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You are reminded that this Information Memorandum has been delivered to you on the basis that you are a person into whose possession the Information Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Information Memorandum to any other person.

The Information Memorandum does not constitute, and may not be used in conjunction with, an offer or solicitation in any place where offers or solicitations are not permitted by law.

This Information Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, UKMBA (each as defined in the Information Memorandum), or the Managers accepts any liability or responsibility whatsoever in respect of any difference between the Information Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Issuer.

This Information Memorandum is being distributed only to and directed only at (i) persons who are outside the United Kingdom, (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") and qualified investors falling within Article 49(2)(a) to (d) of the Order, or (iii) those persons to whom it may otherwise lawfully be distributed (all such persons together being referred to as "**relevant persons**"). This Information Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Information Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.



UK Municipal Bonds Agency Finance Company DAC

(a designated activity company incorporated under the laws of Ireland with registered number 665538 and having its registered office in Ireland)

£350,000,000 Guaranteed Floating Rate Notes due 2025

Guaranteed by

Lancashire County Council

(established under the Local Government Act 1972)

UK Municipal Bonds Agency Finance Company DAC, a designated activity company incorporated under the laws of Ireland (the "**Issuer**"), is issuing an aggregate principal amount of £350,000,000 guaranteed floating rate notes due 2025 (the "**Notes**"). The proceeds will be used by the Issuer as consideration for the assignment by the UK Municipal Bonds Agency PLC ("**UKMBA**") to the Issuer of all of UKMBA's rights under a £350,000,000 loan made by UKMBA as lender to Lancashire County Council ("**LCC**") as borrower (the "**LCC Loan**"). UKMBA has been established to facilitate lending to certain English local authorities (including the Guarantor).

Lancashire County Council (in such capacity, the "**Guarantor**") will unconditionally and irrevocably guarantee to the Trustee (as defined below) the due and punctual payment of all amounts at any time becoming due and payable in respect of the Notes, pursuant to a guarantee dated on or around 12 March 2020 (the "**Guarantee of the Notes**").

The issue price of the Notes is 100 per cent. of their principal amount.

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on the Interest Payment Date (as defined in "*Terms and Conditions of the Notes—Interest*") falling in March 2025.

The Notes may be redeemed in the event of certain changes affecting taxation in Ireland or the United Kingdom. The Notes may also be redeemed, in whole or in part, at their principal amount following a prepayment of the LCC Loan by LCC.

The Notes will bear interest from (and including) 12 March 2020 at the rate of 0.80 per cent. per annum plus the Compounded Daily Sterling Overnight Index Average rate ("**SONIA**") for three month Sterling deposits, payable quarterly in arrear, commencing on the Interest Payment Date falling in June 2020.

Payments on the Notes will be made in Sterling without withholding or deduction for or on account of taxes imposed or levied by Ireland or the United Kingdom to the extent described under "*Terms and Conditions of the Notes—Taxation*".

This document (the "**Information Memorandum**") comprises neither a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) (the "**FSMA**"), a prospectus for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") nor listing particulars given in compliance with the listing rules (the "**Listing Rules**") made under Part VI of the FSMA by the United Kingdom Financial Conduct Authority in its capacity as competent authority under the FSMA (the "**FCA**"). Investors should make their own assessment as to the suitability of investing in such Notes.

Application has been made to the London Stock Exchange plc (the "**London Stock Exchange**") for the Notes to be admitted to the London Stock Exchange's International Securities Market (the "**ISM**"). The ISM is not a regulated market for the purposes of the Directive on Markets in Financial Instruments 2014/65/EU.

The Notes will be in bearer form and in the denominations of £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000. The Notes will initially be in the form of a temporary global note (the "**Temporary Global Note**"), without interest coupons, which will be deposited on or around 12 March 2020 (the "**Closing Date**") with a common safekeeper for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). The Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note (the "Permanent Global Note"), without interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in the denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000 and with interest coupons attached. See "*Summary of Provisions Relating to the Notes in Global Form*".

The Notes have been rated Aa3 (negative outlook) by Moody's Investors Service Ltd ("**Moody's**"). Moody's is established in the European Economic Area and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). Moody's appears on the latest update of the list of registered credit rating agencies (as of 14 November 2019) on the ESMA website <http://www.esma.europa.eu>.

A security 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.

Investing in Notes involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the Guarantor to fulfil their respective obligations under the Notes are discussed under "Risk Factors" below.

The Notes, the LCC Loan and the Guarantee of the Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and are subject to U.S. tax law requirements. The Notes are being offered outside the United States by the Managers (as defined herein) in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Issuer is not and will not be regulated by the Central Bank of Ireland (the "**Central Bank**") as a result of issuing the Notes. Any investment in the Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Central Bank.

Global Coordinator

HSBC

Joint Lead Managers and Joint Bookrunners

Barclays

BofA Securities

HSBC

Co-Managers

Deutsche Bank

NatWest Markets

Nomura

RBC Capital Markets

Santander

10 March 2020

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IMPORTANT NOTICES

Information Memorandum is not a Prospectus

This Information Memorandum comprises neither a prospectus for the purposes of Part VI of the FSMA nor a prospectus for the purposes of the Prospectus Regulation nor listing particulars prepared in compliance with the FCA's Listing Rules. This Information Memorandum is provided for information purposes only. The information contained herein is in summary form and must be considered in conjunction with and subject to the publicly available information of the Issuer and the Guarantor. None of the Issuer, the Guarantor, UKMBA, the Managers (as defined in the section titled "*Subscription and Sale*"), HSBC Corporate Trustee Company (UK) Limited (the "**Trustee**") or HSBC Bank plc (the "**Principal Paying Agent**" and the "**Agent Bank**", together the "**Agents**") make any representation or warranty that this Information Memorandum contains all information with respect to the Issuer, the Guarantor and the Notes that is material in the context of the issue and offering of the Notes. Each recipient of this Information Memorandum shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Guarantor.

Responsibility for this Information Memorandum

The Issuer and UKMBA accept responsibility for the information contained in this document and declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Information Memorandum is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

The Guarantor accepts responsibility for the information contained in this document relating to the Guarantor and declares that, having taken all reasonable care to ensure that such is the case, such information is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Other relevant information

This Information Memorandum must be read and construed together with any information incorporated by reference herein.

The Issuer and UKMBA have confirmed to the Managers that the information contained in this Information Memorandum is true and accurate in all material respects and is not misleading in any material respect. The Guarantor has also confirmed to the Managers that the information relating to the Guarantor is true and accurate in all material respects and is not misleading in any material respect.

Unauthorised information

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Information Memorandum or any other document entered into in relation to the issuance of the Notes or any information supplied by the Issuer, the Guarantor or UKMBA or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, UKMBA or the Managers.

None of the Managers, the Trustee, the Agents or any of their respective affiliates have authorised the whole or any part of this Information Memorandum and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Information Memorandum. Neither the delivery of this Information Memorandum nor the offering, sale or delivery of the Notes shall, in any circumstances, create any implication that the information contained in this Information Memorandum is true subsequent to the date hereof or that any other information supplied in connection with the issuance of the Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

To the fullest extent permitted by law, none of the Managers, the Trustee or the Agents accepts responsibility whatsoever in respect of the issuance of the Notes or any of the Transaction Documents (as defined below) (including the effectiveness thereof) or the contents of this Information Memorandum or for any other statement, made or purported to be made by the Managers, the Trustee or the Agents or on their behalf in connection with the Issuer, UKMBA, the Guarantor, or the issue and offering of the Notes. The Managers, the Trustee and the Agents accordingly disclaim all and any liability whether arising in tort

or contract or otherwise (save as referred to above) which it might otherwise have in respect of the Notes, the Transaction Documents or this Information Memorandum or any such statement. None of the Managers, the Trustee or the Principal Paying Agent has verified the status of the Guarantor in relation to the Notes nor conducted any due diligence in relation to the Guarantor's ability to enter into or be bound by the terms of the Guarantee of the Notes.

For the purposes of the above paragraph, "**Transaction Documents**" means the paying agency agreement in relation to the Notes dated on or around the date hereof and entered into between the Issuer and, *inter alia*, HSBC Bank plc as principal paying agent (the "**Paying Agency Agreement**"), the trust deed in relation to the Notes dated on or around the date hereof and entered into between the Issuer and HSBC Corporate Trustee Company (UK) Limited as trustee (the "**Trust Deed**"), the Subscription Agreement, and the Guarantee of the Notes (as each term is defined in this Information Memorandum).

Restrictions on distribution

The distribution of this Information Memorandum and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum comes are required by the Issuer, UKMBA, the Guarantor and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Information Memorandum and other offering material relating to the Notes, see "*Subscription and Sale*".

In particular, the Notes, the LCC Loan and the Guarantee of the Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons.

In addition, the Information Memorandum is being distributed only to and directed only at (i) persons who are outside the United Kingdom, (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") and qualified investors falling within Article 49(2)(a) to (d) of the Order, or (iii) those persons to whom it may otherwise lawfully be distributed (all such persons together being referred to as "**relevant persons**"). This Information Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Information Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

This Information Memorandum does not constitute an offer or an invitation to subscribe for or purchase the Notes and should not be considered as a recommendation by the Issuer, UKMBA, the Guarantor, the Managers, the Trustee, the Agents or any of them that any recipient of this Information Memorandum should subscribe for or purchase any Notes. Each recipient of this Information Memorandum shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Guarantor.

Currency definitions

In this Information Memorandum, references to "**GBP**", "**Sterling**", or "**£**" are to pounds sterling.

Stabilisation

In connection with the issue of the Notes, HSBC Bank plc (the "Stabilisation Manager" (or persons acting on behalf of the Stabilising Manager)) may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

MIFID II product governance / target market

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

OVERVIEW OF THE NOTES

The following is a brief overview only and should be read, in relation to Notes, in conjunction with the Terms and Conditions of the Notes set out herein.

Words and expressions defined in the "*Terms and Conditions of the Notes*" below or elsewhere in this Information Memorandum have the same meanings in this Overview.

Issuer:	UK Municipal Bonds Agency Finance Company DAC
Guarantee:	The Issuer's obligations under the Notes are guaranteed by Lancashire County Council as described under " <i>Guarantee of the Notes</i> ".
The Notes:	£350,000,000 Guaranteed Floating Rate Notes due 2025
Issuer Price:	100 per cent. of the principal amount of the Notes
Issue Date:	Expected to be on or about 12 March 2020
Use of Proceeds:	<p>The Issuer will transfer the net proceeds from the issue of the Notes to UKMBA as consideration for the assignment by UKMBA to the Issuer of all of UKMBA's rights under the LCC Loan pursuant to an assignment agreement.</p> <p>LCC shall use the proceeds of the LCC Loan to refinance (in part) its short-term debt.</p>
Interest:	The Notes will bear interest from (and including) 12 March 2020 at the rate of 0.80 per cent. per annum plus the SONIA rate for three month Sterling deposits, payable quarterly in arrear commencing on the Interest Payment Date falling in June 2020.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes and the Guarantor's ability to fulfil its obligations under the Guarantee of the Notes. In addition, there are certain factors which are material for the purposes of assessing the market risks associated with the Notes and certain risks relating to the Notes generally. Please see " <i>Risk Factors</i> " below.
Global Coordinator:	HSBC Bank plc
Joint Lead Managers and Joint Bookrunners:	Barclays Bank PLC, HSBC Bank plc and Merrill Lynch International
Co-Managers	Banco Santander, S.A., Deutsche Bank AG, London Branch, NatWest Markets Plc, Nomura International plc and RBC Europe Limited
Principal Paying Agent:	HSBC Bank plc
Agent Bank:	HSBC Bank plc
Trustee:	HSBC Corporate Trustee Company (UK) Limited
Listing and Trading:	The Notes will be admitted to the London Stock Exchange's International Securities Market (the " ISM "). The ISM is not a regulated market for the purposes of the Directive on Markets in Financial Instruments 2014/65/EU.
Terms and Conditions:	The Terms and Conditions are as set out herein
Clearing Systems:	Euroclear and Clearstream, Luxembourg

Form of Notes:	The Notes will be in bearer form and in the denominations of £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000. The Notes will initially be in the form of a Temporary Global Note, without interest coupons, which will be deposited on or around the Closing Date with a common safekeeper for Euroclear and Clearstream, Luxembourg. The Temporary Global Note will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in the denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000 and with interest coupons attached.
Status of the Notes:	The Notes will be guaranteed limited recourse obligations of the Issuer ranking <i>pari passu</i> without any preference among themselves.
Status of the Guarantee of the Notes	The obligations of the Guarantor in respect thereof will rank at least <i>pari passu</i> with the Guarantor's other unsecured and unsubordinated indebtedness subject to statutorily preferred exceptions.
Negative Pledge:	The Terms and Conditions of the Notes contain a negative pledge provision as further described in Condition 4 (<i>Negative Pledge</i>).
Redemption:	The Notes may be redeemable at par at maturity or in the case of any early redemption (either in whole or in part) as set out in the Terms and Conditions.
Tax Redemption:	Redemption at par will be permitted for tax reasons (as described in Condition 6(b) (<i>Redemption for tax reasons</i>)), where the Issuer or the Guarantor has an obligation to pay additional amounts under Condition 8 (<i>Taxation</i>) as a result of a change in, or amendment to withholding tax rules in the United Kingdom or the Republic of Ireland.
Denominations:	The Notes will be issued in bearer form in the denominations of £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000.
Taxation:	Payments in respect of Notes will be made without withholding or deduction with respect to certain United Kingdom and Ireland taxes save as described in Condition 8 (<i>Taxation</i>).
Governing Law:	The Notes, the Trust Deed, the Paying Agency Agreement and the Guarantee of the Notes and all non-contractual obligations arising out of or in connection with them will be governed by English law.
Ratings:	The Notes have been rated Aa3 (negative outlook) by Moody's Investors Service Ltd (" Moody's "). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom and Ireland, see " <i>Subscription and Sale</i> " below.
ISIN Code:	XS2125007554

Common Code: 212500755
LEI Code: 635400EKWEL7NGLTZ567

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the identity and activities of the Issuer and the Guarantor together with all other information contained in this Information Memorandum, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Information Memorandum have the same meanings in this section.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties that are not currently known to the Issuer or the Guarantor or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and/or the Guarantor and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Information Memorandum and their personal circumstances.

Risk Factors relating to the Issuer

The Issuer relies on payments from LCC

The Issuer is a special purpose vehicle established for the purpose of, amongst other things, incurring debt to facilitate the assignment of rights to it, from UKMBA, under local authority loan agreements and, for the purposes of the issuance of the Notes, the assignment of UKMBA's rights under the LCC Loan. The Issuer has no assets available to the Noteholders other than the payments it will receive under the LCC Loan. The ability of the Issuer to pay amounts due on the Notes will primarily be dependent upon receipt by the Issuer of amounts under the LCC Loan when due. The Issuer will be subject to the risk of delays in the receipt, or risk of defaults in the making, of payments due from LCC. Noteholders have no recourse to UKMBA.

Limited Recourse

Notwithstanding the Conditions, the Notes, the Trust Deed, the Paying Agency Agreement or the Guarantee of the Notes, Noteholders acknowledge and agree that recourse against the Issuer under the Conditions, the Notes and/or the Trust Deed shall be made only from and to the extent of, and shall be limited to, any sums actually received or recovered (net of tax) by or for the account of the Issuer from the LCC Loan, which has not already been paid or become contractually due to be paid to Noteholders. In its recourse against the Issuer under the Conditions, the Notes and/or the Trust Deed, Noteholders shall look solely to such sums and recourse against the Issuer thereunder will be limited to such sums and Noteholders will have no further recourse to the Issuer in respect of the Conditions, the Trust Deed, the Paying Agency Agreement and the Notes. In case of any shortfall in amounts available to the Issuer to meet amounts payable, no other assets of the Issuer will be available for payment of such shortfall, and Noteholders right to receive any further amounts in respect of such obligations shall be extinguished and Noteholders, or any other person acting on their behalf, may not and explicitly agree not to take any further action to recover such amounts.

Noteholders, or any other person acting on their behalf, shall not be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, reorganisation, arrangement, insolvency, winding-up, examinership, receivership or liquidation proceedings, or other proceedings under any applicable bankruptcy or similar law in connection with any obligations of the Issuer owed to Noteholders under or in connection with the Conditions, the Trust Deed, the Paying Agency Agreement and/or the Notes, save for lodging a claim in the liquidation of the Issuer which is initiated by another non-affiliated party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer in relation thereto.

No recourse under any obligation, covenant, or agreement of the Issuer contained in the Conditions, the Notes, the Trust Deed and/or the Paying Agency Agreement shall be had against any shareholder, officer, agent, employee or director of the Issuer, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise, it being expressly agreed and understood that such obligations under the Conditions, the Notes, the Trust Deed and/or the Paying Agency Agreement are corporate obligations of the Issuer. No personal liability shall attach to or be incurred by the shareholders, officers, agents,

employees or directors of the Issuer, or any of them, under or by reason of any of the obligations, covenants or agreements of the Issuer contained in the Conditions, the Notes, the Trust Deed and/or the Paying Agency Agreement, or implied therefrom, and any and all personal liability of every such shareholder, officer, agent, employee or director for breaches by the Issuer of any such obligations, covenants or agreements, either at law or by statute or constitution is deemed expressly waived by the Noteholders.

Irish Taxation Position of the Issuer

Interest payments on the Notes may be subject to Irish withholding tax if there is a change in Irish tax law or if the various exemption conditions set forth under "Taxation – Irish taxation Summary –Withholding Tax" are not fulfilled. The Issuer is not obligated to gross up or otherwise compensate Noteholders for withholding taxes incurred. This may, therefore, affect the return which Noteholders received on the Notes.

Changes in Irish tax laws may adversely impact the Issuer's business and the value of the Noteholders' investment.

The Issuer is treated as a securitisation vehicle which is taxed pursuant to Section 110 of the Taxes Consolidation Act 1997 (as amended) (the "TCA"). There is no guarantee that the tax treatment of an Irish securitisation company will not change in the future. The tax deductibility of the Issuer's interest costs will depend on the applicability of Section 110 of the TCA, the hybrid mismatch rules discussed at "EU Anti-Tax Avoidance Directive and EU Anti-Tax Avoidance Directive 2" below, and the current Revenue practice in relation to those matters. If these rules change and / or new rules or practices are introduced, this may have an impact on the return for Noteholders.

Corporation tax – Deductibility of Interest

Interest or other distributions paid out on the Notes which are profit dependent or any part of which exceeds a reasonable commercial return could, under certain anti-avoidance provisions, be re-characterised as a non-deductible distribution and be subject to dividend withholding tax in certain circumstances. However, this should not apply on the basis of a confirmation by the Issuer that, at the time the Notes were issued, the Issuer was not in possession or aware of any information which could reasonably be taken to indicate that interest or other distributions paid on the Notes would not be subject, without reduction computed by reference to the amount of such interest or other distribution, to a tax in a relevant territory which generally applies to profits, income or gains received in that relevant territory by persons from sources outside that relevant territory, where the term "relevant territory" means a member state of the European Union (other than Ireland) or a country with which Ireland has signed a double tax treaty ("**Relevant Territory**").

The recently enacted Finance Act 2019 could impact the taxation of the Issuer. These changes apply from 1 January 2020 (with no grandfathering provided for in respect of transactions entered into in advance of implementation). Finance Act 2019 amends Section 110 of the TCA, which is the provision which governs the tax treatment of the Issuer. The changes expand the scope of the definition of "specified person" so that certain provisions which deny a deduction for profit dependant or excessive interest are widened to encompass payments to persons who are borrowers under loans acquired by the company, as well as under loans advanced by the company. The definition of control in the "specified person" definition was also widened to include persons that have "significant influence" over the company and hold more than 20% of the shares in the company; 20% by principal value of the debt carrying profit dependant or excessive interest issue by the company (or any securities with no par value) or 20% of the interest on such securities.

This amendment could result in tax deductions for payment of interest by the Issuer to such persons (taken together with certain connected persons) on any Notes, the return on which is dependent on the results of the Issuer's business or exceeds a commercial rate of return, being non-deductible and potentially subject to dividend withholding tax.

Interest or other distributions paid out on the Notes which are profit dependent (to the extent to which such distributions exceed a reasonable commercial rate of return as determined at the creation of the Note) or any part of which exceeds a reasonable commercial return may not be deductible in full to the extent that the interest is associated with a 'specified property business' carried on by that qualifying company. A 'specified property business' of a qualifying company means, subject to a number of exceptions, a business of holding 'specified mortgages', units in an IREF (being a specified form of investment undertaking within the meaning of Chapter 1B of Part 27 of the TCA) or shares that derive their value or the greater part of their value, directly or indirectly, from Irish land. A 'specified mortgage' for this purpose is (a) a loan

which is secured on, and which derives its value from, or the greater part of its value from, directly or indirectly, Irish land, (b) a 'specified agreement' (effectively a profit dependent derivative) which derives its value, or the greater part of its value, directly or indirectly, from Irish land or a loan to which (a) applies, or (c) the portion of a specified security (essentially a security carrying profit dependant or commercially excessive return in respect of which, if the Finance Act 2016 and Finance Act 2017 rules did not apply to it, payments on that security would be deductible under Section 110 of the TCA) treated as attributable to the specified property business in accordance with the rules.

The legislation treats the holding of such assets as a separate business to the rest of the qualifying company's activities (if any). The qualifying company is taxed on any profit that is attributable to that business at 25% and any such interest that is profit dependent or that part of any interest which exceeds a reasonable commercial return is not deductible, subject to a number of exceptions.

However, on the basis that the Issuer will not acquire 'specified mortgages' (within the meaning of section 110 of the TCA), units in an IREF (being a specified form of investment undertaking within the meaning of Chapter 1B, Part 27 of the TCA) or shares that derive the greater part of their value, directly or indirectly, from Irish land, the new rules should not apply to this transaction.

EU Anti-Tax Avoidance Directive and EU Anti-Tax Avoidance Directive 2

As part of its anti-tax avoidance package, and to provide a framework for a harmonised implementation of a number of the BEPS conclusions across the EU, the EU Council adopted Council Directive (EU) 2016/1164 (the "**Anti-Tax Avoidance Directive**") on 12 July 2016.

The EU Council adopted Council Directive (EU) 2017/952 (the "**Anti-Tax Avoidance Directive 2**") on 29 May 2017, amending the Anti-Tax Avoidance Directive, to provide for minimum standards for counteracting hybrid mismatches involving EU member states and third countries.

EU member states had until 31 December 2018 to implement the Anti-Tax Avoidance Directive (subject to derogations for EU member states which have equivalent measures in their domestic law) and had until 31 December 2019 to implement the Anti-Tax Avoidance Directive 2 (except for measures relating to reverse hybrid mismatches, which must be implemented by 31 December 2021).

The Directives contain various measures that could, depending on their implementation in Ireland, potentially result in certain payments made by the Issuer ceasing to be fully deductible. This could increase the Issuer's liability to tax and reduce the amounts available for payments on the Notes. There are two measures of particular relevance.

First, the Anti-Tax Avoidance Directive provides for an "interest limitation rule" which restricts the deductible interest of an entity to the higher of (a) EUR 3,000,000 or (b) 30% of its earnings before interest, tax, depreciation and amortisation. However, the interest limitation only applies to the net borrowing costs of an entity (being the amount by which its borrowing costs exceed its taxable interest revenues and other economically equivalent taxable revenues). This measure has not yet been implemented in Ireland. The exact scope of the measure and its impact on the Issuer's tax position will depend on how this is implemented in Ireland.

Secondly, the Anti-Tax Avoidance Directive (as amended by the Anti-Tax Avoidance Directive 2) provides for hybrid mismatch rules. These rules apply in Ireland with effect from 1 January 2020 and are designed to neutralise arrangements where amounts are deductible from the income of one entity but are not taxable for another, or the same amounts are deductible for two entities. These rules could potentially apply to the Issuer where: (i) the interest that it pays under the Notes, and claims deductions from its taxable income for, is not brought into account as taxable income by the relevant Noteholder, either because of the characterisation of the Notes, or the payments made under them, or because of the nature of the Noteholder itself; and (ii) the mismatch arises between associated enterprises, between the Issuer and an associated enterprise or under a structured arrangement. It is not clear if the Issuer would have any associated enterprise, however if the Issuer has or had at any time an associated enterprise, unless there is a hybrid mismatch, then the measures should not impact payments on the Notes.

For the purposes of the hybrid rules, a structured arrangement is one involving a mismatch outcome where the mismatch outcome is priced into the terms of the arrangement or the arrangement was designed to give rise to a mismatch outcome. Absent any guidance from the Irish Revenue Commissioners on how they will

approach structured arrangements, it is not yet clear if this would apply to the transaction to bring it within scope of the hybrid rules.

The Common Reporting Standard

The common reporting standard framework was first released by the OECD in February 2014 as a result of the G20 members endorsing a global model of automatic exchange of information in order to increase international tax transparency. On 21 July 2014, the Standard for Automatic Exchange of Financial Account Information in Tax Matters was published by the OECD and this includes the Common Reporting Standard (the "CRS"). The goal of the CRS is to provide for the annual automatic exchange between governments of financial account information reported to them by local reporting financial institutions (as defined) ("**FI**s") relating to account holders who are tax resident in other participating jurisdictions.

Directive 2014/107/EU on Administrative Cooperation in the Field of Taxation ("**DAC II**") implements the CRS in a European context and creates a mandatory obligation for all EU Member States to exchange financial account information in respect of residents in other EU Member States on an annual basis commencing in 2017 in respect of the 2016 calendar year (or from 2018 in the case of Austria).

Ireland is a signatory jurisdiction to a Multilateral Competent Authority Agreement on the automatic exchange of financial account information in respect of the CRS and the CRS (and DAC II) have been implemented into Irish law by Sections 891F and 891G and regulations made thereunder with effect from 1 January 2016.

Over 95 jurisdictions have committed to exchanging information under the CRS and a group of 50 countries, including Ireland and all other EU Member States (known as the "**Early Adopter Group**") committed to the early adoption of the CRS from 1 January 2016. The Early Adopter Group activated their exchange relationships under the CRS and commenced the exchange of data in September 2017. In November 2017, a further 53 jurisdictions committed to activating their exchange relationships by September 2018.

The Irish Revenue Commissioners issued regulations to implement the requirements of the CRS and DAC II into Irish law under which Irish FIs (such as the Issuer) will be obliged to make a single return in respect of CRS and DAC II. For the purposes of complying with its obligations under CRS and DAC II, an Irish FI (such as the Issuer) shall be entitled to require Noteholders to provide any information regarding their and, in certain circumstances, their controlling persons' tax status, identity or residence in order to satisfy any reporting requirements which the Issuer may have as a result of CRS and DAC II and Noteholders will be deemed, by their holding, to have authorised the automatic disclosure of such information by the Issuer (or any nominated service provider) or any other person to the Irish Revenue Commissioners. The information will be provided to the Irish Revenue Commissioners who will exchange the information with the tax authorities of other participating jurisdictions, as applicable. Failure by an Irish FI to comply with its CRS and DAC II obligations may result in the Issuer being deemed to be non-compliant in respect of its CRS obligations and monetary penalties may be imposed on a non-compliant FI under Irish legislation.

The Issuer (or any nominated service provider) will agree that information (including the identity of any Noteholder) supplied for the purposes of CRS and DAC II compliance is intended for the Issuer's (or any nominated service provider's) use for the purposes of satisfying CRS and DAC II requirements and the Issuer (or any nominated service provider) will agree, to the extent permitted by applicable law, that it will take reasonable steps to treat such information in a confidential manner, except that the Issuer may disclose such information (i) to its officers, directors, agents and advisors, (ii) to the extent reasonably necessary or advisable in connection with tax matters, including achieving CRS and DAC II compliance, (iii) to any person with the consent of the applicable Noteholder, or (iv) as otherwise required by law or court order or on the advice of its advisors. Further information in relation to CRS can be found on the Automatic Exchange of Information webpage on www.revenue.ie.

Multilateral Instrument

On 24 November 2016, the OECD published the text and explanatory statement of the "Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting" ("**MLI**"). The MLI is to be applied alongside existing tax treaties (rather than amending them directly), modifying the application of those existing treaties in order to implement BEPS measures.

The MLI has entered into force in Ireland. The date from which provisions of the MLI have effect in relation to a double tax treaty depends on several factors including the type of tax which the relevant treaty article relates to. In most cases, since the Issuer is not relying, for Irish tax purposes, on the provisions of an Irish double tax treaty, the MLI should have little Irish tax effect on it. The Issuer's ability to rely on Ireland's double tax treaties to reduce or eliminate taxes in other jurisdictions may be affected. The ability to rely on many of Ireland's double tax treaties with other jurisdictions may now be subject to a principal purpose test ("PPT"). The PPT would deny treaty benefits where it is reasonable to conclude, having regard to all of the relevant facts and circumstances for this purpose, that obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit, unless it was established that granting that benefit in those circumstances would be in accordance with the object and purpose of the relevant provisions of the treaty. It is currently unclear how a PPT, if adopted, would be applied by either the tax authorities of those jurisdictions from which payments are made to the Issuer.

It is also possible that Ireland will negotiate other amendments to its double tax treaties on a bilateral basis in the future which may affect the ability of the Issuer to obtain the benefit of those treaties.

Risks relating to the Guarantor

Operation Sheridan

In respect of the ongoing investigation in relation to Operation Sheridan (see further *Description of the Guarantor - Operation Sheridan*), the involvement of certain personnel in Operation Sheridan associated with LCC may cause LCC reputational harm.

General political risk / changes to the statutory framework

Local authorities in England, such as the Guarantor, are statutory bodies and subject to, and benefit from, various statutory rights and obligations. Similarly, their funding and operations are subject to direction and scrutiny from the Secretary of State. The nature of local authorities and their statutory framework is subject to change by government. No assurance can be given as to the impact on the Notes of any possible change of directions received from the Secretary of State or to the statutory framework relating to local authorities after the date of this Information Memorandum.

Furthermore, as elected bodies the Guarantor is subject to political control and direction, and any new administration taking political control of the Guarantor after an election may take decisions to reassess the means the Guarantor uses to borrow money in order to finance its investment plans.

Local authorities' sources of funding in England

Local authorities have three main sources of revenue finance: council tax ("**Council Tax**"), the business rates retention scheme and grants provided by the central government.

Local authority spending is subject to certain restraints with regard to the level of Council Tax which may be raised by a local authority. Local authorities are required to determine whether the amount of Council Tax they plan to raise is excessive. The Secretary of State for Communities and Local Government issues principles, which are approved by the House of Commons and which local authorities use to determine if the amount of Council Tax that they wish to raise is excessive. Local authorities are required to hold a referendum if they wish to propose an excessive increase in Council Tax. HM Treasury has previously made available funding to enable Council Tax to be frozen. It is a matter for each council to decide whether to freeze Council Tax in order to access this HM Treasury funding. As a result of these measures, or other measures which may be introduced by HM Treasury in the future, there is a risk that the level of Council Tax which local authorities may raise may be capped, frozen or reduced, which may in turn have an adverse effect on the revenues and financial condition of the Guarantor.

A business rates retention scheme was introduced in April 2013, with the intention of giving councils a strong financial incentive to promote economic growth by providing a direct link between business rates growth in the local area and the amount of money available to a local authority to spend on local people and services. Under the previous national non-domestic rates system, all businesses paid tax to their local council ("**Business Rates**"); these taxes were paid into a national pool and then re-distributed back to local authorities. Under the business rates retention scheme, instead of all collections from Business Rates being contributed to a centralised pot, local authorities will now be able to keep a proportion of their growth in Business Rates. However, this remains subject to certain tariffs and top-up payments. The government

specifies a baseline funding level for every local authority, and local authorities who earn more Business Rates than their baseline funding level will make a tariff payment in respect of a proportion of this excess to government. Where local authorities have greater funding needs than their Business Rates income, they receive a top-up payment from government. The levels of tariff payments remain fixed each year but will increase in line with the all-items retail price index for the United Kingdom published by the Office for National Statistics the ("**Retail Prices Index**"). There is a risk that economic growth in the relevant areas may slow, which will reduce the proportion of Business Rates which the Guarantor may retain which may in turn have an adverse effect on the revenues and financial condition of the Guarantor, although this risk is relatively small in the context of the Guarantor's overall budget.

Central government provides specific and general grants to enable local authorities to deliver all the necessary services. The amount of the revenue support grant and the amounts proposed to be paid to English local authorities are determined by the Secretary of State subject to certain requirements for consultation and for approval by a resolution of the House of Commons. Due to the nature of grant funding, there is a risk that the size of grants may be further reduced in the future. Any reduction in the size of grants could have an adverse impact on the revenues and financial condition of the Guarantor.

Local authorities' borrowing powers

Under the Local Government Act 2003 (the "**LGA 2003**"), each local authority in England must determine the amount of money that it can afford to borrow. This determination is subject to central government's reserve powers to make regulations in relation to (amongst other things) when and how a local authority may determine its affordable borrowing limit and to cap the amount of borrowing to be incurred by a local authority if the total level of local government borrowing reaches levels that are damaging to the national economy, or if a particular authority is believed to be borrowing more than it can afford. No assurance can be given as to the impact which any regulations made by central government or cap imposed by central government after the date of this Information Memorandum will have on the ability of the Guarantor to continue to carry out their functions or to meet their obligations to make payments of principal and/or interest under the LCC Loan or under the Guarantee of the Notes.

LCC may be unable to borrow

LCC may be unable to borrow, or only able to borrow at an unacceptable rate of interest. This may be as a result of factors relating to it such as the level and quality of income, funding, liquidity, the quality of assets and credit ratings of LCC or factors relating to the local authority sector as a whole and wider macro-economic risks such as legislative or regulatory changes and uncertainty, the macro-economic environment and the perceived levels of state support.

Insolvency of local authorities in England

Local authorities such as the Guarantor could be subject to the appointment of a receiver under section 13(5) of the LGA 2003 by the high court upon application by a person entitled to principal or interest due in respect of any borrowing if the amount remains unpaid for a period of two months following written demand. The High Court may appoint such a receiver on such terms and confer on him such powers as it thinks fit. These powers may include any powers which the Guarantor has in relation to collecting, receiving or recovering revenues, issuing levies or precepts and setting, collecting and recovering council tax. Local authorities are not subject to the Insolvency Act 1986 (as amended) owing to the amendment on 15 September 2003 pursuant to the Enterprise Act 2002 to the meaning of "company" in paragraph 111 of Schedule B1 to the Insolvency Act 1986.

Judicial review

As statutory bodies, the actions and operations of the Guarantor are subject to judicial review by the courts. The courts have an inherent jurisdiction to review the exercise of statutory power by public bodies or officers. Judicial review is concerned with reviewing not the merits of a decision in respect of which the application for judicial review is made, but the decision making process itself. Recent amendments to the Civil Procedure Rules have been implemented, which introduce additional limitations in relation to applications for judicial review, in order to reduce costs and delays by filtering out weak, frivolous and unmeritorious cases (including limitations on the ability to make an oral request for appeal or renewal where the court considers the application to be without merit). An application for judicial review may be brought by persons with "sufficient interest" in the decision taken by the relevant statutory or public body. The

general requirement is that such an application must be filed "promptly" and in any event not later than three months after the grounds to make the claim first arise (although this is reduced to six weeks in the case of certain planning and procurement cases). Upon an application for judicial review, the courts may grant a quashing order, a prohibiting order or a mandatory order. In addition, the court has power, in specified circumstances, to grant a declaration or an injunction or to award damages. No assurance can be given that action taken by the Guarantor or its subsidiaries will not be subject to an application for judicial review by a person with "sufficient interest" in the action and that such action is delayed or prohibited.

The United Kingdom's exit from the European Union

The United Kingdom left the European Union on 31 January 2020 ("**Brexit**"). Negotiations are ongoing to determine the future terms of the United Kingdom's relationship with the European Union, including the terms of trade between the United Kingdom and the European Union. Pursuant to the withdrawal agreement between the United Kingdom and the European Union, a transitional period applies, from the date of the withdrawal of the UK from the EU to 31 December 2020 during which EU law would continue to apply to the UK. The complete impact of Brexit on the Issuer and the Guarantor cannot be ascertained until the terms of the withdrawal are determined and the UK puts in place successor trading arrangements with other countries. The withdrawal process will continue to result in a sustained period of economic and political uncertainty in the UK and the withdrawal from the European Union could also have a negative impact on economic conditions in Europe. The continued political and economic uncertainty could have a material adverse effect on the Guarantor's and the Issuer's operations, prospects and/or financial condition.

General risks related to the Notes and the Guarantee of the Notes

Trustee claims under the Guarantee of the Notes

The Trustee is the beneficiary of the Guarantee of the Notes on its own behalf and on behalf of the Noteholders and therefore the Noteholders rely on the Trustee making a claim under the Guarantee of the Notes, when required, and when instructed by a requisite number of Noteholders in accordance with Condition 9 (*Event of Default*) and Condition 14 (*Enforcement*). The Noteholders have no separate right to enforce the Guarantee of the Notes.

Modification and waivers

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

There is no active trading market for the Notes

The Notes will be new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and/or the Guarantor. Although application has been made for the Notes to be admitted to trading on the London Stock Exchange's ISM, there is no assurance that such application will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes.

The Notes may be redeemed prior to maturity

In the event that the Issuer or the Guarantor would be obliged to increase the amounts payable in respect of any Notes due to any 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 Ireland, the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax (as set out in Conditions 6 (*Redemption and Purchase*) and 8 (*Taxation*)), the Issuer may at any time thereafter redeem all outstanding Notes in accordance with the Conditions.

Payment obligations in respect of the Notes will be satisfied through the receipt of the amounts under the LCC Loan. If the LCC Loan is prepaid due to any of the specified reasons (including in the case of an event of a default occurring under the LCC Loan as set out in Condition 6(c) (*Redemption due to a local authority prepayment*)) then the Issuer shall redeem the Notes provided that the amount redeemed shall not be greater

than the principal amount of the LCC Loan that has been repaid. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

The market continues to develop in relation to Notes that reference SONIA

Investors should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets and its adoption as an alternative to Sterling LIBOR. In particular, market participants and relevant working groups are exploring alternative reference rates based on SONIA, including term SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA rate over a designated term).

The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Conditions and used in relation to the Notes. The development of Compounded Daily SONIA as an interest reference rate for the Eurobond markets, as well as continued development of SONIA-based rates for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of the Notes.

Furthermore, interest on the Notes is only capable of being determined at the end of the relevant Observation Period (as defined in the Conditions) and immediately prior to the relevant Interest Payment Date. It may be difficult for investors to estimate reliably the amount of interest which will be payable on the Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which could adversely impact the liquidity of such Notes.

Further, in contrast to LIBOR-linked Notes, if the Notes become due and payable in accordance with Condition 9 (*Events of default*), the final Interest Determination Date shall, notwithstanding the definition specified above, be deemed to be the date on which the Notes became due and payable and the Interest Rate on the Notes shall, for so long as the Notes remain outstanding, be the rate determined on such date.

In addition, the manner of adoption or application of the SONIA reference rate in the Eurobond markets may differ materially compared with the application and adoption of SONIA in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of the SONIA reference rate across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing SONIA.

Since SONIA is a relatively new market index, Notes linked to SONIA may have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities indexed to SONIA, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of such Notes may be lower than those of later-issued indexed debt securities as a result. Further, if SONIA does not prove to be widely used in securities like the Notes, the trading price of such Notes linked to SONIA may be lower than those of Notes linked to indices that are more widely used. Investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. Investors should consider these matters when making their investment decision with respect to the Notes.

Because the Global Notes are held by or on behalf of Euroclear and/or Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

The Notes will be represented by the Global Notes except in certain limited circumstances described in the Permanent Global Note. Such Global Notes will be deposited with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Except in the circumstances described in the Permanent Global Note, investors will not be entitled to receive definitive Notes. Euroclear and/or Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and/or Clearstream, Luxembourg.

The Issuer and the Guarantor will discharge their respective payment obligations under the Notes by making payments, or procuring payments, to or to the order of the common safekeeper (as applicable) for Euroclear and Clearstream, Luxembourg or a nominee thereof for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and/or Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and/or Clearstream, Luxembourg to appoint appropriate proxies.

Change of law

The Conditions of the Notes, the Guarantee of the Notes, the Trust Deed, the LCC Loan and the Paying Agency Agreement are based on English law in effect as at the date of this Information Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice or the applications thereof after the date of this Information Memorandum.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes.

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.

Credit rating of the Notes may be downgraded

The rating of the Notes may be considered to be linked to the rating of the UK sovereign or the Guarantor and therefore, in the event of a downgrade of the UK sovereign or the Guarantor, the Notes may also be downgraded.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in Sterling (the "**Issuer's 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 Issuer's Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Issuer's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. Any appreciation in the value of the Investor's Currency relative to the Issuer's Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes, and (iii) the Investor's Currency-equivalent market value of the Notes.

Irish Risk Factors

COMI

The Issuer has its registered office in Ireland. Under Regulation (EU) No. 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings (recast) (the "**Recast EU Insolvency Regulation**"), the Issuer's centre of main interest ("**COMI**") is presumed to be the place of its registered office (i.e. Ireland) in the absence of proof to the contrary and provided that the Issuer did not move its registered office within the 3 months prior to a request to open insolvency proceedings.

As the Issuer's COMI is presumed to be Ireland, any main insolvency proceedings in respect of the Issuer would fall within the jurisdiction of the courts of Ireland. As to what might constitute "proof to the contrary" regarding the location of a company's COMI, the key decision is that in *Re Eurofood IFSC Ltd* ([2004] 4 IR 370 (Irish High Court); [2006] IESC 41 (Irish Supreme Court); [2006] Ch 508; ECJ Case C-341/04 (European Court of Justice)), given in respect of the equivalent provision in the previous EU Insolvency Regulation (Regulation (EC) No. 1346/2000). In that case, on a reference from the Irish Supreme Court, the European Court of Justice concluded that "*factors which are both objective and ascertainable by third*

parties" would be needed to demonstrate that a company's actual situation is different from that which the location of its registered office is deemed to reflect. For instance, if a company with its registered office in Ireland does not carry on any business in Ireland, that could rebut the presumption that the company's COMI is in Ireland. However, if a company with its registered office in Ireland does carry on business in Ireland, the fact that its economic choices are controlled by a parent undertaking in another jurisdiction would not, of itself, be sufficient to rebut the presumption.

As the Issuer has its registered office in Ireland, has Irish directors, is registered for tax in Ireland and has retained an Irish corporate services provider, the Issuer does not believe that factors exist that would rebut the presumption that its COMI is located in Ireland, although this would ultimately be a matter for the relevant court to decide based on the circumstances existing at the time when it was asked to make that decision. If the Issuer's COMI was found to be in another EU jurisdiction and not in Ireland, main insolvency proceedings would be opened in that jurisdiction instead.

Preferred creditors under Irish law

As outlined above, it is likely that any insolvency proceedings applicable to the Issuer would be governed by Irish law. If the Issuer becomes subject to an insolvency proceeding and the Issuer has obligations to creditors that are treated under Irish law as creditors that are senior relative to the Noteholders, the Noteholders may suffer losses as a result of their subordinated status during such insolvency proceedings. Any such senior-ranking claims may include the fees, costs and expenses of any examiner appointed (see "*Examinership*" below) and certain tax liabilities owing to the Irish Revenue Commissioners.

Examinership

Examinership is a court moratorium/protection procedure which is available under Irish company law to facilitate the survival of Irish companies in financial difficulties. Where a company, which has its COMI in Ireland is, or is likely to be, unable to pay its debts an examiner may be appointed on a petition to the relevant Irish court under Section 509 of the Companies Act 2014.

The Issuer, the directors of the Issuer, a contingent, prospective or actual creditor of the Issuer, or shareholders of the Issuer holding, at the date of presentation of the petition, not less than one-tenth of the voting share capital of the Issuer are each entitled to petition the court for the appointment of an examiner. The examiner, once appointed, has the power to halt, prevent or rectify acts or omissions, by or on behalf of the company after his appointment and, in certain circumstances, negative pledges given by the company prior to his appointment will not be binding on the company. Furthermore, where proposals for a scheme of arrangement are to be formulated, the company may, subject to the approval of the court, affirm or repudiate any contract under which some element of performance other than the payment remains to be rendered both by the company and the other contracting party or parties.

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement to assist in the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the relevant Irish court when a minimum of one class of creditors, whose interests are impaired under the proposals, has voted in favour of the proposals and the relevant Irish court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement and the proposals are not unfairly prejudicial to any interested party.

The fact that the Issuer is a special purpose entity and that all its liabilities are of a limited recourse nature means that it is unlikely that an examiner would be appointed to the Issuer.

If however, for any reason, an examiner were appointed while any amounts due by the Issuer under the Notes were unpaid, the primary risks to the Noteholders would be as follows:

- (a) the Trustee, acting on behalf of the Noteholders, would not be able to enforce rights against the Issuer during the period of examinership; and
- (b) a scheme of arrangement may be approved involving the writing down of the debt due by the Issuer to the Noteholders irrespective of the Noteholders' views.

DOCUMENTS INCORPORATED BY REFERENCE

The documents contained in the hyperlinks which are numbered 2-6 (inclusive) on page 46 of this Information Memorandum shall be incorporated in, and form a part of this Information Memorandum.

Any documents themselves incorporated by reference in the abovementioned documents shall not form part of the Information Memorandum.

Any statement contained in any document incorporated by reference which is inconsistent with a statement in this Information Memorandum shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed modified or superseded by such statement contained in this Information Memorandum. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Information Memorandum.

FORMS OF THE NOTES

The Notes will initially be in the form of the Temporary Global Note which will be deposited on or around the Closing Date with a common safekeeper for Euroclear and Clearstream, Luxembourg.

The Notes will be issued in new global note ("NGN") form. On 13 June 2006 the European Central Bank (the "ECB") announced that Notes in NGN form are 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 "Eurosystème"), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystème operations if the NGN form is used.

The Notes are intended to be held in a manner which would allow Eurosystème eligibility - that is, in a manner which would allow the Notes to be recognised as eligible collateral for Eurosystème monetary policy and intra-day credit operations by the Eurosystème either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystème eligibility criteria.

The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**") in the denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000 at the request of the bearer of the Permanent Global Note against presentation and surrender of the Permanent Global Note to the Principal Paying Agent if either of the following events (each, an "**Exchange Event**") occurs: (a) Euroclear or Clearstream, Luxembourg 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 or (b) any of the circumstances described in Condition 9 (*Events of Default*) occurs.

So long as the Notes are represented by a Temporary Global Note or a Permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only in the minimum authorised denomination of £100,000 and integral multiples of £1,000 in excess thereafter.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

Summary of Provisions relating to the Notes while in Global Form

Clearing System Accountholders

For so long as the Notes are represented by a Global Note, references in the Terms and Conditions of the Notes to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a common safekeeper, for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that common safekeeper.

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an "**Accountholder**") must look solely to Euroclear, 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 or the Guarantor to the holder of such Global Note and in relation to all other rights arising under such Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note 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 Notes are represented by a Global Note, Accountholders shall have no claim directly against the Issuer or the Guarantor in respect of payments due

under the Notes and such obligations of the Issuer and the Guarantor will be discharged by payment to the holder of such Global Note.

Transfers of Interests in Global Notes

Transfers of interests in Global Notes within Euroclear and Clearstream, Luxembourg or any other relevant clearing system will be in accordance with their respective rules and operating procedures. None of the Issuer, UKMBA, the Guarantor, the Trustee or the Agents will have any responsibility or liability for any aspect of the records of Euroclear or Clearstream, Luxembourg or any other relevant clearing system or any of their respective participants relating to payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any of the records of Euroclear or Clearstream, Luxembourg or any other relevant clearing system or the records of their respective participants relating to such beneficial ownership interests.

On or after the issue date, transfers of Notes between accountholders in Euroclear and/or Clearstream, Luxembourg will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

For a further description of restrictions on the transfer of Notes, see "*Subscription and Sale*".

Conditions applicable to Global Notes

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note which, according to the Terms and Conditions of the Notes, require presentation and/or surrender of a Note or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note to or to the order of any Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg.

London Business Day: In the case of a Global Note, shall be any day which is a day on which dealings in foreign currencies may be carried on in London.

Partial redemption: In connection with an exercise of the option contained in Condition 6(c) (*Redemption due to local authority loan prepayment*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: While all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), deposited with a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, notices to Noteholders 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 Noteholders in accordance with Condition 17 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to modification) will be endorsed on each Global Note and each Definitive Note (if issued):

The £350,000,000 Guaranteed Floating Rate Notes due 2025 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 16 (*Further issues*) and forming a single series therewith) of UK Municipal Bonds Agency Finance Company DAC (the "**Issuer**") are constituted by, are subject to, and have the benefit of, a trust deed dated 12 March 2020 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and HSBC Corporate Trustee Company (UK) Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of a paying agency agreement dated 12 March 2020 (as amended or supplemented from time to time, the "**Paying Agency Agreement**") between the Issuer, HSBC Bank plc as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), HSBC Bank plc as agent bank (the "**Agent Bank**" which expression includes any successor agent bank appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent and the Agent Bank, the "**Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the Trustee. The Notes benefit from a guarantee granted by Lancashire County Council (the "**Guarantor**") in favour of the Trustee (the "**Deed of Guarantee**").

The issue of the Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 9 March 2020. References herein to the "**Agents**" are to the Principal Paying Agent, the Agent Bank and the Paying Agents and any reference to an "**Agent**" is to any one of them. Certain provisions of these Conditions are summaries of the Trust Deed and the Paying Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Paying Agency Agreement and the Deed of Guarantee applicable to them. Copies of the Trust Deed, the Paying Agency Agreement and the Deed of Guarantee are available for inspection by Noteholders during normal business hours at the registered office of the Issuer, being at the date hereof, 3rd Floor, Kilmore House, Park Lane, Spencer Dock, Dublin and the Principal Paying Agent, being at the date hereof 8 Canada Square, London E14 5HQ, United Kingdom.

1. Interpretation

In these Conditions, the following expressions have the following meanings:

"**Calculation Amount**" means £1,000;

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness;

"**Guarantor Event of Default**" means that any of the following events or circumstances occurs in respect of the Guarantor or the Deed of Guarantee:

- (a) the Deed of Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect;
- (b)

- (i) any Indebtedness of the Guarantor is not paid when due or (as the case may be) within any originally applicable grace period;
- (ii) any Indebtedness of the Guarantor becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Guarantor or (provided that no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness; or
- (iii) the Guarantor fails to pay when due any amount payable by it under any Guarantee (including the Deed of Guarantee) of any Indebtedness;

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds £5,000,000 (or its equivalent in any other currency or currencies);

- (c) the Guarantor enters into any composition with its creditors;
- (d) the High Court has appointed a receiver under Section 13(5) of the Local Government Act 2003 in respect of the Guarantor in respect of Indebtedness which individually or in the aggregate exceeds £5,000,000 (or its equivalent in any other currency or currencies); or
- (e) the Guarantor is dissolved or otherwise ceases to exist (other than as a result of the enactment of legislation creating a statutory successor(s) to the Guarantor which become(s) responsible for substantially all of the Guarantor's obligations, including under the Deed of Guarantee).

"Indebtedness" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"LCC Loan" means the loan made by UKMBA to Lancashire County Council, all rights in respect of which are assigned by UKMBA to the Issuer.

"London Business Day" means any day which is a day on which dealings in foreign currencies may be carried on in London.

"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;

"Relevant Date" means, in relation to any payment, whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received by the Principal Paying Agent or the Trustee, as the case may be) notice to that effect has been given to the Noteholders;

"Relevant Indebtedness" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"Reserved Matter" means any proposal:

- (a) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, or to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment;
- (b) to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer, the Guarantor or any other person or body corporate formed or to be formed by the Trust Deed;
- (c) to change the currency of payments under the Notes;
- (d) to modify any provision of the Deed of Guarantee;
- (e) to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution; or
- (f) to amend this definition.

"Security Interest" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"Specified Office" has the meaning given in the Paying Agency Agreement;

"Subsidiary" means, in relation to any Person (the **"first Person"**) at any particular time, any other Person (the **"second Person"**):

- (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"UKMBA" means the UK Municipal Bonds Agency PLC.

2. **Form, Denomination and Title**

The Notes are in bearer form in denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000, with Coupons attached at the time of issue. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon 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 thereon 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 the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

3. **Status and Guarantee**

- (a) *Status of the Notes:* The Notes constitute limited recourse obligations of the Issuer which will at all times rank *pari passu* among themselves.
- (b) *Deed of Guarantee:* The Guarantor has unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes for the benefit of the Trustee, on its own behalf and on behalf of Noteholders. This guarantee (the **"Deed of Guarantee"**) constitutes direct, general and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other

present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

4. **Negative Pledge**

So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer shall not create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (b) providing such other security for the Notes as the Trustee may in its absolute discretion consider to be not materially prejudicial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders.

5. **Interest**

(a) *Accrual of interest:* The Notes bear interest from 12 March 2020 (the "**Issue Date**"), payable on 12 March, 12 June, 12 September and 12 December in each year (commencing on 12 June 2020) (each, an "**Interest Payment Date**"), subject as provided in Condition 7 (*Payments*); *provided, however, that*, if any Interest Payment Date would otherwise fall on a date which is not a London Banking Day, it will be postponed to the next London Banking Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding London Banking Day. Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**".

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(b) *Rate of interest:* The rate of interest applicable to the Notes (the "**Rate of Interest**") for each Interest Period will, subject as provided below, be Compounded Daily SONIA plus the Margin, and will be determined by the Agent Bank, **provided that** in the event the Rate of Interest produces a negative number for any Interest Period, the Rate of Interest for such Interest Period shall be zero per cent. There will be no maximum Rate of Interest.

For the purposes of this Condition 5(b):

"**Compounded Daily SONIA**", means, with respect to an Interest Period, the rate of return of a daily compound interest investment calculated by the Agent Bank on the relevant Interest Determination Date in accordance with the following formula, and the resulting percentage will be rounded, if necessary, to the fourth decimal place, with 0.00005 being rounded upwards:

$$\left[\prod_{i=1}^{d_o} \left(1 + \frac{SONIA_i \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

"**d**" means, for any Observation Period, the number of calendar days in the relevant Observation Period;

"**d_o**" means, for any Observation Period, the number of London Banking Days in the relevant Observation Period;

"**i**" means a series of whole numbers from one to d_o , each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in relevant Observation Period;

"**Interest Determination Date**" means, in respect of any Interest Period, the date falling five London Banking Days prior to the Interest Payment Date for such Interest Period (or the date falling five London Banking Days prior to such earlier date, if any, on which the Notes are due and payable);

"**London Banking Day**" or "**LBD**" means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London;

"**Margin**" means 0.80 per cent. per annum;

"**n_i**" for any London Banking Day "**i**" in the relevant Observation Period, the number of calendar days from, and including, such London Banking Day "**i**" up to, but excluding, the following London Banking Day;

"**Observation Period**" means, in respect of an Interest Period, the period from, and including, the date falling five London Banking Days prior to the first day of such Interest Period (and the first Interest Period shall begin on and include the Issue Date) and ending on, but excluding, the date which is five London Banking Days prior to the Interest Payment Date for such Interest Period (or the date falling five London Banking Days prior to such earlier date, if any, on which the Notes become due and payable);

"**Reuters Screen**" means, when used in connection with any designated page, the display page so designated on the Reuters service, or (i) any successor display page, other published source, information vendor or provider that has been officially designated by the sponsor of the original page or source; or (ii) if the sponsor has not officially designated a successor display page, another published source, service or provider (as the case may be), the successor display page, other published source, service or provider, if any, designated by the relevant information vendor or provider (if different from the sponsor);

"**SONIA Reference Rate**" means, in respect of any London Banking Day, a reference rate equal to the daily Sterling Overnight Index Average ("**SONIA**") rate for such London Banking Day as provided by the administrator of SONIA to authorised distributors and as then published on Reuters Screen SONIA under the heading "SONIAOSR=" (the "**Relevant Screen Page**") (or if the Relevant Screen Page is unavailable, as otherwise is published by such authorised distributors) on the London Banking Day immediately following such London Banking Day; and

"**SONIA_i**" means, in respect of any London Banking Day "**i**" falling in the relevant Observation Period, the SONIA Reference Rate.

For the avoidance of doubt, the formula for the calculation of Compounded Daily SONIA only compounds the SONIA Reference Rate in respect of any London Banking Day. The SONIA Reference Rate applied to a day that is a non-London Banking Day will be taken by applying the SONIA Reference Rate for the previous London Banking Day but without compounding.

If, in respect of any London Banking Day in the relevant Observation Period, the Agent Bank determines that the SONIA Reference Rate is not available, such SONIA Reference Rate in respect of such London Banking Day shall be:

(a)

- (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at 5:00p.m. (London time) (or, if earlier, close of business) on the relevant London Banking Day; plus
- (ii) the arithmetic mean of the spread of the SONIA Reference Rate to the Bank Rate over the previous five London Banking Days on which a SONIA Reference Rate has been published, excluding the highest spread (or, if there is more than

one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads); or

- (b) if the Bank Rate is not published by the Bank of England at 5:00p.m. (London time) (or, if earlier, close of business) on the relevant London Banking Day, the SONIA Reference Rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding London Banking Day on which the SONIA Reference Rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors).

Notwithstanding the paragraphs above, if the Bank of England publishes guidance as to (i) how the SONIA Reference Rate is to be determined or (ii) any rate that is to replace the SONIA Reference Rate, the Agent Bank shall, subject to receiving written instructions from the Issuer and to the extent that it is reasonably practicable, follow such guidance in order to determine the SONIA Reference Rate for the purpose of the Notes for so long as the SONIA Reference Rate is not available or has not been published by the authorised distributors. To the extent that any amendments or modifications to the Conditions, the Trust Deed or the Paying Agency Agreement are required in order for the Agent Bank to follow such guidance in order to determine the Interest Rate, the Agent Bank shall have no obligation to act until such amendments or modifications have been made in accordance with the Conditions, the Trust Deed and the Paying Agency Agreement.

If the Interest Rate cannot be determined in accordance with the foregoing provisions of this Condition 5, the Interest Rate shall be (A) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period) or (B) if there is no such preceding Interest Determination Date, the initial Interest Rate which would have been applicable to the Notes for the first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Issue Date (but applying the Margin applicable to the first Interest Period).

If the Notes become due and payable in accordance with Condition 9 (*Events of Default*), the final Interest Determination Date shall, notwithstanding the definition specified above, be deemed to be the date on which the Notes became due and payable and the Interest Rate on the Notes shall, for so long as the Notes remain outstanding, be the rate determined on such date.

- (c) *Calculation of Interest Amount:* The Agent Bank will, as soon as practicable after the Interest Determination Date in relation to each Interest Period, calculate the amount of interest (the "**Interest Amount**") payable in respect of each Note 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 actual number of days in such Interest Period divided by 365, rounding the resulting figure to the nearest pence (being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Note divided by the Calculation Amount.
- (d) *Publication:* The Agent Bank will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, to be notified to the Paying Agents, the Trustee, the Guarantor and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders. The Agent Bank 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.
- (e) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Agent Bank will (in the absence of manifest error) be binding on the

Issuer, the Guarantor, the Paying Agents, the Trustee, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such person will attach to the Agent Bank or in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

6. **Redemption and Purchase**

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on the Interest Payment Date falling in March 2025, subject as provided in Condition 7 (*Payments*) (the "**Maturity Date**").

(b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Noteholders (in accordance with Condition 16 (*Notices*)) (which notice shall be irrevocable) at their principal amount, together with interest accrued (if any) to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

(i)

(A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Ireland or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 10 March 2020; and

(B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(ii)

(A) the Guarantor has or (if a demand was made under the Deed of Guarantee) would become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) or the Deed of Guarantee, as the case may be, as a result of any change in, or amendment to, the laws or regulations of England and Wales or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 10 March 2020; and

(B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Deed of Guarantee were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee a certificate signed by two directors of the Issuer stating that the circumstances referred to in (i)(A) and (i)(B) above prevail and setting out the details of such circumstances or (as the case may be) a certificate signed by an authorised representative of the Guarantor stating that the circumstances referred to in (ii)(A) and (ii)(B) above prevail and setting out details of such circumstances.

The Trustee shall be entitled to rely upon any certificate provided in accordance with this Condition 6(b) without further investigation and without liability to any person as sufficient evidence of the satisfaction of the circumstances set out in (i)(A) and (i)(B) or (as the case may be) (ii)(A) and (ii)(B) above, in which event it shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 6(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(b).

(c) *Redemption due to local authority loan prepayment:*

Where the LCC Loan is or will be prepaid due to:

- (i) an event of default occurring under the LCC Loan;
- (ii) it becoming unlawful, in any applicable jurisdiction, for the Issuer to perform any of its obligations as contemplated by the relevant agreements or to fund or maintain the LCC Loan; or
- (iii) the Guarantor electing to prepay a loan due to additional payments being required under the relevant tax gross up provisions; or
- (iv) a legislative amendment which results in the Guarantor ceasing to be treated as a "local authority" within the meaning of the Local Government Act 2003 or any re-enactment or amendment thereof, or any other legislation which regulates capital finance in connection with local authorities,

the Issuer shall notify the Trustee and the Noteholders (in accordance with Condition 17 (*Notices*)), in which case the Notes shall be redeemed in whole or in part (where the amount redeemed shall be no greater than the principal amount of the LCC Loan repaid) at their principal amount, together with interest accrued (if any), on the date specified in such notice from the Issuer to the Trustee and the Noteholders.

(d) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 6(c) (*Redemption due to local authority loan prepayment*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Trustee approves and in such manner as the Trustee considers appropriate, subject to compliance with applicable law and the rules of each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 6(c) (*Redemption due to local authority loan prepayment*) shall specify the serial numbers of the Notes so to be redeemed.

(e) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (c) (*Redemption due to local authority loan prepayment*) above.

(f) *Purchase:* The Issuer, the Guarantor or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith.

(g) *Cancellation:* All Notes so redeemed or purchased by the Issuer, the Guarantor or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

7. **Payments**

(a) *Principal:* Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by transfer to a Pound Sterling account maintained by the payee with a bank in London.

- (b) *Interest:* Payments of interest shall, subject to paragraph (f) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph 7(a) (*Principal*) above.
- (c) *Payments subject to fiscal laws:* All payments in respect of the Notes are 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 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (d) *Unmatured Coupons void:* On the due date for redemption of any Note pursuant to Condition 6(a) (*Scheduled redemption*), Condition 6(b) (*Redemption for tax reasons*), Condition 6(c) (*Redemption due to local authority loan prepayment*) or Condition 9 (*Events of Default*), all unmatured Coupons (if any) relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof. Where any Note is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (e) *Payments on business days:* If the due date for payment of any amount in respect of any Note or Coupon is not a London Business Day, the Noteholder shall not be entitled to payment in such place of the amount due until the next succeeding London Business Day and shall not be entitled to any further interest or other payment in respect of any such delay.
- (f) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.
- (g) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and the date of such payment.

8. **Taxation**

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer or the Guarantor 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 Ireland or any political subdivision thereof 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 or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

- (a) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or

- (b) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 8 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 8 (*Taxation*) pursuant to the Trust Deed.

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the United Kingdom or Ireland respectively, references in these Conditions to the United Kingdom or Ireland shall be construed as references to the United Kingdom or (as the case may be) Ireland and/or such other jurisdiction.

9. **Events of Default**

If any of the following events (each an "**Event of Default**") occurs and is continuing, then the Trustee at its absolute discretion may and, if so requested in writing by Noteholder of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security to its satisfaction and/or prefunded to its satisfaction against all liabilities to which it may hereby become liable or which it may incur by doing so) give written notice (a "**Note Acceleration Notice**") to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest (if any) without further action or formality:

- (a) *Non-payment*: any amount of principal or interest in respect of the Notes is not paid within five business days of the due date for payment thereof; or
- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Trust Deed or the Paying Agency Agreement and such default (i) is, in the opinion of the Trustee, incapable of remedy or (ii) being a default which is, in the opinion of the Trustee, capable of remedy remains unremedied for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice thereof to the Issuer; or
- (c) *Winding up, etc.*: an order is made or an effective resolution is passed for the winding up, liquidation, examinership or dissolution of the Issuer; or
- (d) *Failure to take action, etc.*: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes or the Trust Deed or the Paying Agency Agreement, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes, the Coupons, the Trust Deed and the Paying Agency Agreement admissible in evidence in the courts of England and Wales is not taken, fulfilled or done; or
- (e) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes, the Trust Deed or the Paying Agency Agreement; or
- (f) *Guarantor Event of Default*: a Guarantor Event of Default occurs.

10. **Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

11. **Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent and any Paying Agent having its Specified Office in London, subject to all applicable laws and stock exchange 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 Notes or Coupons must be surrendered before replacements will be issued.

12. **Trustee and Paying Agents**

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, UKMBA, the Guarantor and any entity relating to the Issuer, UKMBA or the Guarantor without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Noteholders as a result of such Noteholders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents and the Agent Bank act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior written approval of the Trustee) at any time to vary or terminate the appointment of any Paying Agent or the Agent Bank and to appoint a successor principal paying agent or agent bank and additional or successor paying agents; *provided, however, that* the Issuer shall at all times maintain a principal paying agent and an agent bank.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

13. **Meetings of Noteholders; Modification and Waiver**

- (a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions, the Deed of Guarantee, the Paying Agency Agreement or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer, or by the Trustee and shall be convened by the Trustee, including for the purposes of issuing a demand under the Deed of Guarantee, subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of the Holders of not less than 75 per cent. in aggregate principal amount of the Notes then outstanding who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed 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 Noteholders.

- (b) *Modification and waiver:* The Trustee may, without the consent or sanction of the Noteholders or the Couponholders, agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) or Paying Agency Agreement or the Deed of Guarantee which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders or to any modification of the Notes or the Trust Deed or the Paying Agency Agreement or the Deed of Guarantee which is of a formal, minor or technical nature or is to correct a manifest error. In addition, the Trustee may, without the consent or sanction of the Noteholders or the Couponholders, authorise or waive any proposed breach or breach of the Notes or Coupons or the Trust Deed or the Paying Agency Agreement or the Deed of Guarantee or determine that any Event of Default, Potential Event of Default or Guarantor Event of Default should not be treated as such for the purposes of the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter or in contravention of any express direction by an Extraordinary Resolution or of a request in writing made by the Holders of not less than 25 per cent. in aggregate principal amount of the Notes then outstanding) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby. Any such authorisation, waiver or determination shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, the Issuer shall cause such authorisation, waiver or modification to be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 16 (*Notices*).

14. **Enforcement**

The Trustee may at any time, at its discretion and without notice, institute such steps, actions or proceedings as it thinks fit to recover any amounts due in respect of the Notes which are unpaid or to enforce its rights under the Trust Deed or the Paying Agency Agreement or these Conditions in respect of the Notes or make any claim under the Deed of Guarantee, but it shall not be bound to do so unless:

- (a) it has been so requested in writing by Noteholders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified and/or provided with security and/or prefunded to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith.

No Noteholder or Couponholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

15. **Limited Recourse and Non-Petition**

- (a) *Limited Recourse:* Notwithstanding any other provision of these Conditions, the Notes, the Trust Deed, the Paying Agency Agreement or the Deed of Guarantee, Noteholders acknowledge that recourse against the Issuer under these Conditions, the Notes and/or the Trust Deed shall be made only from and to the extent of, and shall be limited to, any sums actually received or recovered (net of tax) by or for the account of the Issuer pursuant to a loan agreement entered into between UKMBA and the Guarantor, which has not already been paid or become contractually due to be paid to Noteholders. In its recourse against the Issuer under these Conditions, the Notes and/or the Trust Deed, Noteholders shall look solely to such sums and recourse against the Issuer hereunder and thereunder will be limited to such sums and Noteholders will have no further recourse to the Issuer in respect of these Conditions, the Trust Deed, the Paying Agency Agreement and the Notes. In such circumstances any other assets of the Issuer will not be available for payment of any shortfall, and the parties right to receive any further amounts in

respect of such obligations shall be extinguished and the parties may not and explicitly agree not to take any further action to recover such amounts.

- (b) *Non-Petition:* Noteholders, or any other person acting on their behalf, shall not be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, reorganisation, arrangement, insolvency, winding-up, examinership, receivership or liquidation proceedings, or other proceedings under any applicable bankruptcy or similar law in connection with any obligations of the Issuer owed to Noteholders under or in connection with these Conditions, the Trust Deed, the Paying Agency Agreement and/or the Notes, save for lodging a claim in the liquidation of the Issuer which is initiated by another non-affiliated party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer in relation thereto.
- (c) *No recourse against third parties:* No recourse under any obligation, covenant, or agreement of the Issuer contained in these Conditions, the Notes, the Trust Deed and/or the Paying Agency Agreement shall be had against any shareholder, officer, agent, employee or director of the Issuer, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise, it being expressly agreed and understood that such obligations under these Conditions, the Notes, the Trust Deed and/or the Paying Agency Agreement are corporate obligations of the Issuer. No personal liability shall attach to or be incurred by the shareholders, officers, agents, employees or directors of the Issuer, or any of them, under or by reason of any of the obligations, covenants or agreements of the Issuer contained in these Conditions, the Notes, the Trust Deed and/or the Paying Agency Agreement, or implied therefrom, and any and all personal liability of every such shareholder, officer, agent, employee or director for breaches by the Issuer of any such obligations, covenants or agreements, either at law or by statute or constitution is hereby deemed expressly waived by the Noteholders.

16. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

17. **Notices**

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) 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 date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

18. **Governing Law and Jurisdiction**

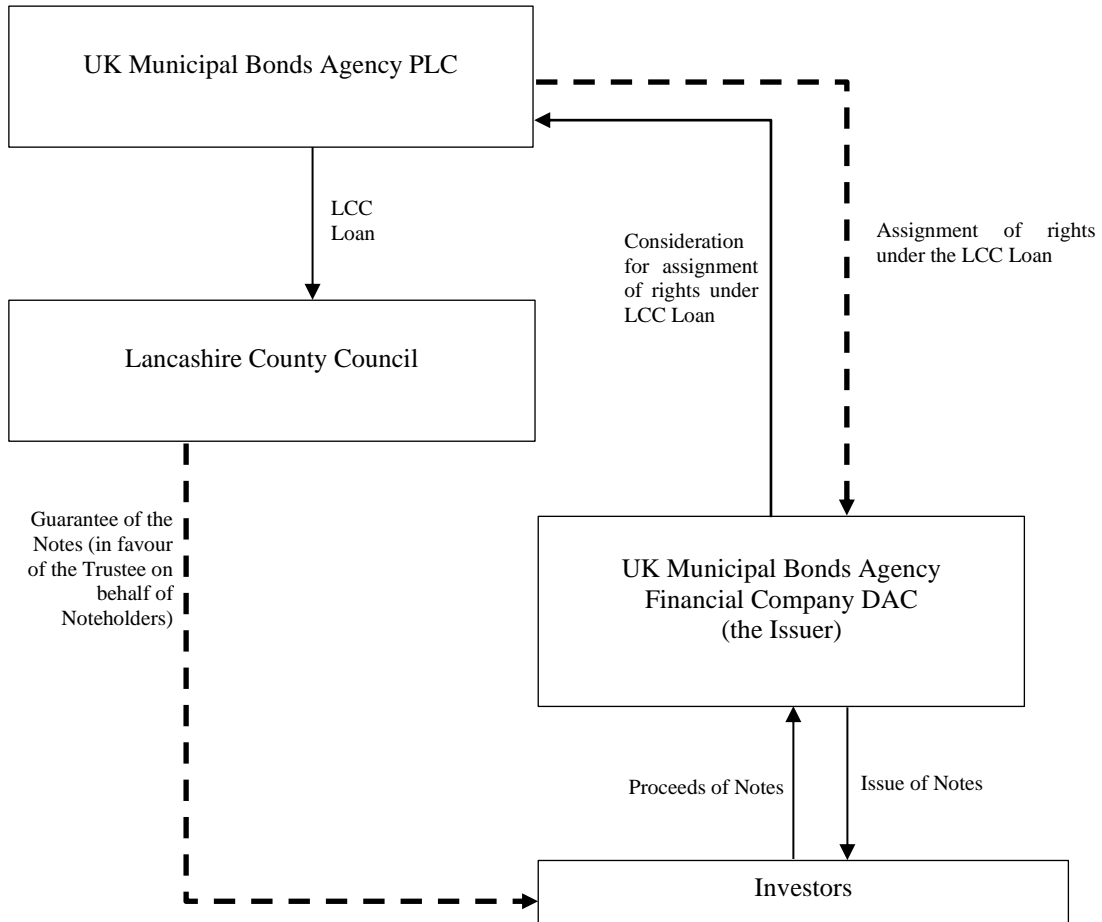
- (a) *Governing law:* The Notes, the Trust Deed, the Paying Agency Agreement and the Deed of Guarantee and any non-contractual obligations arising out of or in connection with them are governed by English law.
- (b) *Jurisdiction:* The Issuer has in the Trust Deed (i) agreed that the courts of England shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including a dispute relating to the existence, validity or termination of the Trust Deed of the Notes or any non-contractual obligation arising out of or in connection with them) or the consequences of their nullity); (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and (iii) appointed an agent for service of process.

USE OF PROCEEDS

The Issuer will use the net proceeds from the issue of the Notes as consideration for the assignment of UKMBA's rights under the LCC Loan.

LCC shall use the proceeds of the LCC Loan to refinance (in part) its short-term debt.

Below is a diagram illustrating the use of proceeds of the Notes.



GUARANTEE OF THE NOTES

The following is the text of the Guarantee of the Notes which (subject to modification) will be entered into by the Guarantor:

THIS DEED OF GUARANTEE is made on 12 March 2020

BY

- (1) **LANCASHIRE COUNTY COUNCIL** (the "**Guarantor**")

IN FAVOUR OF

- (2) **HSBC CORPORATE TRUSTEE COMPANY (UK) LIMITED** a private company incorporated under the Laws of England and Wales with company registration number 06447555, and having its registered office at Level 28, 8 Canada Square, London, E14 5HQ, United Kingdom, as trustee (the "**Trustee**", which expression includes, where the context admits, all persons for the time being the trustee or trustees of the Trust Deed (as defined below)).

WHEREAS

- (A) UK Municipal Bonds Agency Finance Company DAC (the "**Issuer**") has authorised the creation and issue of £350,000,000 guaranteed floating rate notes due 2025 (the "**Notes**").
- (B) The Notes will be in bearer form and in denominations of £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000. The Notes will initially be represented by a Temporary Global Note which will be exchangeable for a Permanent Global Note in the circumstances specified in the Temporary Global Note. The Permanent Global Note will in turn be exchangeable for notes in definitive form ("**Definitive Notes**"), with interest coupons attached, in the circumstances specified in the Permanent Global Note.
- (C) The Temporary Global Note and the Permanent Global Note will be delivered to a common safekeeper for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A., Luxembourg ("**Clearstream, Luxembourg**").
- (D) The Issuer will enter into a trust deed relating to the Notes with the Trustee (the "**Trust Deed**", as the same may be supplemented and amended from time to time).
- (E) The Guarantor has agreed to guarantee the payment of all sums expressed to be payable from time to time by the Issuer under the Trust Deed or in respect of the Notes (the "**Guarantee**").

1. DEFINITIONS

1.1 In this Guarantee:

"**Beneficiary**" means the Trustee, for itself in respect of the Trust Deed and on behalf of the holders from time to time of the Notes and Coupons (as defined in the Trust Deed) issued thereunder.

"**Conditions**" means the terms and conditions of the Notes (as set out in the Trust Deed and as modified from time to time in accordance with their terms), and any reference to a numbered "Condition" is to the correspondingly numbered provision thereof.

"**Guaranteed Liabilities**" means any and all present and future obligations and liabilities at any time due, owing or incurred by the Issuer to the Beneficiary arising under the Trust Deed or in respect of the Notes, whether actual or contingent, whether originally incurred by the Issuer or by any other person and whether incurred solely or jointly and whether as principal or surety or in any other capacity.

"**Note Documents**" means the Trust Deed, the Paying Agency Agreement, the Conditions, the Global Notes (as defined in the Trust Deed) and the Definitive Notes.

Terms otherwise used but not defined herein shall have the meanings given to them in the Trust Deed.

2. **GUARANTEE AND INDEMNITY**

2.1 The Guarantor irrevocably and unconditionally:

- (a) guarantees to the Beneficiary the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Guaranteed Liabilities as and when the same become due and payable, and accordingly undertakes to pay to the Beneficiary, forthwith upon demand in accordance with this Guarantee, and in the manner prescribed in the Note Documents, any and every sum which the Issuer is at any time liable to pay in respect of the Guaranteed Liabilities and which the Issuer has failed to pay; and
- (b) agrees as a primary obligation to indemnify the Beneficiary from time to time, forthwith upon demand in accordance with this Guarantee, from and against any loss, liability or cost incurred by the Beneficiary as a result of any such Guaranteed Liability being or becoming void, voidable, unenforceable or ineffective as against the Issuer for any reason whatsoever, whether or not known to the Beneficiary, the amount of such loss being the amount which the Beneficiary would otherwise have been entitled to recover from the Issuer.

2.2 Any amount payable pursuant to the indemnity under clause 2.1(b) shall be payable in the manner prescribed in the Note Documents for payments by the Issuer in respect of the Notes. The indemnity under clause 2.1(b) constitutes a separate and independent obligation from the other obligations under this Guarantee and shall give rise to a separate and independent course of action.

3. **PRESERVATION OF RIGHTS**

3.1 The obligations of the Guarantor hereunder shall be deemed to be undertaken as principal obligor and not merely as surety.

3.2 The obligations of the Guarantor hereunder shall be in addition to and independent of every other security which the Beneficiary may at any time hold in relation to any of the Guaranteed Liabilities.

3.3 Neither the obligations of the Guarantor contained in this Guarantee nor the rights, powers and remedies conferred in respect of the Guarantor upon the Beneficiary by this Guarantee or by law shall be discharged, impaired or otherwise affected by:

- (a) the winding-up, dissolution, administration or reorganisation of the Issuer or any other person or any change in its status, function, control or ownership;
- (b) any of the Guaranteed Liabilities or any of the obligations of the Issuer or any other person under any security relating to any of the Guaranteed Liabilities being or becoming illegal, invalid, unenforceable or ineffective in any respect;
- (c) any time or other indulgence being granted or agreed to be granted to the Issuer or any other person in respect of any of the Guaranteed Liabilities or under any other security;
- (d) any amendment, novation, supplement, extension, (whether of maturity or otherwise) or restatement (in each case, however fundamental and of whatsoever nature) or replacement, waiver or release of, any of the Guaranteed Liabilities or any obligation of any person under any other security or other guarantee or indemnity in respect thereof including without limitation any change in the purposes for amounts obtained pursuant to the Note Documents are to be applied and any extension of or any increase of the obligations of the Issuer under any Note Documents or the addition of any new obligations for the Issuer under the Note Documents;
- (e) any increase in the Guaranteed Liabilities;
- (f) any failure to take, or fully to take, any security agreed to be taken in relation to any of the Guaranteed Liabilities;

- (g) any failure to realise or fully to realise the value of, or any release, discharge, exchange or substitution of, any security taken in respect of any of the Guaranteed Liabilities; or
- (h) any other act, event or omission which, but for this Clause 3.2, might operate to discharge, impair or otherwise affect any of the obligations of the Guarantor contained in this Guarantee or any of the rights, powers or remedies conferred upon the Beneficiary by this Guarantee or by law.

3.4 Any settlement or discharge given by the Beneficiary to the Guarantor in respect of the Guarantor's obligations under this Guarantee or any other agreement reached between the Beneficiary and the Guarantor in relation to it shall be, and be deemed always to have been, void if any act on the faith of which the relevant Beneficiary gave the Guarantor that settlement or discharge or entered into that agreement is subsequently avoided by or in pursuance of any provision of law.

3.5 The Beneficiary shall not be obliged before exercising any of the rights, powers or remedies conferred upon it in respect of the Guarantor by this Guarantee or by law:

- (a) to make any demand of the Issuer;
- (b) to take any action or obtain judgment in any court against the Issuer;
- (c) to make or file any claim or proof in a winding-up or dissolution of the Issuer; or
- (d) to enforce or seek to enforce any security taken in respect of any of the obligations of the Issuer in respect of the Guaranteed Liabilities,

and (save as aforesaid) the Guarantor hereby expressly waives presentment, demand, protest and notice of dishonour in respect of the Guaranteed Liabilities under the Note Documents.

3.6 The Guarantor agrees that, so long as an amount owing by the Issuer in respect of any of the Guaranteed Liabilities is overdue, the Guarantor shall not exercise any rights which the Guarantor may at any time have by reason of performance by it of its obligations under this Guarantee:

- (a) to be indemnified by the Issuer or to receive any collateral from the Issuer;
- (b) to claim any contribution from any other guarantor of any of the Guaranteed Liabilities; and/or
- (c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Beneficiary in respect of any of the Guaranteed Liabilities or of any other security taken pursuant to, or in connection with, any of the Guaranteed Liabilities by the Beneficiary.

4. **REPRESENTATIONS AND WARRANTIES**

The Guarantor represents that:

- (a) it has and will have the necessary power to enable it to enter into and perform its obligations under this Guarantee;
- (b) this Guarantee constitutes its legal, valid and binding obligations, enforceable against it in accordance with its terms;
- (c) all necessary authorisations to enable it to enter into this Guarantee have been obtained and are and will remain in full force and effect; and
- (d) the execution, delivery and performance of this Guarantee will not:
 - (i) conflict with any law or regulation applicable to it, its constitutional documents or any agreement or instrument binding upon it or any of its assets; or
 - (ii) constitute a default or termination event (however described) under any agreement or instrument binding on it or any of its assets.

5. **PAYMENTS**

All payments to be made by the Guarantor to the Beneficiary under this Guarantee shall be made without set-off or counterclaim and without any deduction or withholding whatsoever, whether on account of taxes or otherwise. If the Guarantor is obliged by law to make any deduction or withholding from any such payment, the amount due from the Guarantor in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the Beneficiary receives a net amount equal to the amount the Beneficiary would have received had no such deduction or withholding been required to be made.

6. **CONTINUING SECURITY**

The obligations of the Guarantor contained in this Guarantee shall constitute and be continuing obligations notwithstanding any settlement of account or other matter or thing whatsoever and shall not be considered satisfied by any intermediate payment or satisfaction of all or any of the obligations of the Issuer in relation to any of the Guaranteed Liabilities and shall continue in full force and effect until final payment in full of all amounts owing by the Issuer in respect of the Guaranteed Liabilities and total satisfaction of all the Issuer's actual and contingent obligations in relation to the Guaranteed Liabilities. If for any reason this Guarantee ceases to be a continuing security, the Beneficiary may either continue any then existing account(s) or open new account(s) for the Issuer, but in any case the Guarantors' obligations under this Guarantee shall be unaffected by, and shall be calculated without regard to, any payment into or out of any such account after this Guarantee has ceased to be a continuing security.

7. **SUSPENSE ACCOUNT**

All monies received, recovered or realised by the Beneficiary (on behalf of the Noteholders) under or pursuant to this Guarantee (including the proceeds of any conversion of currency) may in its discretion be credited to and held in any suspense or impersonal account pending their application from time to time in or towards the discharge of this Guarantee.

8. **DEMANDS**

Any demand under this Guarantee shall be served by leaving it at the address of the Guarantor set out with the signature of the Guarantor below, or such other address as the Guarantor may specify by notice, from time to time, to the Trustee in accordance with the notice provisions of the Trust Deed) or by letter posted by registered post to such address. Such demand shall set out the amount being demanded pursuant to this Guarantee and, upon valid receipt of a demand pursuant to this Guarantee, the Guarantor shall promptly, and in any case by no later than 11 a.m. on the fifth business day after the date of the demand, ensure the amount demanded under the Guarantee is paid to the Beneficiary.

9. **ASSIGNMENTS AND SUCCESSORS**

The Beneficiary may at any time assign all or any of its rights and benefits under this Guarantee and this Guarantee shall remain in effect despite any amalgamation or merger (however effected) relating to the Beneficiary. References to the Beneficiary shall be deemed to include any assignee or successor in title of the Beneficiary and any person who, under the laws of its jurisdiction of incorporation or domicile, has assumed the rights and obligations of the Beneficiary under this Guarantee or to which under such laws the same have been transferred.

Any statutory successor to the Guarantor shall, on the date on which the relevant amending legislation is enacted and to the extent permitted by such amending legislation or any other applicable laws, become a successor Guarantor under this Guarantee without the execution or filing of any paper or any further act of the Guarantor or the Beneficiary and, from such date, all references in this Guarantee to the Guarantor shall be construed accordingly. Each such successor Guarantor shall execute all such further documents and do all such further acts and things as may be necessary at any time or times to give effect to the provisions of this Guarantee.

10. **BENEFIT OF GUARANTEE**

This Guarantee shall take effect as a deed for the benefit of the Beneficiary.

11. NOTICES

11.1 Addresses for notices

All notices, instructions and other communications hereunder shall be made in writing and in English (by letter sent by registered post or electronic mail) and shall be sent as follows (or in each case to such other address, email address or for the attention of such other person or department as the relevant party has notified to the other party):

Guarantor:

If to the Guarantor, to it at:

Email: Angie.Ridgwell@lancashire.gov.uk
Attention: Angie Ridgwell, Finance
CC: Mike Jensen

Trustee:

If to the Trustee, to it at:

HSBC Corporate Trustee Company (UK) Limited
8 Canada Square
London E14 5HQ
United Kingdom
Fax: +(44) 20 7991 4350
Email: ctla.trustee.admin@hsbc.com
Attention: Issuer Services Trustee Administration

11.2 Effectiveness

Every notice or other communication sent by registered post in accordance with this Clause 11 (Notices) shall be deemed to have been delivered three Business Days after being sent to the relevant address and every notice or other communication sent by electronic mail in accordance with this Clause 11 (Notices) shall be deemed to be delivered when actually received in readable form provided that any such notice or other communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the addressee and provided further that any demand in respect of a Guarantee shall be in accordance with the terms of the Guarantee.

12. PARTIAL INVALIDITY

If at any time, any provision of this Guarantee is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of this Guarantee nor of such provisions under the law of any other jurisdiction shall in any way be affected or impaired thereby.

13. WAIVER OF IMMUNITY

To the extent that the Guarantor may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Guarantor or its assets or revenues, the Guarantor agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

14. LAW AND JURISDICTION

14.1 This Guarantee and any non-contractual obligations arising out of or in connection with it shall be governed by English law and the English courts shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Guarantee (including a dispute relating to the existence, validity or termination of this Guarantee or the consequences of its nullity or any non-contractual obligation arising out of or in connection with this Guarantee).

This Deed may be executed in any number of counterparts, and this has the same effect as if the signature on the counterparts were on a single copy of this Deed.

IN WITNESS WHEREOF this Guarantee has been executed as a deed by the Guarantor and is intended to be and is hereby delivered by it as a deed on the date specified above.

DESCRIPTION OF THE ISSUER

General

The Issuer was incorporated in Ireland as a designated activity company on 31 January 2020 under the Companies Act 2014 (as amended) with the name of UK Municipal Bonds Agency Finance Company DAC and with the company registration number of 665538. The registered office of the Issuer is at 3rd Floor, Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland. The telephone number of the registered office of the Issuer is +353 1 614 6240 and the facsimile number is +353 1 614 6250.

The authorised share capital of the Issuer is €100 divided into 100 ordinary shares of €1.00 each (the "**Shares**"). The Issuer has issued one Share, which is fully paid up and is held on trust by TMF Management (Ireland) Limited (as "**Share Trustee**") under the terms of a declaration of trust (the "**Declaration of Trust**") dated 11 February 2020, whereby the Share Trustee holds the Share on trust for charitable purposes. The Share Trustee will have no beneficial interest in and will derive no benefit (other than its fees for acting as Share Trustee) from its holding of the shares of the Issuer. The Share Trustee will apply any income derived from the Issuer solely for the above purposes.

TMF Administration Services Limited (the "**Corporate Services Provider**"), an Irish company, acts as the corporate services provider for the Issuer. The office of the Corporate Services Provider serves as the general business office of the Issuer. Through the office and pursuant to the terms of the corporate services agreement entered into on 10 March 2020 between the Issuer and the Corporate Services Provider (the "**Corporate Services Agreement**"), the Corporate Services Provider performs various management functions on behalf of the Issuer, including the provision of certain clerical, reporting, accounting, administrative and other services until termination of the Corporate Services Agreement. In consideration of the foregoing, the Corporate Services Provider receives various fees and other charges payable by the Issuer at rates agreed upon from time to time plus expenses. The terms of the Corporate Services Agreement provide that either party may terminate the Corporate Services Agreement upon the occurrence of certain stated events, including any material breach by the other party of its obligations under the Corporate Services Agreement which is either incapable of remedy or which is not cured within 30 days from the date on which it was notified of such breach. In addition, either party may terminate the Corporate Services Agreement at any time by giving at least three months' written notice to the other party.

The Corporate Services Provider's principal office is at 3rd Floor, Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland.

Directors and Company Secretary

The Issuer's constitution provides that the board of Directors of the Issuer will consist of at least two Directors.

The Directors of the Issuer as at the date of this Information Memorandum are Maria Dawson and Romira Hoxha. The business address of the Directors is 3rd Floor, Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland. The principal activities of the Directors outside the Issuer are as employees of the Corporate Services Provider.

The Company Secretary is TMF Administration Services Limited of 3rd Floor, Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland.

Business Activity

The principal objects of the Issuer are set forth in Article 3 of its constitution and include, *inter alia*, the power to issue securities and to raise or borrow money, to grant security over its assets for such purposes, to lend with or without security and to enter into derivative transactions. Cash flow derived from the LCC Loan will be the Issuer's only source of funds to fund payments in respect of the Notes.

The Issuer is organised as a special purpose vehicle. The Issuer was established to raise capital by the issue of debt securities and to use an amount equal to the proceeds of each such issuance as consideration for the assignment by UKMBA to the Issuer of all its rights under certain loans made by UKMBA as lender (under the LCC Loan).

The Issuer has not previously carried on any business or activities other than (i) those incidental to its incorporation (ii) the authorisation and issue of the Notes and matters relating thereto and (ii) activities incidental to the exercise of its rights and compliance with its obligations under the issuance of the Notes and the LCC Loan. On the Issue Date, the Issuer will issue the Notes and enter into certain documents and agreements entered into in connection with such issuance and the assignment of the LCC Loan.

Financial Statements

Since its date of incorporation, save as disclosed in the section entitled "Business Activity" above, the Issuer has not commenced operations and no financial statements of the Issuer have been prepared as at the date of this Information Memorandum. The Issuer intends to publish its first financial statements in respect of the period ending on 30 June 2020. The Issuer will not prepare interim financial statements. The financial year of the Issuer ends on 30 June in each year.

The Issuer's profit and loss account and balance sheet can be obtained free of charge from the registered office of the Issuer. The Issuer must hold an annual general meeting in each calendar year and no more than 9 months after the financial year end) and thereafter the gap between its annual general meetings must not exceed 15 months.

DESCRIPTION OF THE GUARANTOR

General Information

The Issuer's obligations under the Notes are guaranteed by Lancashire County Council ("**LCC**") as described under "*Guarantee of the Notes*" above.

LCC is the local authority for the non-metropolitan county of Lancashire, England and was established in 1888, assuming its current form in 1974. The county of Lancashire lies in the north west of England and it is bordered by Cumbria, Greater Manchester, Merseyside and Yorkshire with a coastline to the Irish Sea.

LCC is the fourth largest council in the UK covering a geographic area of 2,903km. It provides services to residents of the 12 district areas of Burnley, Chorley, Fylde, Hyndburn, Lancaster, Pendle, Preston, Ribble Valley, Rossendale, South Ribble, West Lancashire and Wyre and is currently responsible for the provision of a number of services to the local community including: highways and transportation, waste disposal, strategic planning, social care for adults and children, libraries and museums, a range of central education functions in support of schools and other smaller services. As at 31 March 2019, LCC employed over 12,200 people in full-time and part-time contracts with around a further 28,000 people employed in schools. As at 31 March 2019, the county of Lancashire had around 44,000 businesses supporting approximately 515,000 jobs.

LCC currently comprises 84 councillors, who represent 12 Lancashire district areas. Councillor Paul Rigby is the chairman of LCC which is a partly ceremonial position although the chairman also chairs full council meetings (the "**Full Council**"). The leader of LCC is Councillor Geoff Driver who is the lead member for the majority political party, namely the Conservative Party. The geographic area covered by LCC currently has 16 Members of Parliament: 11 of which belong to the Conservative Party, 4 to the Labour Party and The Speaker.

The Office for National Statistics' 2018 mid-year estimate for the population of LCC was estimated to be 1,210,053.

Medium Term Financial Strategy

A fundamental part of LCC's financial strategy has been to deliver an extensive savings programme. Full Council, in February 2019, approved approximately £77 million of additional savings, based on proposals generated through a detailed service challenge process which encompassed all of LCC's services.

LCC's medium term financial strategy ("**MTFS**") was approved by Full Council in February 2018 covering the 2018/19 budget and the forecast position for 2019/20 to 2021/22. Pursuant to the MTFS, LCC identified as at 31 December 2018, a number of underspending service areas which were validated as reflecting a level of recurrent underspend and which were picked up as management action savings within the MTFS.

At a Cabinet meeting in January 2020, the MTFS set out a forecast funding gap of £28.438m by the end of the 4 year period (2020/21 – 2023/24) which was subsequently revised to £33.3m due to, inter alia, the impact of indexation on funding being set by government. At Full Council on 13 February 2020 a budget was agreed which has increased the forecast funding gap to £38.402m by 2023/24 due to some additional spending commitments being agreed; however the budget for 2020/21 provides for a small surplus of £1.608m which is expected to be used to support LCC's improvement journey work which is currently underway.

Notwithstanding the above, the value of LCC's uncommitted transitional reserve is currently forecast to be sufficient to meet the identified funding gaps beyond the period of this MTFS (2023/2024), which provides LCC scope to address the structural deficit in a considered and sustainable way. The intention remains to identify continued savings and deliver a financially sustainable position for LCC.

Capital Programme

The 2019/20 capital delivery programme of £130.289m was agreed at Full Council in February 2019. This figure was based on the best forecast available at that point in time with the need to review and update to reflect the impact of the 2018/19 outturn position, associated slippage and advance delivery, additions to the programme subsequently agreed by cabinet and an updated assessment of deliverability within the year. Following such revision in December 2019, this was subsequently increased to approximately £151.43m.

The total forecast spend for 2019/20 is £132.623m, funded from a combination of borrowing (£47.101m), grants (£76.299m) and developer and third-party contributions (£9.223m).

The Capital Programme is designed to deliver the following benefits to the residents of Lancashire:

- Enhancements and improvements to schools, and buildings the council delivers services from including residential care homes;
- Upgrading of carriageways, street lighting and improvements to road junctions;
- Investment in LCC's information computing technology infrastructure to support corporate priorities; and
- Investment in waste and recycling facilities.

The draft capital delivery programme for the period covering 2020/2021-2022/2023 estimates capital expenditure of £138.5m in 2020/2021 followed by sums of £98.5m and £52.8m in the following 2 years. Grant funding is forecast to be £91.8m for 2020/2021 with further grants of £60.5m and £38.9m in 2021/2022 and 2022/2023 respectively.

As at the date of this Information Memorandum, the following key documents may be located as follows:

1. Constitution:

<http://council.lancashire.gov.uk/ieListDocuments.aspx?CIId=914&MIId=2916&Ver=4&info=1&bcr=1>

2. Annual Statement of Accounts 2018/2019 which includes (i) LCC's Governance and Management Structures on pages 8 and 9, (ii) Annual Governance Statement commencing on page 202, and LCC's vision pages 3-6 (inclusive):

<https://www.lancashire.gov.uk/media/911402/statement-of-accounts-2018-19.pdf>

3. In relation to the MTFS and any revisions/updates:

<http://council.lancashire.gov.uk/documents/s146082/Report.pdf>

<http://council.lancashire.gov.uk/documents/s125154/Report.pdf>

<http://council.lancashire.gov.uk/documents/s163845/Appendix%20B.pdf>

4. In relation to the Capital Programmes and any revision/updates:

<http://council.lancashire.gov.uk/documents/s146383/Appendix%20A.pdf>

<http://council.lancashire.gov.uk/documents/s155666/Appendix%20C.pdf>

<http://council.lancashire.gov.uk/documents/s163846/Appendix%20C.pdf>

<http://council.lancashire.gov.uk/documents/s163847/Appendix%20D.pdf> (in respect of 2020-2023)

5. Key statistics: <https://www.lancashire.gov.uk/lancashire-insight/key-statistics/>

6. Budget: <https://www.lancashire.gov.uk/council/finance/budget/>

Further information about LCC can be found on its website: <http://www.lancashire.gov.uk>. For the avoidance of doubt, the website of LCC is not incorporated by reference into, and does not form a part of, this Information Memorandum.

Operation Sheridan

Operation Sheridan is an investigation into alleged criminal offences including fraud which stems from the joint venture known as "One Connect Limited" between LCC and BT, established in April 2011. The investigation commenced in 2013 when LCC referred concerns as to financial irregularities to the police. This led to a lengthy and complex investigation which extended to cover the joint venture arrangements between Liverpool City Council and BT. The investigation stage of Operation Sheridan has completed and the case file has been passed to the Crown Prosecution Service who are currently considering which charges, if any, should be brought against each of the eight individuals whose conduct has been the subject of the investigation. Of those eight individuals, two are former senior officers of LCC (both of whom have been employed by Liverpool City Council), one is an elected member of LCC and one individual had concurrent employment links to both LCC and Liverpool City Council although the terms of that individual's relationship with LCC are currently in dispute. The other four individuals are not associated with LCC.

Statutory Regime Applicable to Local Authorities

Under English law, a local authority such as LCC is a locally-elected body responsible for fulfilling the functions entrusted to it in its local area. The main types of local authority in England include county councils, district councils and London borough councils. A local authority is (with a few exceptions, such as the Common Council of the City of London) a body corporate created by statute. As such, it is a separate legal entity which has perpetual succession, has rights and duties and is capable of suing and being sued, of entering into contracts and of holding property, and whose powers are confined to those which are expressly or by implication conferred upon it by statute. Local authorities are subject to the courts in much the same way as any other corporate body and, consequently, a court judgment may be obtained against a local authority to compel it to perform its statutory and contractual obligations.

An English local authority may also be subject to judicial review if it is challenged as having acted outside the scope of its statutory powers, made a decision which was an unreasonable one or after using an unfair procedure or acted in breach of human rights. The statutory powers conferred upon local authorities to be exercised for public purposes can only be used validly if they are used as Parliament, when conferring the powers, is presumed to have intended. To use statutory powers in a way which is contrary to the inferred Parliamentary purpose is to abuse them. The consequence of an abuse of statutory power is to render actions taken *ultra vires*. In particular, if, in making decisions on the carrying out of its statutory powers and functions, a local authority takes into account irrelevant considerations, or fails to take into account relevant considerations, its decision may be so tainted as to be one which no reasonable local authority could have taken, had it considered all relevant factors and excluded from consideration irrelevant ones (often referred to as "*Wednesbury* unreasonableness"). The decision will then be *ultra vires* (i.e., outside of the powers of the local authority) on grounds of irrationality.

An English local authority cannot be wound up or dissolved, other than in certain circumstances by order of the Secretary of State following a recommendation from the Boundary Committee pursuant to the Local Government and Public Involvement in Health Act 2007. Previous local authorities have only been wound up or dissolved when several local authorities have merged for strategic, economic or political reasons, and the responsibilities and liabilities of the relevant local authority are transferred to the new entity.

Sources of Revenue Finance

Local authorities have three main sources of revenue finance: council tax ("**Council Tax**"), the business rates retention scheme and grants provided by central government.

Council Tax

Council Tax was introduced by the Local Government Finance Act 1992 (the "**LGFA 1992**") as a tax on domestic properties. It is assessed by reference to the valuation band of each property which itself is determined by the Valuation Office Agency, an executive agency of HM Revenue & Customs, by reference to the value of the property on 1 April 1991 (for properties in England).

A local authority has a duty under the LGFA 1992 to set Council Tax at a level which is sufficient to meet its budget requirement to the extent not financed by non-domestic rates and various grants provided by central government.

Local authority spending is subject to certain restraints with regard to the level of Council Tax which may be raised by a local authority. Local authorities are required to determine whether the amount of Council Tax they plan to raise is excessive. The Secretary of State for Communities and Local Government issues principles, which are approved by the House of Commons and which local authorities use to determine if the amount of Council Tax that they wish to raise is excessive. Local authorities are required to hold a referendum if they wish to propose an excessive increase in Council Tax.

Business Rates

A business rates retention scheme was introduced in April 2013, with the intention of giving councils a stronger financial incentive to promote economic growth by providing a direct link between business rates growth in the local area and the amount of money available to a local authority to spend on local people and services. Under the previous national non-domestic rates system, all businesses paid tax to their local council ("**Business Rates**"); these taxes were paid into a national pool and then re-distributed back to local authorities. Under the business rates retention scheme, instead of all collections from Business Rates being contributed to a centralised pot, local authorities will now be able to keep a proportion of their growth in Business Rates. However, this remains subject to certain tariffs and top-up payments. Local authorities who earn more Business Rates than their baseline funding level will make a tariff payment in respect of a proportion of such excess to government. Where local authorities have greater funding needs than their Business Rates income, they receive a top-up payment from government. There is also a safety net system which protects local authorities that have seen their annual Business Rates income fall by more than 7.5 per cent. below their baseline funding level. The levels of tariff and top-up payments remain fixed each year but will increase in line with the Retail Prices Index until the business rates retention system is reset.

Central Government Grants

Central government provides specific and general grants to enable English local authorities deliver all the necessary services. Specific grants are intended to pay for specified purposes such as housing benefit and schools whereas the general grant can be used by local authorities as they see fit. The nature and amounts of these grants can vary over time. Other grants are also made available by government departments to finance specific activities.

Financing of Capital Expenditure – Power to Borrow

Local authorities can finance capital expenditure in a number of different ways, including from borrowing.

Local Government Act 2003

Local authorities located in England are subject to the Local Government Act 2003 (the "**LGA 2003**") and the local government capital finance regime, which was introduced by the LGA 2003. The LGA 2003 introduced a regime whereby local authorities primarily determine for themselves how much money they can afford to borrow, subject to any limits imposed by the Secretary of State or the Welsh Assembly. Under section 1 of the LGA 2003, a local authority is permitted to borrow money for any purpose relevant to its statutory functions or for the prudent management of its financial affairs. A local authority may not, without the consent of HM Treasury, borrow otherwise than in sterling.

The Prudential Code for Capital Finance in Local Authorities

In respect of its borrowings, a local authority is required by section 3 of the LGA 2003 to determine and keep under review how much money it can afford to borrow. In complying with their duties under section 3 of the LGA 2003, local authorities must have regard to the Prudential Code for Capital Finance in Local Authorities (the "**Prudential Code**") published by The Chartered Institute of Public Finance & Accounting, as amended or reissued from time to time. The Prudential Code provides a framework for local authority capital finance, to ensure that capital expenditure plans are affordable, external borrowing and other long-term liabilities are within prudential and sustainable levels and treasury management decisions are taken in accordance with professional good practice, by recommending the setting and monitoring of a series of "prudential indicators".

Borrowing Limit

Although the Secretary of State has the power, pursuant to section 4 of the LGA 2003, to intervene and set an individual borrowing limit in relation to the borrowing of money by a particular English local authority

for the purpose of ensuring that the authority does not borrow more than it can afford, as at the date of this Information Memorandum, such power has not been used.

Protection for Lenders

In accordance with section 13 of the LGA 2003, all money borrowed by a local authority (such as the LCC Loan), together with any interest on it, is charged indifferently on all the revenues of the local authority, and such charges shall rank equally in an insolvency of the local authority. If an amount due remains unpaid for a period of two months after demand in writing, the High Court may appoint a receiver, on application from a person entitled to principal or interest in respect of any borrowing by a local authority, on such terms and with such powers as the High Court thinks fit.

Section 6 of the LGA 2003 further provides that a person lending to a local authority shall not be bound to enquire whether the local authority has power to borrow the money and shall not be prejudiced by the absence of any such power. There is, as yet, no judicial authority on the extent of this provision. However, Lord Templeman in *Hazell v. Hammersmith and Fulham L.B.C.* [1991] 1 All ER 20 stated that Paragraph 20 of Schedule 13 of the Local Government Act 1972 (the "**LGA 1972**") (the precursor to section 6 of the LGA 2003) "is a complete protection for any person who lends money to a local authority". Although Lord Templeman's remarks refer to the "safe harbour" provision in the LGA 1972 which is worded slightly differently from that contained in the equivalent provisions of the LGA 2003, the judgment does give some comfort as to the courts' likely interpretation of the scope of the "safe harbour" provision as it now exists. It appears clear that a lender (such as the Issuer) need not concern itself as to the purpose of the borrowing or the prudence thereof, and that a particular lender will not be prejudiced even if a decision by a local authority borrower to take a loan is not within its powers. However, the precise scope of protection afforded by this provision is unclear. Where a lender makes a loan to a local authority knowing that the local authority was exceeding its powers, it is unclear whether the "safe harbour" provision could be relied upon. Furthermore, the protection under Section 6 of the LGA 2003 is available to the Issuer as a lender however, the scope of such protection does not extend to Noteholders.

Power to Guarantee

Section 1 of the Localism Act 2011 (the "**Localism Act**") provides a general power of competence for local authorities in England, by granting them the power to do anything that individuals may generally do. This general power of competence specifically empowers local authorities to do anything not prohibited by legislation (subject to public law principles). As at the date of this Information Memorandum, there is no prohibition in legislation on local authorities providing guarantees such as the Guarantee of the Notes.

DESCRIPTION OF UKMBA

History and Development

UK Municipal Bond Agency plc was incorporated in England and Wales with registered number 9069106 on 3 June 2014 and re-registered as a public limited company on 5 November 2015. UKMBA's registered office is at 18 Smith Square, London, SW1 3HZ, United Kingdom.

Shares in UKMBA are held by 56 local authorities and the Local Government Association (the "LGA") and there is no controlling shareholder. Local authorities together hold 6.635 million Class B shares, which have full rights to dividends and capital distribution, but no right of redemption and the voting rights of any one local authority is capped at 5 per cent of total voting rights. The LGA holds 750,000 "LGA Shares" that, while providing the same basic rights as Class B shares, confer the right to veto any amendment to the Articles of Association or appointment of a director. The UKMBA's capital has been spent on its establishment.

Principal Activities of UKMBA

UKMBA was established to borrow funds and to lend such funds to certain English local authorities, with the intention of reducing the borrowing costs of such local authorities. Local authority shareholders have no automatic right to borrow through the UKMBA.

Framework Agreement

In connection with the LCC Loan, UKMBA, Lancashire County Council and the other parties named therein have entered in a framework agreement dated 10 March 2020 (the "**Framework Agreement**").

The Framework Agreement sets out certain terms which are relevant in relation to the LCC Loan (including the standard loan terms on which the LCC Loan is based), and a number of other provisions which are relevant to other loans and borrowing arrangements between local authorities and UKMBA.

Noteholders should not rely on the provisions of the Framework Agreement, as the Framework Agreement may be amended by the parties to it at any time without the consent of the Noteholders or any other party.

UKMBA is not an obligor in respect of the Notes and Noteholders have no recourse to UKMBA.

DESCRIPTION OF THE LCC LOAN

The LCC Loan is a floating rate term loan, with a principal amount of £350,000,000. The interest provisions and scheduled repayment terms are substantially equivalent to those which apply to the Notes. The LCC Loan also includes provisions for the payment of costs and expenses of the Issuer (as lender).

The following prepayment events apply to the LCC Loan:

- (a) Illegality: a mandatory prepayment if, in any applicable jurisdiction it becomes unlawful for the lender to perform any of its obligations under the loan agreement or to fund or maintain a loan;
- (b) Prepayment of lender funding: a mandatory prepayment if the lender is required to prepay the Notes;
- (c) Voluntary prepayment for tax: prepayment at the option of LCC if it is required to pay any additional amounts in respect of tax under the LCC Loan or the Guarantee of the Notes; and
- (d) Change of status: prepayment at the option of the lender if at any time a legislative amendment which results in the local authority borrower ceasing to be treated as a "local authority" within the meaning of the LGA 2003, or in each case, any re-enactment or amendment thereof, or any other legislation which regulates capital finance in connection with local authorities, occurs.

In relation to the LCC Loan, the following events or circumstances are events of default ("**Loan Events of Default**") under the standard terms:

- (a) LCC fails to pay any amount due under the loan or otherwise fails to comply with the relevant payment provisions in the LCC Loan or the Framework Agreement;
- (b) LCC is in breach of any other obligation under the loan agreement and has failed to remedy the same within 15 days of being requested to do so;
- (c) LCC is unable to pay its debts as they fall due;
- (d) LCC enters into any composition with its creditors;
- (e) the High Court has appointed a receiver under Section 13(5) of the LGA 2003 in respect of the authority; or
- (f) LCC is dissolved or otherwise ceases to exist (other than as a result of the enactment of legislation creating a statutory successor to LCC which becomes responsible for substantially all of LCC's obligations).

Lancashire County Council may not assign or transfer any of its rights or obligations under the loan except to a statutory successor.

In accordance with the provisions of Condition 6(c) (*Redemption due to local authority loan prepayment*), the Issuer may redeem Notes at par prior to their maturity if the LCC Loan is prepaid for any reason.

TAXATION

The tax laws of the investor's jurisdiction and of the Issuer's and Guarantor's jurisdiction might have an impact on the income received from the Notes. The following is a general description of certain United Kingdom, Ireland and United States tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes 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 Information Memorandum and is subject to any change in law that may take effect after such date.

Also investors should note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

UNITED KINGDOM TAXATION

*The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on current law and the practice of Her Majesty's Revenue and Customs ("**HMRC**"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.*

UK Withholding Tax on UK Source Interest

The Notes will constitute "quoted Eurobonds" provided they are and continue to be admitted to trading on a multilateral trading facility. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

The International Securities Market of the London Stock Exchange is a multilateral trading facility for this purposes, and accordingly the Notes will constitute quoted Eurobonds provided they are and continue to be admitted to trading thereon.

In all other cases, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

Where payments of interest on the Notes are subject to withholding or deduction for or on account of United Kingdom income tax, the Issuer is required to pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions.

Payments by Guarantor

If the Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes) such payments may be subject to UK withholding tax at the basic rate (currently 20 per cent.), subject to such relief as may be available under an

applicable double tax treaty (a "**Treaty**"), or to any other exemption which may apply. Where such a relief under a Treaty is available, and the applicable conditions in the relevant Treaty are satisfied, the Noteholder should be entitled to a refund of tax withheld, provided it complies with the applicable formalities relating to such claim within the relevant limitation period. It may, however, not in practice be possible for the Noteholder to obtain a direction for the guarantee payments to be made free from withholding tax. Such payments by the Guarantor may not be eligible for the exemption for quoted Eurobonds described above.

Where payments by a Guarantor in respect of interest on the Notes are subject to withholding or deduction for or on account of United Kingdom income tax, the Guarantor is required to pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions.

Other Rules Relating to United Kingdom Withholding Tax

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

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

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer and does not consider the tax consequences of any such substitution.

IRISH TAXATION SUMMARY

The following is a summary of the principal Irish withholding tax consequences for individuals and companies of ownership of the Notes and some other miscellaneous tax matters based on the laws and practice of the Irish Revenue Commissioners currently in force in Ireland and may be subject to change. It deals with Noteholders who beneficially own their Notes as an investment. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, such as dealers in securities, trusts etc. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

Withholding Tax

In general, tax at the standard rate of income tax (currently 20 per cent.), is required to be withheld from payments of Irish source interest, which should include interest payable on the Notes.

Subject to the discussion below, the Issuer will not be obliged to make a withholding or deduction for or on account of Irish income tax from a payment of interest on a Note so long as the following conditions are met:

- (a) the Notes are quoted Eurobonds, i.e. securities which are issued by a company (such as the Issuer), which are quoted on a recognised stock exchange and which carry a right to interest; and
- (b) the person by or through whom the payment is made is not in Ireland, or if such person is in Ireland either:
 - (i) the Notes are held in a clearing system recognised by the Irish Revenue Commissioners (DTC, Euroclear and Clearstream, Luxembourg are, amongst others, so recognised); or
 - (ii) the person who is the beneficial owner of the Notes is not resident in Ireland and has made a declaration to a relevant person (such as a paying agent located in Ireland) in the prescribed form.

Thus, subject to the discussion below, so long as the Notes continue to be quoted on a recognised stock exchange, are held in a clearing system recognised by the Irish Revenue Commissioners (Euroclear and Clearstream, Luxembourg are, amongst others, so recognised), interest on the Notes can be paid by any paying agent acting on behalf of the Issuer free of any withholding or deduction for or on account of Irish income tax. If the Notes continue to be quoted but cease to be held in a recognised clearing system, interest on the Notes may be paid without any withholding or deduction for or on account of Irish income tax provided such payment is made through a paying agent outside Ireland.

Interest or other distributions paid out on the Notes which are profit dependent or any part of which exceeds a reasonable commercial return could, under certain anti-avoidance provisions, be re-characterised as a non-deductible distribution and so be subject to dividend withholding tax in certain circumstances. However, this should not apply on the basis of a confirmation by the Issuer that, at the time the Notes were issued, the Issuer was not in possession or aware of any information, including information about any arrangement or understanding in relation to ownership of the instrument after that time, which could reasonably be taken to indicate that interest or other distributions paid on the Notes would not be subject, without reduction computed by reference to the amount of such interest or other distribution, to a tax in a relevant territory which generally applies to profits, income or gains received in that relevant territory by persons from sources outside that relevant territory, where the term "relevant territory" means a member state of the European Union (other than Ireland) or a country with which Ireland has signed a double tax treaty ("**Relevant Territory**").

Encashment Tax

Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from interest on any Note, where such interest is collected or realised by a bank or encashment agent in Ireland on behalf of any Noteholder. There is an exemption from encashment tax where the beneficial owner of the interest is not resident in Ireland and has made a declaration to this effect in the prescribed form to the encashment agent or bank.

Stamp Duty

No stamp duty or similar tax is imposed in Ireland on the issue, transfer or redemption of the Notes provided the Issuer is a qualifying company for the purposes of Section 110 of the TCA and the proceeds of the Notes are used in the course of the Issuer's business.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under "*Terms and Conditions of the Notes — Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

HSBC Bank plc (the "**Global Coordinator**"), Barclays Bank PLC, HSBC Bank plc and Merrill Lynch International (as Joint Lead Managers and Joint Bookrunners) and Banco Santander, S.A., Deutsche Bank AG, London Branch, NatWest Markets Plc, Nomura International plc and RBC Europe Limited (as Co-Managers) (together, the "**Managers**") have, pursuant to a subscription agreement dated 10 March 2020 (the "**Subscription Agreement**") agreed with the Issuer and UKMBA, subject to the satisfaction of certain conditions, to subscribe, on a joint and several basis, for the Notes at 100 per cent. of their principal amount, less any applicable commissions and expenses as agreed between the Issuer, UKMBA and the Managers. In addition, the Issuer has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

United States of America:

The Notes, the LCC Loan and the Guarantee of the Notes have not been and will not be registered under the Securities Act and the Notes 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.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver Notes, (i) as part of its distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes, as certified to the Principal Paying Agent or the Issuer within the United States or to, or for the account or benefit of, U.S. persons and the Managers will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto, a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes, any offer or sale of Notes within the United States by the Managers (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented, warranted and agreed 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 FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Ireland

Each Manager has represented, warranted and agreed that:

- (a) it will not underwrite the issue of, or place, the Notes otherwise than in conformity with the provisions of the European Union (Markets in Financial Instruments) Regulations 2017 (as amended, the "**MiFID II Regulations**"), including, without limitation, Regulation 5 (Requirement for authorisation (and certain provisions regarding MTFs and OTFs)) thereof, any codes of conduct made under the MiFID II Regulations, and the provisions of the Investor Compensation Act 1998 (as amended);

- (b) it will not underwrite the issue of, or place, the Notes otherwise than in conformity with the provisions of the Companies Act 2014 (as amended, the "**Companies Act**"), the Central Bank Acts 1942-2018 (as amended) and any codes of practice made under Section 117(1) of the Central Bank Act 1989 (as amended);
- (c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of, the Notes otherwise than in conformity with the provisions of the Prospectus Regulation and any rules issued by the Central Bank under Section 1363 of the Companies Act; and
- (d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of, the Notes otherwise than in conformity with the provisions of the Market Abuse Regulation (EU 596/2014) (as amended), the European Union (Market Abuse) 2016 (as amended) and any rules and guidance issued by the Central Bank under Section 1370 of the Companies Act,

as each of the foregoing may be amended, restated, varied, supplemented and/or otherwise replaced from time to time.

General

Each Manager has represented, warranted and agreed 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 Notes or possesses, distributes or publishes this Information Memorandum or any related offering material, in all cases at its own expense. Other persons into whose hands this Information Memorandum are required by the Issuer, UKMBA, the Guarantor and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Information Memorandum or any related offering material, in all cases at their own expense.

The Managers and their respective affiliates may 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 UKMBA and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, UKMBA or UKMBA's affiliates. The Managers or their respective affiliates that have a lending relationship with the Issuer and/or UKMBA may routinely hedge their credit exposure to the Issuer and/or UKMBA consistent with their customary risk management policies. Typically, the Managers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of Notes. The Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

GENERAL INFORMATION

Authorisation

1. The creation and issue of the Notes has been authorised by a resolution of the Board of Directors of the Issuer dated 9 March 2020. The giving of the Guarantee of the Notes has been authorised by the Guarantor by the minutes of a meeting of the Cabinet held on 6 February 2020. The assignment of the rights under the LCC Loan has been authorised by UKMBA at a meeting of the Board of Directors of UKMBA on 21 January 2020.

Legal and Arbitration Proceedings

2. There are no 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 since the date of its incorporation, a significant effect on the financial position or profitability of the Issuer.
3. There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Guarantor is aware), which may have, or have had during the 12 months prior to the date of this Information Memorandum, a significant effect on the financial position or profitability of the Guarantor.

Significant/Material Change

4. Since the date of its incorporation, there has been no material adverse change in the prospects of the Issuer. Since the date of its incorporation, there has been no material adverse change or any significant change in the financial performance of the Issuer.
5. Since 31 March 2019 there has been no material adverse change in the prospects of the Guarantor. Since 31 March 2019, there has been no material adverse change or any significant change in the financial performance of the Guarantor.

Supplements

6. For the avoidance of doubt, the Issuer shall have no obligation to supplement or update this Information Memorandum.

Documents on Display

7. Copies of the following documents may be inspected at the <https://ukmba.org/ukmba-intro/> and at the registered office of the Issuer as set out herein for 12 months from the date of this Information Memorandum:
 - (a) the constitutive documents of the Issuer; and
 - (b) drafts (subject to modification) of the Paying Agency Agreement, the Trust Deed and the Guarantee of the Notes.

For the avoidance of doubt, unless specifically incorporated by reference into this Information Memorandum, information contained on the website does not form part of this Information Memorandum.

Legend Concerning U.S. Persons

8. The Notes and any Coupons will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

ISIN and Common Code

9. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS2125007554 and the common code is 212500755. The CFI Code for the issue of the Notes and the FISN Code are set out on the website of the Association of National Numbering

Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN.

The Legal Entity Identifier

10. The Legal Entity Identifier (LEI) code of the Issuer is 635400EKWEL7NGLTZ567.

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