to the Issuance Costs of the Tranche of Bonds issued by the Issuer on such Issue Date (the "**Corresponding Tranche**").
- (ii) The Borrower shall be deemed to have delivered a utilisation request to the Lender on the Business Day prior to the Issue Date pursuant to which it requests to utilise an Advance of the Loan on the Issue Date and in an amount equal to the Issuance Costs of the Corresponding Tranche of Bonds.
- (iii) Subject to clause 2.5 (*Conditions precedent*) below, the Lender shall make such Advance to the Borrower on the relevant Issue Date by payment of the Issuance Costs to the relevant Lead Manager or Dealer(s) named in the applicable Final Terms by way of a deduction of such amount from the proceeds of the Bonds.

(b) Tranche B:

- (i) At the request of the Borrower, the Lender shall make available to the Borrower an Advance in an amount up to the aggregate principal amount outstanding of the Corresponding Tranche of Bonds less the principal amount of any outstanding Advances relating to such Tranche of Bonds.

- (ii) The Borrower shall deliver a utilisation request to the Lender (copied to the Cash Manager) on the Business Day prior to the Advance Date pursuant to which it will confirm the Advance Date, the amount of the requested Advance and the account(s) into which such Advance is to be paid.
- (iii) Subject to clause 2.5 (*Conditions precedent*) below, the Lender (or the Cash Manager on its behalf) shall instruct the Account Bank to make such Advance to the Borrower on the relevant Advance Date by payment directly into such account(s) as the Borrower notified to the Lender (copied to the Cash Manager) in the relevant utilisation request.

2.3 Purpose

- (a) The Borrower shall use all amounts borrowed under the Loan to (i) grant Mortgage Loans to eligible borrowers in accordance with the then applicable Lending Criteria, (ii) pay the Issuance Costs incurred in connection with each Tranche of Bonds or (iii) pay fees and expenses payable to third parties in connection with the issuance of the Corresponding Tranche of Bonds.
- (b) The Lender is not bound to monitor or verify the application of any amounts borrowed by the Borrower under this Agreement.
- (c) The Borrower retains the right to revise or amend its Lending Policy and/or Lending Criteria from time to time. Any material changes to the Lending Policy and/or Lending Criteria shall be notified to Bondholders in accordance with clause 8.2 (*Reporting*) of this Agreement.

2.4 Security

The Borrower's obligations to the Lender under this Agreement shall be secured pursuant to and in accordance with the terms of the Borrower Security Documents.

2.5 Conditions precedent

- (a) The Lender shall not be obliged to disburse an Advance to the Borrower on an Advance Date unless the issue of the Corresponding Tranche of Bonds has taken place.
- (b) The Lender shall not be obliged to make an Advance to the Borrower on an Advance Date if:
 - (i) it has not received a Compliance Certificate from the Borrower in respect of such Advance by 9.00 a.m. (London time) on the date falling 10 Business Days before the relevant Issue Date of the Corresponding Tranche of Bonds; or
 - (ii) it otherwise becomes aware that a Loan Event of Default has occurred and is continuing or would result from the proposed Advance.

2.6 Payment and reimbursement of fees, costs and expenses

- (a) In consideration for the Lender making the Loan available to the Borrower, the Borrower shall pay (on the Issuer's behalf) certain fees, costs and expenses incurred by the Issuer in connection with the establishment of the Programme and each issuance of Bonds under the Programme including, without limitation, the fees, costs and expenses of the Corporate Services Provider.
- (b) The Borrower may from time to time issue a notice to the Lender (copied to the Cash Manager) (substantially in the form set out in schedule 2 (*Form of Reimbursement Request*)) in which it requests the reimbursement of all or part of the fees, costs and expenses paid by BlueZest Mortgages on the Lender's behalf pursuant to clause 2.6(a) above, in which case the Lender (or the Cash Manager on its behalf) shall pay such amounts on the Interest Payment Date to fall after the next Calculation Date and in accordance with the relevant Priority of Payments.
- (c) The Lender agrees that the Borrower may also from time to time issue a notice to the Lender (copied to the Cash Manager) (substantially in the form set out in schedule 2 (*Form of Reimbursement Request*)) in which it requests the reimbursement of all or any amounts paid by the Borrower to the MIG Provider under the MIG Policy, in which case the Lender (or the Cash Manager on its behalf) shall pay such amounts on the Interest Payment Date to fall after the next Calculation Date and in accordance with the relevant Priority of Payments.

3. INTEREST

3.1 Accrual of interest

Each Advance bears interest from (and including) the relevant Advance Date to (but excluding) the date upon which interest ceases to accrue on the Corresponding Tranche of Bonds under the Conditions.

3.2 Amount of interest

The aggregate amount of interest payable for an Interest Period on all Advances relating to a Tranche of Bonds shall be equal to the sum of:

- (a) the amount of interest payable on the Corresponding Tranche of Bonds for the relevant Interest Period; and
- (b) all amounts payable senior to interest on the Corresponding Tranche of Bonds for the relevant Interest Period (being those amounts due on the relevant Interest Payment Date under limbs *one* to *five* of the Pre-Enforcement Priority of Payments or limbs *one* to *two* of the Post-Enforcement Priority of Payments (as the case may be)),

together, the "**Relevant Interest Amount**".

3.3 Payment of interest

Subject to clause 8.3(b) (*Transfers of amounts from the Collections Account*) below, the Borrower shall pay the Relevant Interest Amount in cash on or prior to the date

falling five Business Days prior to the relevant Interest Payment Date in respect of the Corresponding Tranche by crediting such amount to the Issuer Transaction Account.

4. REPAYMENT

Unless previously repaid pursuant to clause 5 (*Prepayment*), and subject to clause 8.3(b) (*Transfers of amounts from the Collections Account*) below, the Borrower shall repay each Advance in full five Business Days prior to the Maturity Date of the Corresponding Tranche by crediting such amount to the Issuer Transaction Account.

5. PREPAYMENT

- (a) In the event that a Series of Bonds are to be redeemed by the Issuer, either in whole or in part, prior to their scheduled Maturity Date in accordance with Condition 11 (*Redemption and Purchase*) (other than under Condition 11(b) (*Mandatory redemption following prepayment of the Loan*)), the Borrower shall prepay the Advance(s) which correspond(s) to the relevant Series of Bonds. Such prepayment shall be made on the date falling five Business Days prior to the date of redemption of the Series of Bonds and shall be in an amount equal to the relevant redemption amount of the Series of Bonds plus interest accrued to (but excluding) the date of prepayment.
- (b) If, in relation to a Series of Bonds, Mandatory Redemption (Prepayment of Loan) is specified in the relevant Final Terms as being applicable, the Borrower may elect to prepay the whole (but not part only) of the Advance(s) that relate(s) to such Series of Bonds by giving not more than 60 days' and not less than 30 days' notice (which notice shall be irrevocable) to the Lender and the Borrower Security Trustee prior to the date of prepayment of such Advance pursuant to this clause 5(b) at an amount equal to the Redemption Amount (Prepayment of Loan) plus interest accrued to (but excluding) the date of prepayment (each as calculated by the Calculation Agent in accordance with the Conditions).
- (c) The Borrower shall not prepay all or any part of any Advance except at the times and in the manner expressly provided for in clause 5(a) and/or clause 5(b) above and shall not be entitled to re-borrow any amount repaid.

6. TAXES

- (a) The Borrower shall make all payments to be made by it under this Agreement without any withholding or deduction for or on account of Tax or otherwise, unless required by law.
- (b) In the event that a deduction or withholding for or on account of Tax is required by law to be made by the Borrower from a payment under this Agreement, the Borrower shall make that deduction or withholding within the time allowed and in the minimum amount required by law, and account to the relevant authorities for the amount required to be withheld or deducted. The Borrower shall not be obliged to make any additional payments to the Lender in respect of such withholding or deduction for or on account of Tax.
- (c) Notwithstanding any other provisions contained herein, the Borrower and the Lender shall be permitted to make any FATCA Withholding and any payment required in connection with that FACTA Withholding, and neither

the Lender nor the Borrower shall be required to increase any payment in respect of which it makes such a FATCA Withholding or otherwise compensate the recipient of the payment for that FATCA Withholding.

- (d) Without prejudice to clause 6(b), in the event that a deduction or withholding for or on account of Tax is required by law to be made by the Borrower from a payment under this Agreement, the Lender and the Borrower shall take all reasonable steps to reduce, eliminate or mitigate any such deduction or withholding, including, but not limited to, the completion of any necessary procedural formalities necessary for the Borrower to obtain authorisation to make that payment without such deduction or withholding.
- (e) All amounts expressed to be payable under this Agreement by the Borrower which (in whole or in part) constitute the consideration for any supply for VAT purposes are exclusive of any VAT which is chargeable on that supply and, accordingly, if VAT is or becomes chargeable on any supply made by the Lender under this Agreement and the Lender is required to account to the relevant tax authority for the VAT, the Borrower must pay to the Lender (in addition to and at the same time as paying any other consideration for such supply) an amount equal to the amount of that VAT (and the Lender must promptly provide an appropriate VAT invoice to the Borrower, but the provision of such invoice shall not constitute a precondition to payment of such VAT).
- (f) Each of the Lender and the Borrower shall, within ten Business Days of a reasonable request by the other party, supply to that other party such forms, documentation and other information relating to its status under FATCA as that other party reasonably requests for the purposes of the other party's compliance with FATCA.
- (g) The Borrower represents that it is and has always been resident for Tax purposes only in the United Kingdom, and has not been and does not carry on business in any jurisdiction outside of the United Kingdom.

7. COVENANTS

The undertakings in this clause remain in force from the date of this Agreement for so long as any amount is outstanding under this Agreement.

7.1 Authorisations

The Borrower shall promptly obtain, comply with and do all that is necessary to maintain in full force and effect any Authorisation required under any law or regulation of its jurisdiction of incorporation to enable it to perform its obligations under this Agreement and to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of this Agreement.

7.2 Compliance with Laws

The Borrower shall comply in all respects with all laws to which it may be subject if failure to so comply would materially impair its ability to perform its obligations under this Agreement.

7.3 **Tax Residency**

The Borrower shall do all that is necessary within applicable law to remain resident for Tax purposes only in the United Kingdom and shall not carry on business in any jurisdiction outside of the United Kingdom.

7.4 **Change of Business**

The Borrower shall procure that no substantial change is made to the general nature of the Borrower from that carried on at the date of this Agreement.

7.5 **FATCA**

The Borrower shall notify the Lender as soon as is practicable if the Borrower is required to withhold or deduct in respect of any FATCA Withholding in relation to any payment under this Agreement.

7.6 ***Pari Passu* Ranking**

The Borrower shall ensure that its payment obligations under this Agreement rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to creditors generally.

8. **SERVICING**

8.1 **Servicing and administration of Mortgage Loans**

- (a) The Servicer agrees to service and administer the Mortgage Loans, Mortgages and Related Security in accordance with the Collections and Recoveries Policy.
- (b) The Servicer retains the right to revise or amend its Collections and Recoveries Policy from time to time. Any material changes to the Collections and Recoveries Policy shall be notified to Bondholders in accordance with clause 8.2 (*Reporting*) of this Agreement.
- (c) Subject to clause 8.1(d), the Servicer may, at its own expense, appoint Link Mortgage Services Limited or any other delegate to service and administer the Mortgage Loans, Mortgages and Related Security in accordance with the Collections and Recoveries Policy *provided that* no party, other than the Servicer, shall have liability for any Liabilities payable to or incurred by Link Mortgage Services Limited or such other delegate arising from the termination of any such arrangement.
- (d) Notwithstanding any delegation of the servicing and administration of the Mortgage Loans, Mortgages and Related Security in accordance with the Collections and Recoveries Policy, the Servicer shall not thereby be released or discharged from any liability under this Agreement and shall remain responsible for the performance of its obligations under this Agreement and the performance or non-performance, and the manner of performance, of any delegate and shall remain liable for any remedy or cause of action that may arise as a result of any act, failure to act or omission on the part of any such delegate.

8.2 Reporting

The Servicer shall:

- (a) prepare a monthly performance report (a "**Monthly Performance Report**") in, or substantially in, the form agreed between the Servicer and the Cash Manager prior to the date of this Agreement, by 11.00 a.m. (London time) on the Monthly Performance Reporting Date, in relation to the performance of the Mortgage Loans, Mortgages and Related Security during the previous calendar month; and
- (b) deliver a copy of each Monthly Performance Report to the Issuer, the Cash Manager, the Bond Trustee, the Borrower Security Trustee and the Issuer Security Trustee promptly after its preparation; and
- (c) publish a copy of each Monthly Performance Report on the "Investor Relations" section of the BlueZest Group's website by the 15th day of each calendar month.

Each Monthly Performance Report shall include the following:

- (i) information regarding the key performance indicators of the portfolio of Mortgage Loans, including (i) interest payments and principal repayments received, (ii) delinquency and default rates by product type, and (ii) results of any Financial Covenants tested during the relevant reporting period;
- (ii) details of any material changes to the Lending Policy and/or Lending Criteria and/or Collections and Recoveries Policy during the relevant reporting period; and
- (iii) the quarterly valuation of the Mortgaged Properties held by BlueZest Mortgages using the Nationwide HPI House Price Index (at the postal sector level).

8.3 Transfers of amounts from the Collections Account

- (a) The Servicer (or the Cash Manager on its behalf) will instruct the Account Bank to transfer from the Collections Account to the Issuer Transaction Account, on the first and third Wednesday of each calendar month (each a "**Transfer Date**") for same day value, any amounts standing to the credit of the Collections Account which relate to Mortgage Loans (other than, at the option of the Borrower, any amounts of principal prepayments of Mortgage Loans (as determined as such by the Servicer)).
- (b) Each transfer by the Servicer (or the Cash Manager on its behalf) on a Transfer Date of amounts standing to the credit of the Collections Account into the Issuer Transaction Account shall discharge (in full or in part, as the case may be) the Borrower's obligation to pay interest and/or repay principal under this Agreement in respect of the Interest Payment Date falling after the relevant Transfer Date and, once such amounts have been paid in full, on following Interest Payments Dates.

- (c) Amounts transferred pursuant to this clause 8.3 in respect of an Interest Payment Date shall be allocated between the interest and principal payable on such Interest Payment Date on *pro rata* basis.

8.4 Fees

The Lender shall pay to the Servicer the following servicing fees in arrear on each Interest Payment Date in accordance with the relevant Priority of Payments:

- (a) a fixed amount equal to 0.5 per cent. of the Aggregate Principal Balance of Mortgage Loans, as of the Calculation Date, calculated on an Actual/365 basis; and
- (b) a variable amount equal to the amount available for distribution by the Issuer under limb *eleven* of the Pre-Enforcement Priority of Payments and limb *nine* of the Post-Enforcement Priority of Payments, as the case may be, after all other amounts with a higher ranking priority have been paid in full.

9. INFORMATION COVENANTS

The undertakings in this clause 9 remain in force from the date of this Agreement for so long as any amount is outstanding under this Agreement.

9.1 Financial Statements

The Borrower shall supply to the Lender as soon as the same become available, but in any event within 180 days of the end of each of its financial years, its audited annual report and accounts for that financial year.

9.2 Compliance Certificate

- (a) The Borrower shall supply to the Lender (with a copy to the Bond Trustee and the Borrower Security Trustee), with each audited annual report and accounts delivered pursuant to clause 9.1 (*Financial Statements*) and by 5:00 p.m. (London time) on each Covenant Testing Date, a Compliance Certificate.
- (b) Each Compliance Certificate shall be signed by a director of the Borrower.
- (c) Prior to supplying a Compliance Certificate to the Lender, the Borrower shall ensure that all calculations of Financial Covenants set out therein have been verified by the Verification Agent as being true and accurate as at the date of the Compliance Certificate.

9.3 Requirements as to Financial Statements

Each set of audited annual report and accounts delivered by the Borrower pursuant to clause 9.1 (*Financial Statements*) shall be certified by a director as fairly representing its financial condition as at the end of and for the period in relation to which those financial statements were drawn up.

9.4 Notification of Default

- (a) The Borrower shall notify in writing the Lender, the Bond Trustee and the Borrower Security Trustee of any Default (and the steps, if any, being taken

to remedy it) promptly, and in any event within 30 days, upon becoming aware of its occurrence.

- (b) Promptly upon a request by the Lender, the Borrower shall supply to the Lender a certificate signed by a director on its behalf certifying that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

10. FINANCIAL COVENANTS

10.1 Definitions

In this clause 11:

"Aggregate Minimum Interest Amount" means, in respect of all Mortgage Loans then outstanding, the aggregate amount of minimum interest which is payable under the terms of the Mortgage Loans but which have not yet been paid;

"Aggregate Principal Balance of Mortgage Loans" means, on the relevant determination date, the aggregate principal amount of all Mortgage Loans then outstanding;

"Asset Coverage Ratio" means the ratio of:

- (i) the sum of: (a) the Aggregate Principal Balance of Mortgage Loans, (b) the Aggregate Minimum Interest Amount, (c) amounts standing to the credit of the Collections Account, (d) amounts standing to the credit of the Issuer Cash Reserve Account, (e) amounts standing to the credit of the Issuer Transaction Account (other than amounts standing to the credit of the Issuer Profit Ledger), and (f) amounts standing to the credit of the Completions Account (if any),

in relation to

- (ii) the aggregate principal balance of all Bonds then outstanding under the Programme;

"Breach Notice" has the meaning given to such term in clause 10.4 (*Breach Notice*);

"Covenant Testing Date" means, in relation to the issue of a Tranche of Bonds, the date falling 15 Business Days prior to the proposed Issue Date of such Tranche;

"Financial Covenant" means each of the Asset Coverage Ratio and the Interest Coverage Ratio, as set out in clause 10 (*Financial covenants*) of this Agreement;

"Interest Coverage Ratio" means the ratio of:

- (i) the weighted average margin of all Mortgage Loans then outstanding,

in relation to

- (ii) the weighted average margin of all Bonds then outstanding under the Programme.

10.2 Financial Covenants

The Borrower shall ensure that:

- (a) **Asset Coverage Ratio:** on each Covenant Testing Date, the Asset Coverage Ratio shall be not less than 1.0 : 1.0.
- (b) **Interest Coverage Ratio:** on each Covenant Testing Date to fall within the period following the first anniversary of the initial Series of Bonds under the Programme, the Interest Coverage Ratio shall not be less than 1.1 : 1.0.

10.3 Financial testing

The Financial Covenants shall be calculated in accordance with the Accounting Principles and tested by reference to each of the financial statements delivered pursuant to clause 9.1 (*Financial Statements*) and/or each Compliance Certificate delivered pursuant to clause 9.2 (*Compliance Certificate*).

10.4 Breach Notice

- (a) If the Borrower fails to deliver a Compliance Certificate to the Lender in accordance with clause 9.2 (*Compliance Certificate*) on the Covenant Testing Date, the Borrower shall send a notice (a "**Breach Notice**") to the Lender within 2 Business Days of the Covenant Testing Date, with a copy of such notice being sent to the Issuer, the Borrower Security Trustee, the Issuer Security Trustee and the Bond Trustee.
- (b) For so long as a Breach Notice has been delivered and not been revoked, the Lender (in its capacity as Issuer) will not be permitted to issue any further Bonds under the Programme and the Borrower will not be permitted to borrow any further amounts from the Lender under this Agreement.
- (c) A Borrower may revoke a Breach Notice by sending a Compliance Certificate, subject to clause 9.2(c) above, to the Lender (with a copy to the Borrower Security Trustee, the Issuer Security Trustee and the Bond Trustee) in which it confirms that the applicable Financial Covenants are satisfied on the date of the Compliance Certificate.

10.5 Financial Covenant cure

- (a) If, with respect to a Covenant Testing Date, the Borrower has breached the Asset Coverage Ratio, or anticipates that it is likely to breach the Asset Coverage Ratio on such Covenant Testing Date, the Borrower may procure the provision of an amount (either from its own funds or provided by other investors in the BlueZest Group) (the "**Cure Amount**") in order to cure the relevant breach of the Asset Coverage Ratio.
- (b) Any such Cure Amount must be provided by crediting the relevant amount to the Collections Account and there will be no limit on the amount which may be applied as a Cure Amount.
- (c) Upon receipt of the relevant Cure Amount, the Asset Coverage Ratio shall be re-calculated by the Borrower (and such re-calculations verified by the Verification Agent) on a *pro forma* basis by reference to such Cure Amount. If, upon such re-calculation, the Asset Coverage Ratio is determined to have

been satisfied, the Borrower may revoke the relevant Breach Notice in accordance with clause 10.4(c) above.

- (d) A Cure Amount shall not be provided under this clause 10.5 on more than three occasions in any calendar year.

11. LOAN EVENTS OF DEFAULT

11.1 Loan Events of Default

Each of the events or circumstances set out in this clause 11.1 is a "**Loan Event of Default**":

- (a) the Borrower fails to pay any sum due under a Transaction Document and such failure continues for a period of five days (in the case of interest) and five days (in the case of principal);
- (b) the Borrower is in breach of any other provision of the Transaction Documents (other than those referred to in clauses 10 (*Financial covenants*) and 11.1(a) of this Agreement), and has failed to remedy the same within 30 days of being requested to do so;
- (c) any representation or statement made or deemed to be made by the Borrower in the Transaction Documents or any other document delivered by or on behalf of the Borrower under or in connection with the Transaction Documents is or proves to have been incorrect or misleading in any material respect when made or deemed to be made;
- (d) any expropriation, attachment, sequestration, distress or execution affects any asset or assets of the Borrower and is not discharged within 14 days;
- (e) the Borrower is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness;
- (f) the value of the assets of the Borrower is less than its liabilities (taking into account contingent and prospective liabilities);
- (g) a moratorium is declared in respect of any indebtedness of the Borrower;
- (h) it is or becomes unlawful for the Borrower to perform any of its obligations under this Agreement;
- (i) the Borrower repudiates this Agreement or evidences an intention to repudiate this Agreement; and
- (j) any corporate action, legal proceedings or other procedure or step is taken in relation to:
 - (i) the suspension of payments, a moratorium of any indebtedness, winding up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the Borrower;

- (ii) a composition, compromise, assignment or arrangement with any creditor of the Borrower;
- (iii) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of the Borrower;
- (iv) enforcement of any Security over any assets of any member of the Borrower; or
- (v) any analogous procedure or step is taken in any jurisdiction.

11.2 Consequences of a Loan Event of Default

Following the occurrence of a Loan Event of Default, the Lender shall (if so instructed by the Borrower Security Trustee) or the Borrower Security Trustee may on its behalf by written notice (a "**Loan Enforcement Notice**") to the Borrower:

- (a) declare that all or part of the Loan, together with accrued interest, and all other amounts accrued or outstanding under this Agreement be immediately due and payable, whereupon it shall become immediately due and payable; or
- (b) declare that all or part of the Loan be payable on demand, whereupon they shall immediately become payable on demand by the Lender.

The service of a Loan Enforcement Notice shall entitle the Bond Trustee, either immediately or thereafter, to instruct the Issuer Security Trustee (who shall direct the Borrower Security Trustee) to enforce the Borrower Security under the Borrower Deed of Charge and the Security Trust Deed.

11.3 Consequences of a Bond Enforcement Notice

If the Bonds have been accelerated pursuant to a Bond Enforcement Notice, the Loan shall be automatically accelerated so as to be due and payable as from the date of the Bond Enforcement Notice.

12. TRANSFERABILITY

- (a) Neither Party may assign and/or transfer its rights and/or obligations under this Agreement without the prior written consent of the other Party, other than in accordance with clauses 12(b) and 12(c) below.
- (b) The Borrower acknowledges that the Lender will assign by way of security all of its rights, title and interest, present and future, arising under this Agreement to the Issuer Security Trustee for and on behalf of certain secured creditors under the Issuer Deed of Charge.
- (c) The Lender acknowledges that the Borrower will assign by way of security all of its rights, title and interest, present and future, arising under this Agreement to the Borrower Security Trustee for and on behalf of certain secured creditors under the Borrower Deed of Charge.

13. PAYMENTS

- (a) The Borrower hereby agrees to pay to the Lender all amounts as are specified in this Agreement on the dates specified in this Agreement in the following

order of priority and in each case only if and to the extent that the items of a higher priority have been paid or satisfied in full:

- (i) *first*, in payment or satisfaction of any fees, costs and expenses due under this Agreement;
 - (ii) *secondly*, in payment or satisfaction of interest due and payable in respect of the Loan;
 - (iii) *thirdly*, in payment or satisfaction of principal due and payable in respect of the Loan; and
 - (iv) *fourthly*, in payment or satisfaction of any other amount due and payable to the Lender by the Borrower.
- (b) Payments by the Borrower to the Lender in respect of amounts due under this Agreement shall be made to the Issuer Transaction Account or such other bank account of the Lender as may be separately notified by the Lender (or the Cash Manager on its behalf) to the Borrower from time to time.
 - (c) Payments by the Borrower must be made without set-off or counterclaim and without any deduction.
 - (d) If any payment is scheduled to be made on a day which is not a Business Day, then the payment must be made on the preceding Business Day.
 - (e) Any appropriation by the Lender of moneys received from the Borrower against amounts owing under this Agreement will override any contrary appropriation made by the Borrower.

14. NOTICES

Any notices, instructions and other communications in relation to this Agreement shall be delivered to the address and in the manner set out in Schedule 3 (*Notice Provisions*) of the Master Definitions Schedule.

15. BORROWER SECURITY TRUSTEE

The Borrower Security Trustee has agreed to become a Party to this Agreement for the better preservation and enforcement of its rights under the Borrower Security Documents but shall not have any responsibility for any of the obligations of any other Parties hereunder and the other Parties hereto acknowledge that the Borrower Security Trustee has no such responsibilities. This Agreement is subject to the provisions of the Security Trust Deed and the Borrower Deed of Charge.

16. COUNTERPARTS

This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

A person who is not a Party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement, but this

does not affect any right or remedy of a third party which exists or is available apart from that Act.

18. LIMITED RECOURSE AND NON-PETITION

The provisions of clause 20 (*Limited Recourse and Non-Petition*) of the Security Trust Deed shall apply, *mutatis mutandis*, to this Agreement as if set out in full herein, and the respective obligations of the Borrower and the Issuer (as applicable) and the rights and remedies of the other parties to this Agreement, shall be limited accordingly. Such provisions shall survive the termination of this Agreement.

19. GOVERNING LAW

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by, and shall be construed in accordance with, English law.

20. JURISDICTION

- 20.1 The courts of England and Wales shall have exclusive jurisdiction to settle any dispute (whether contractual or non-contractual) arising out of or in connection with this Agreement.
- 20.2 The parties agree that the courts of England and Wales are the most appropriate and convenient courts to settle disputes between them and, accordingly, that they will not argue to the contrary.
- 20.3 The parties agree that the process by which any suit, action or proceeding is begun may be served on it by being delivered in connection with any suit, action or proceeding to the relevant party's address contained in schedule 3 (*Notice Provisions*) to the Master Definitions Schedule.

THIS AGREEMENT has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1: FORM OF COMPLIANCE CERTIFICATE

To: BlueZest Secured Retail Bond PLC (the "**Lender**")
Cc: Link Corporate Trustees (UK) Limited (the "**Bond Trustee**" and the "**Borrower Security Trustee**")
From: BlueZest Mortgages and Loans Limited (the "**Borrower**" and the "**Servicer**")
Dated: [◆]

Dear Sirs

Loan Agreement dated [◆] 2017 (the "Agreement")

1. We refer to the Agreement. This is a Compliance Certificate. Terms defined in the Agreement have the same meanings when used in this Compliance Certificate unless given different meanings in this Compliance Certificate.
2. [I, being a director of the Borrower, hereby certify:
 - 2.1 [that no Default is continuing or is expected to result from the proposed Advance;]*
 - 2.2 [that the audited financial statements of the Borrower for the year ended [◆] fairly represent the Borrower's financial condition as at the date they are made up to; and]**
 - 2.3 that, as at the date of this Compliance Certificate:
 - (i) the Asset Coverage Ratio [in respect of the period [◆] to [◆]] is not less than [1.0 : 1.0]; and
 - (ii) the Interest Coverage Ratio [in respect of the period [◆] to [◆]] is not less than [1.1 : 1.0].
 - 2.4 that, the calculations of the financial covenants in paragraph 2.3 above have been verified by the Verification Agent as being true and accurate as at the date of this Compliance Certificate.

Yours faithfully,

Signed:

Print:

as a director of the BlueZest Mortgages and Loans Limited

**If this statement cannot be made, the certificate should identify any Default that is continuing and the steps, if any, being taken to remedy it.*

***To be included in the Compliance Certificate supplied with each annual audited report and accounts pursuant to clause 9.1 (Financial Statements) of the Agreement.*

SCHEDULE 2: FORM OF REIMBURSEMENT REQUEST

To: BlueZest Secured Retail Bond PLC (the "**Issuer**")
Cc: Link Asset Services (UK) Limited (the "**Cash Manager**")
From: BlueZest Mortgages and Loans Limited (the "**Borrower**")
Dated: [◆]

Dear Sirs

Loan Agreement dated [◆] 2017 (the "Agreement")

1. We refer to the Agreement. This is a reimbursement request issued in accordance with clause 2.6 (*Payment and reimbursement of fees, costs and expenses*) of the Agreement. Terms defined in the Agreement have the same meanings when used in this reimbursement request unless given different meanings in this reimbursement request.
2. We confirm that we have paid the following [fees, costs and/or expenses on behalf of the Lender in accordance with clause 2.6 (*Payment and reimbursement of fees, costs and expenses*) of the Agreement][amounts to the MIG Provider pursuant to the MIG Policy]:

[Details of the amounts to be itemised]
3. We hereby request reimbursement from the Lender of £[◆], being [all][some] of the [fees, costs and expenses][amounts] set out above.
4. We hereby request that the payment is made on the Interest Payment Date to fall after the next Calculation Date and in accordance with the relevant Priority of Payments.

Yours faithfully,

Signed:

Print:

as a director of the BlueZest Mortgages and Loans Limited

EXECUTION PAGE

[Not included]

G

APPENDIX G: BOOK-ENTRY CLEARANCE SYSTEMS

The appendix contains is a summary of clearing and settlement when interests in the Bonds are held through book-entry clearance systems.

BOOK-ENTRY CLEARING SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, Luxembourg or CREST (together, the "**Clearing Systems**") currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, BlueZest Mortgages, Monsas Limited and any entity appointed from time to time as an additional dealer (the "**Dealers**"), Link Corporate Trustees (UK) Limited (the "**Bond Trustee**", the "**Borrower Security Trustee**" and the "**Issuer Security Trustee**") and any other party to an agency agreement to be entered into if the Issuer issues Bonds other than Uncertificated Registered Bonds (the "**Agency Agreement**") or a registrar agreement dated on or about the Closing Date (the "**Registrar Agreement**") will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Bonds or, in the case of CREST only, CDIs held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Clearing Systems (other than CREST)

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

CREST Depository Interests

If so specified in the applicable Final Terms, following the delivery of an issue of Bonds into Euroclear and/or Clearstream, Luxembourg (the "**Relevant Clearing Systems**" and each a "**Relevant Clearing System**"), Investors may also hold interests in the Bonds through Euroclear UK & Ireland Limited (formerly known as CREST Co Limited) ("**CREST**") through the issuance of dematerialised depository interests (dematerialised here means that they are represented by electronic interests in the records of the depository – as opposed to being represented by physical certificates) ("**CREST Depository Interests**" or "**CDIs**") issued, held, settled and transferred through CREST, representing interests in the relevant Bonds underlying the CDIs (the "**Underlying Bonds**"). CREST Depository Interests are independent securities distinct from the Bonds, constituted under, and governed by, English law and transferred through CREST and will be issued by CREST Depository Limited (the "**CREST Depository**") pursuant to the global deed poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated) (the "**CREST Deed Poll**").

The CDIs will represent indirect interests in the interest of CREST International Nominees Limited (the "**CREST Nominee**") in the Underlying Bonds. Pursuant to the CREST Manual, Bonds held in global form by the common depository or common safekeeper may be settled through CREST, and the CREST Depository will issue CDIs. The CDIs will be independent securities distinct from the Bonds, constituted under English law, and may be held and transferred through CREST.

Interests in the Underlying Bonds will be credited to the CREST Nominee's account with a Relevant Clearing System 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 Bond, for the purposes of determining all rights and obligations and all amounts payable in respect thereof. The CREST Depository will pass on to holders of CDIs ("**CDI Holders**") any interest or other amounts received by

it as holder of the Underlying Bonds on trust for such CDI Holders. CDI Holders will also be able to receive from the CREST Depository notices of meetings of holders of Underlying Bonds and other relevant notices issued by the Issuer.

Transfers of interests in Underlying Bonds by a CREST participant to a participant of a Relevant Clearing System will be effected by cancellation of the corresponding CDIs and transfer of an interest in such Underlying Bonds to the account of the relevant participant with a Relevant Clearing System.

The CDIs will have the same international securities identification number ("**ISIN**") as the ISIN of the Underlying Bonds and will not require a separate listing on the Official List of the FCA.

Prospective subscribers for Bonds represented by CDIs are referred to Section 3 (Crest International Manual) of the CREST Manual issued by CREST (including the CREST International Manual dated 14 April 2008) as amended, modified, varied or supplemented from time to time (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, the Relevant Clearing Systems and the Issuer including the CREST Deed Poll (in the form contained in Section 3 of the CREST Manual) executed by the CREST Depository. These rights may be different from those of holders of Bonds 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 "**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 Bonds. The CDIs are separate legal instruments from the Underlying Bonds to which they relate and represent an indirect interest in such Underlying Bonds.
- (b) The Underlying Bonds themselves (as distinct from the CDIs representing indirect interests in such Underlying Bonds) will be held in an account with a custodian. The custodian will hold the Underlying Bonds through a Relevant Clearing System. Rights in the Underlying Bonds will be held through custodial and depository links through the appropriate Relevant Clearing Systems. The legal title to the Underlying Bonds or to interests in the Underlying Bonds will depend on the rules of the Relevant Clearing System in or through which the Underlying Bonds are held.
- (c) Rights under the Underlying Bonds cannot be enforced by CDI Holders except indirectly through the intermediary depositories and custodians described above. The enforcement of rights under the Underlying Bonds will therefore be subject to the local law of the relevant intermediary. The rights of CDI Holders to the Underlying Bonds are represented by the entitlements against the CREST Depository which (through the CREST Nominee) holds interests in the Underlying Bonds. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Bonds in the event of any insolvency or liquidation of the relevant intermediary, in particular where the Underlying Bonds held in Relevant Clearing Systems are not held in special purpose accounts and are fungible (in other words, interchangeable because of common characteristics) 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 (the "**CREST Rules**") (contained in the CREST Manual) applicable to the CREST International Settlement Links Service and CDI Holders must comply in full with all obligations imposed on them by such provisions.
- (e) Prospective investors 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. The attention of prospective investors is drawn to the terms of the CREST Deed Poll, the CREST Manual and the CREST Rules, copies of which are available from the CREST website at www.euroclear.com/site/public/EUI.
- (g) Prospective investors 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 Bonds through the CREST International Settlement Links Service.
- (h) Prospective investors should note that none of the Issuer, BlueZest Mortgages, the Arranger, the Lead Manager, the relevant Dealer, the Bond Trustee, the Borrower Security Trustee, the Issuer Security Trustee, the Principal Paying Agent, the Account Bank, the Registrar, the Transfer Agents, the Calculation Agent or the Cash Manager 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.

It is anticipated that Bonds eligible for CREST settlement as CDIs will be issued in registered global form.

CREST

Uncertificated Registered Bonds will be held in registered uncertificated form in accordance with the Uncertificated Securities Regulations 2001, including any modification or re-enactment thereof for the time being in force (the "**Uncertificated Securities Regulations**") and as such are dematerialised and not constituted by any physical document of title. The Uncertificated Registered Bonds are participating securities for the purposes of the Uncertificated Securities Regulations. Title to the Uncertificated Registered Bonds is recorded on the relevant Operator register of corporate securities. The CREST Registrar on behalf of the Issuer shall, in relation to the Uncertificated Registered Bonds, maintain a record of uncertificated corporate securities in accordance with the records of Euroclear UK & Ireland Limited (formerly known as CRESTCo Limited) (the "**Record**") and shall procure that the Record is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator. Subject to this requirement, (i) each person who is for the time being shown in the Record as the holder of a particular number of Uncertificated Registered Bonds shall be treated by the Issuer and the CREST Registrar as the holder of such number of Uncertificated Registered Bonds for all purposes (and the expression Holder of Uncertificated Registered Bonds and related expressions shall be construed accordingly), and (ii) neither the Issuer nor the CREST Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Record which the CREST Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to the Uncertificated Registered Bonds.

H

APPENDIX H: FINANCIAL INFORMATION OF UNIQUE FUNDING LIMITED

The appendix sets out unaudited management accounts of Unique Funding Limited (the parent of BlueZest Mortgages) for the period from its incorporation on 3 March 2017 to 30 September 2017.

UNAUDITED MANAGEMENT ACCOUNTS OF UNIQUE FUNDING LIMITED

The following financial data is taken from the management accounts of Unique Funding Limited for the period from its incorporation on 3 March 2017 to 30 September 2017 and is unaudited.

Accounts of Unique Funding Limited (for the period 3/3/2017 to 30/09/2017)		
Category	Description	£
Funds	Principal Investor funds introduced	760,000
	Principal Investor funds committed	90,000
		850,000
Income	Sales	-
	Interest	51
Direct Costs	Direct Wages	197,383
	Employers National Insurance	20,265
Operating expenses	Advertising and Marketing	2,538
	Audit & Accountancy fees	541
	Bank Fees	2
	Bond set up fees	128,141
	Cleaning	14
	Consulting	6,746
	Data Services	20,785
	Entertainment - 0%	150
	Entertainment - 100% business	287
	Expenses - Staff	226
	General Expenses	1,250
	Insurance	274
	IT Software and Consumables	47,816
	Legal Expenses	11,214
	Motor Vehicle Expenses	62
	Postage, Freight & Courier	77
	Printing & Stationery	763
	Recruitment expenses	20,646
	Rent	13,197
	Repairs & Maintenance	295
Telephone & Internet	8,835	
Travel - National	3,741	
Assets	Computer Equipment	2,324
	Office Equipment	3,073
	Proprietary Risk Engine	105,250
Current Balance		254,156

REGISTERED OFFICE OF THE ISSUER

BlueZest Secured Retail Bond PLC

6th Floor, 65 Gresham Street
London EC2V 7NQ
United Kingdom

ARRANGER AND INITIAL DEALER

Monsas Limited

26 Grosvenor Street
London W1K 4QW
United Kingdom

BOND TRUSTEE, BORROWER SECURITY TRUSTEE, ISSUER SECURITY TRUSTEE

Link Corporate Trustees (UK) Limited

The Registry, 34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

ACCOUNT BANK

The Bank of New York Mellon, London Branch

One Canada Square
London E14 5AL
United Kingdom

**CASH MANAGER AND INITIAL
CALCULATION AGENT**

Link Asset Services (UK) Limited

17 Rochester Row
Westminster
London SW1P 1QT
United Kingdom

CREST REGISTRAR

Link Market Services Limited

The Registry, 34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

LEGAL ADVISERS

To the Issuer as to English law:

DLA Piper UK LLP

3 Noble Street
London EC2V 7EE
United Kingdom

*To the Arranger and Initial
Dealer as to English law:*

GRM Law

1 Bedford Row
London WC1R 4BZ
United Kingdom

*To the Bond Trustee, the Borrower
Security Trustee and the Issuer
Security Trustee as to English law:*

Stephenson Harwood LLP

1 Finsbury Circus
London EC2M 7SH
United Kingdom

AUDITORS TO THE ISSUER AND BLUEZEST MORTGAGES

Deloitte LLP

2 New Street Square
London EC4A 3BZ
United Kingdom