

THIS CARD IS CIRCULATED TO GIVE DETAILS OF AN ISSUE BY THE HOUSING FINANCE CORPORATION LIMITED
AND SHOULD BE RETAINED FOR REFERENCE PURPOSES

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THE HOUSING FINANCE
CORPORATION LIMITED

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*(Incorporated in England with limited liability under the Industrial and Provident Societies Act 1965)
(Registered Number 25862R, having its registered office at 5 New Square, Lincoln's Inn, London WC2A 3RP)*

Particulars of an issue by way of placing of £50,954,200 5 per cent. Debenture Stock 2027 ("5% Stock") and £93,502,160 Zero Coupon Debenture Stock 2012 ("Zero Coupon Stock") of The Housing Finance Corporation Limited ("THFC"). The 5% Stock and the Zero Coupon Stock are together referred to in this document as "Stocks" and each as "Stock".

The 5% Stock is issued at £47.160 per £100 nominal payable in full on acceptance.

The Zero Coupon Stock is issued at £7.187 per £100 nominal payable in full on acceptance.

This document includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to the issue of the Stocks by THFC. The Directors of THFC (whose names appear in Paragraph 1 of "General Information" below) accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

A copy of this document, which comprises listing particulars relating to THFC in accordance with the listing rules made under Section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies for registration in accordance with Section 149 of that Act.

As at 6th November, 1987 THFC had no loan capital (including term loans) outstanding, or created but unissued, and no outstanding mortgages, charges or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances or acceptance credits, hire purchase commitments, guarantees or other contingent liabilities.

Application has been made to the Council of The Stock Exchange for the Stocks to be admitted to the Official List. It is expected that the Stocks will be admitted on 8th December, 1987 and that dealings will commence on 9th December, 1987.

REGISTERED OFFICE

5 New Square
Lincoln's Inn
London WC2A 3RP

AUDITORS

Deloitte Haskins & Sells
Chartered Accountants
PO Box 207
128 Queen Victoria Street
London EC4P 4JX

SPONSORS AND BROKERS

James Capel & Co.
James Capel House
6 Bevis Marks
London EC3A 7JQ

**FINANCIAL ADVISERS TO
BORROWING HOUSING ASSOCIATIONS**

Cipfa Services Limited
Heron House
10 Dean Farrar Street
London SW1H 0DX

TRUSTEE TO THE STOCKS

Eagle Star Trust Company Limited
1 Threadneedle Street
London EC2R 8BE

SOLICITORS TO THFC

Trowers & Hamblins
5 New Square
Lincoln's Inn
London WC2A 3RP

SOLICITORS TO THE ISSUE

Herbert Smith
Watling House
35 Cannon Street
London EC4M 5SD

SOLICITORS TO THE TRUSTEE

Simmons & Simmons
14 Dominion Street
London EC2M 2RJ

RECEIVING BANK AND REGISTRAR

Barclays Bank PLC
PO Box 34
Octagon House
Gadbrook Park
Northwich
Cheshire CW9 7RD

PURPOSE OF THE ISSUE

The purpose of the issue is for THFC to obtain private sector funding for the development of housing projects promoted by registered housing associations.

The funds raised will, subject to the satisfaction of conditions precedent, be lent to the six housing associations listed below (the "Associations" and each an "Association"). These loans will each be secured by:—

1. a floating charge secured on the undertaking and all the assets for the time being both present and future wheresoever situate of the relevant Association; and
2. a first fixed charge over cash and investments representing moneys lent by THFC pending investment in assets and a first fixed charge over any assets acquired by the relevant Association with those moneys lent by THFC; and
3. the establishment of a Sinking Fund as defined below with moneys collected by THFC from the Association for that purpose and paid to the trustee of the Sinking Fund. The first trustee of the Sinking Funds will be Eagle Star Trust Company Limited. The Sinking Funds will each be held upon trust towards the payment to THFC of the amount required to redeem the loans made to the relevant Association under the relevant loan agreement and subject thereto upon trust for the relevant Association absolutely.

Under the floating charges the Associations will each covenant to provide to THFC Asset Cover as defined below of at least one and a half times the Nominal Redemption Value as defined below. Ascertainment at the date of this document of the assets of each Association for the purposes of determining Asset Cover is on an historic cost basis subject to adjustment as described below.

Each of the Associations will use the money borrowed from THFC for the purposes of the provision of housing (by itself or others). In some cases, the Association has already identified property for purchase and, if appropriate, development or improvement. In other cases, property has yet to be identified and until expended the moneys lent will be invested on a temporary basis in narrower range investments under the Trustee Investments Act 1961 pending the identification and acquisition of suitable property or developments.

Each of the Associations is a registered industrial and provident society, is registered with The Housing Corporation and is a member of The National Federation of Housing Associations.

The principal object of each of the Associations is the provision of housing.

The Housing Corporation has given its consent under Section 9 of the Housing Associations Act 1985 to the creation by each of the Associations of the floating charges in favour of THFC referred to above and has given its consent in principle to the taking on by any Association of a commitment to grant a fixed charge over a property to be acquired in the future pursuant to the relevant loan agreement.

The floating charges and fixed charges over specific assets will take priority over all the unsecured creditors of each of the Associations (excluding statutory preferred creditors) including in particular the rights in certain circumstances of the Secretary of State for the Environment to be repaid any Housing Association Grant ("HAG") by an Association.

The Registrar of Friendly Societies has registered the necessary amendment to the rules of each of the Associations to allow each Association to borrow from THFC upon the security of a floating charge. Each of the Associations already has rules which permit the grant of fixed charges.

Each of the Associations is prohibited by its rules from distributing any income or property whatsoever to its members. Surpluses may be applied in carrying out the principal objects of each Association.

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The Associations and the purposes for which they are borrowing are set out below. For the purposes of these descriptions, the "net worth" of an Association shall mean that Association's net assets valued on an historic cost basis but before the deduction of the relevant HAG since the right to repayment of HAG in any winding up of an Association is subordinated to the rights of THFC under its security.

1. Brent People's Housing Association Limited (Registered No. 21060R having its registered office at Brett House, Park Parade, London NW10 4HT). This Association owns more than 3,500 homes in North West London and employs a staff of 51. Based on its audited accounts to 31st March, 1987 its net worth was £68,993,735. With the money being borrowed it will acquire further properties in London which will be leased to the London Borough of Brent for 20 years at a market rent on a full repairing lease.
2. Cheviot Housing Association Limited (Registered No. 19086R having its registered office at 1 The Meadows, Fawdon, Newcastle upon Tyne NE3 3NA). This Association owns more than 1,000 homes in the North East. It employs a staff of 27. Based on its audited accounts to 31st March, 1987 its net worth was £15,706,420. With the money being borrowed it will acquire and develop further properties for rent in the Northumberland and Durham areas.
3. Copec Housing Trust (Registered No. 10227R having its registered office at 35 Paradise Circus, Birmingham B1 2AJ). This Association owns more than 4,300 homes in the West Midlands and employs a staff of 185. Based on its audited accounts to 31st March, 1987 its net worth was £62,627,062. With the money being borrowed it will acquire further properties in Birmingham and the West Midlands.
4. Coventry Churches Housing Association Limited (Registered No. 16915R having its registered office at Highfield House, St. Nicholas Street, Coventry CV1 4BN). This Association owns more than 2,900 homes in the Midlands. It employs jointly with Coventry Churches (Second) Housing Association Limited, 205 permanent and 21 temporary staff. Based on its audited accounts to 31st March, 1987 its net worth was £48,424,898. With the money being borrowed, it will acquire and develop property for residential and nursing homes for the elderly, property for renting under its general purposes and property for letting (either on its own account or through mutual housing associations or through associated companies) to elderly persons.
5. Coventry Churches (Second) Housing Association Limited (Registered No. 22993R having its registered office at Highfield House, St. Nicholas Street, Coventry CV1 4BN). This Association owns in the Midlands 200 rented homes, in excess of 750 dwellings let on shared ownership leases and has an annual programme of improvement for sale of over 100 dwellings. It employs jointly with Coventry Churches Housing Association Limited, 205 permanent and 21 temporary staff. Based on its audited accounts to 31st March, 1987 its net worth was £10,184,642. With the money being borrowed, it will acquire and develop property for letting either on its own account or through mutual housing associations or through associated companies.
6. Metropolitan Housing Trust Limited (Registered No. 16337R having its registered office at Cambridge House, 109 Mayes Road, London N22 6UR). This Association owns more than 4,300 homes in London and the East Midlands. It employs a staff of 150. Based on its audited accounts to 30th September, 1986 its net worth was £66,355,429. With the money being borrowed it will acquire further properties in London which will be leased to the London Borough of Brent for 20 years at a market rent on a full repairing lease.

PARTICULARS OF THE STOCKS

The 5% Stock and the Zero Coupon Stock were each created by a resolution of the Board of Directors of THFC passed on 2nd December, 1987 and will together be constituted by a trust deed (the "Trust Deed") to be made between THFC and Eagle Star Trust Company Limited (the "Trustee").

The Trust Deed will contain provisions, *inter alia*, to the following effect:

DEFINITIONS

- "Asset Cover"
- in relation to the borrower in respect of an Authorised Loan (other than a Fixed Authorised Loan) the aggregate of the housing land and buildings at cost, other fixed assets and net current assets as the same shall appear in the borrower's latest audited accounts (excluding any amount therein in respect of the amount standing to the credit of any Sinking Fund) after deducting provision for future cyclical repairs and maintenance to housing accommodation and provision for grant redemption fund but adjusted at the relevant time for:—
- (i) at the option of either THFC or the relevant borrower any variation after the relevant balance sheet was made up in such housing land and buildings at cost other fixed assets and net current assets;
 - (ii) the deduction of one and a half times the aggregate amount secured by any fixed charge other than a fixed charge securing only any Authorised Loan (not being a Fixed Authorised Loan) but excluding from such deduction such amount as the auditors of the relevant borrower shall certify as being a fair assessment of the amount of Housing Association Grant that the relevant borrower will receive in respect of such amount;
 - (iii) such other adjustments at the date of the last audited accounts of the relevant borrower as the auditors of that borrower shall consider appropriate, including without limitation all such adjustments as may from time to time be appropriate following any change in the form of accounts now required to be produced by registered housing associations pursuant to the Registered Housing Associations (Accounting Requirements) Order 1982.

For the purposes of computing the Asset Cover as defined above arrangements may be made for a valuation or a revaluation in a manner approved by THFC of all land and buildings of the borrower or (with the consent of THFC) of a part thereof. Any such valuation or revaluation shall be carried out by a person approved by THFC. Any such valuation or revaluation may be made at the instance of the borrower at intervals of not less than one year after the date of the last preceding valuation or revaluation. For the purpose of such valuation or revaluation properties shall be valued in accordance with any relevant Guidance Notes on the valuation of land and buildings for the time being of the Royal Institution of Chartered Surveyors or on such other basis as the borrower and THFC shall agree (or failing agreement as may be determined in its absolute discretion by a merchant bank or similar financial institution in London appointed by THFC for the purpose) to be fair and reasonable taking account *inter alia* of the market for such properties and (in the case of properties which are let) the expectation of their coming vacant over a period.

The borrower shall be entitled to value or revalue all its land and buildings (or the relevant part thereof) in line with a valuation or revaluation of not less than 10 per cent. of its individual properties approved by THFC as representing a reasonable cross-selection of all (or the relevant part) of its land and buildings.

"Additional Stock"	any further debenture stock to be issued by THFC ranking <i>pari passu</i> in point of security with the Stocks and which has been constituted and secured by a duly executed deed or deeds in favour of the Trustee in such form as the Trustee shall approve, such deed being expressed to be supplemental to the Trust Deed;
"Adjusted Issue Price"	that price, expressed as an amount per £100 nominal of the relevant Stock (rounded to three decimal places, 0.0005 being rounded upwards) at which the Gross Redemption Yield on the relevant Stock, if it were to be purchased at such price on the date such Stock became due and payable or fell to be redeemed or on the date the Nominal Redemption Value fell to be calculated as the case may be, would be equal to the Gross Redemption Yield at which such Stock was issued;
"Adjusted Redemption Price"	that price expressed as an amount per £100 nominal of the relevant Stock (rounded to three decimal places, 0.0005 being rounded upwards) at which the Gross Redemption Yield on the relevant Stock if it were to be purchased at such price on the fifth dealing day prior to the date such Stock became due and payable or fell to be redeemed, would be equal to the Gross Redemption Yield (a) at any time on or before 31st December, 1999, on 13½% Treasury Stock 2004-2008 on the basis of the market price of 13½% Treasury Stock 2004-2008 or (b) after 31st December, 1999 on such Qualifying Gilt as three leading brokers and/or primary dealers operating in the gilt edged market shall certify or report to the Trustee as having the highest Gross Redemption Yield of all Qualifying Gilts on such fifth dealing day, on the basis of the market price thereof and so that, for the purposes of this definition, market price shall be that prevailing at 11.00 a.m. on such fifth dealing day, as determined by James Capel & Co. or, if James Capel & Co. is unable to make such determination, by such other broker as the Trustee may select. If, at any time at which the Adjusted Redemption Price falls to be determined, there shall be no Qualifying Gilts in issue, then for the purpose of such determination the Gross Redemption Yield of the relevant Stock shall be such as shall be advised to the Trustee by three leading brokers and/or primary dealers appointed by the Trustee after consultation with THFC (or, if they cannot agree, a majority of them) to be in their opinion as far as practicable equivalent to what such yield would be if such non-availability of Qualifying Gilts had not arisen;
"Authorised Loan"	a loan by THFC or a Charging Subsidiary to an Authorised Person using money which is or ought to be in a Capital Account as defined in paragraph 6.2 below;
"Authorised Person"	a housing association registered under Section 5 of the Housing Associations Act 1985 or an unregistered self build society as defined in Sections 1(3) and 3(2) of the Housing Associations Act 1985 or a charity having a housing function;
"Charging Subsidiary"	any Subsidiary of THFC which hereafter charges its undertaking and all of its assets both present and future wheresoever situate (including any uncalled capital) by way of floating charge as collateral security for the Stocks and any Additional Stock;
"Charging Group"	THFC and all Charging Subsidiaries (if any);
"Extraordinary Resolution"	has the meaning given to it in the Trust Deed;
"Fixed Asset Value"	the value of the specified real property included in the Fixed Charge as determined by a valuer approved by THFC on the date of entering into the Fixed Charge or in the case of Substituted Fixed Assets the effective date of such substitution on the basis of open market value having regard to any relevant Guidance Notes on the valuation of land and buildings for the time being of the Royal Institution of Chartered Surveyors or on such other basis as the borrower and THFC and the Trustee shall agree (or failing agreement as may be determined in its absolute discretion by a merchant bank or similar institution in London appointed by the Trustee for the purpose) to be fair and reasonable taking account <i>inter alia</i> of the market for such properties or such other value as may from time to time and at any time be substituted therefor pursuant to the terms of the Fixed Authorised Loan by a subsequent valuation by a valuer appointed by THFC for that purpose such valuation to be carried out in accordance with the provisions set out above;
"Fixed Authorised Loan"	any Authorised Loan secured only on a Fixed Charge;
"Fixed Charge"	means a charge entered into by a borrower as permitted under paragraph 6.4 below;
"Gross Redemption Yield"	on the relevant Stock and the Gross Redemption Yield on 13½% Treasury Stock 2004-2008 (or on such other Qualifying Gilt or otherwise as aforesaid) will be expressed as a percentage and will be calculated in accordance with the principles indicated by the Joint Index and Classification Committee of the Institute and Faculty of Actuaries as reported in the Journal of the Institute of Actuaries, Volume 105, Part 1, 1978, Page 18. Such calculation in respect of either of the Stocks will be made as if such Stock were to remain outstanding until, and be redeemed at its nominal amount on, in the case of the 5% Stock 30th September, 2027 and in the case of the Zero Coupon Stock 31st December, 2012;
"Market Price"	the average of the middle market quotations for the relevant Stock as derived from The Stock Exchange Daily Official List for the ten business days preceding the date of purchase;
"Mid-Term Price"	the highest of the Adjusted Issue Price, the Adjusted Redemption Price and the average of the middle market quotations for the relevant Stock as derived from The Stock Exchange Daily Official List for each business day in the three calendar months preceding the Relevant Date subject to an overall maximum price of £200 per £100 nominal of the Stock;

(CONTINUED ON CARD 2)

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**THE HOUSING FINANCE
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(Incorporated in England with limited liability under the Industrial and Provident Societies Act 1965)
(Registered Number 25862R, having its registered office at 5 New Square, Lincoln's Inn, London WC2A 3RP)

- "Nominal Redemption Value" of an Authorised Loan shall be:--
- (a) If the Authorised Loan was advanced at a discount and/or a premium is payable on repayment on the due date therefor and the calculation of the amount repayable on the due date for repayment of such Authorised Loan is directly linked to the amount repayable on any borrowings of a member of the Charging Group borrowed at a discount and/or with repayment at a premium, the amount of the Authorised Loan advanced and not repaid as increased by the same proportion as any formula adopted in the terms of such borrowings of that member of the Charging Group to calculate the accrued amount of the discount and/or premium on such borrowings (being in the case of the Stocks the Adjusted Issue Price);
 - (b) If the Authorised Loan was advanced at a discount and/or a premium is payable on repayment on the due date therefor and the calculation of the amount repayable on the due date for repayment of such Authorised Loan is not directly linked to the amount repayable on any borrowings of a member of the Charging Group borrowed at a discount and/or with repayment at a premium, the amount of the Authorised Loan advanced and not repaid as increased by the accrued amount of the discount and/or premium on such Authorised Loan calculated in a manner determined by THFC and approved by the auditors of THFC;
 - (c) In any other case the amount of the indebtedness under the Authorised Loan at the relevant time calculated in a manner approved by the auditors of THFC;
- "Non Charging Subsidiary" any Subsidiary of THFC which is not a Charging Subsidiary;
- "Pari Passu Borrowing" the aggregate principal amount for the time being outstanding of all amounts owing on the security of any mortgage or charge given by THFC or any Charging Subsidiary and ranking in point of security *pari passu* with the floating charge securing the Stocks and any Additional Stock except insofar as such amount shall be owing to, and security shall be held by, THFC or a Charging Subsidiary;
- "Qualifying Gilt" a sterling obligation of the U.K. Government listed on The Stock Exchange and having a final maturity date occurring on or after the fifteenth anniversary of the fifth dealing day prior to the date when the Stock (in relation to which this definition is applied) becomes due and payable or falls to be redeemed;
- "Relevant Date" in the case of an event of default falling within paragraph 3.1 below, the due date for the relevant principal monies or premium or interest, in the case of an event of default falling within paragraph 3.6 below, the date of the relevant order or resolution, in the case of any other default, the date of the Trustee's certificate that such an event is in its opinion materially prejudicial to the interests of the holders of the relevant Stock and in the case of a redemption by THFC, the date of THFC's notice to the Stockholder;
- "Sinking Fund" any amount for the time being held by a person other than the relevant borrower on a trust not revocable at the instance of such borrower to be applied in the repayment of an Authorised Loan, or otherwise held in a manner which, in the opinion of the Trustee, is of equivalent effect so far as the interests of Stockholders are concerned;
- "Stockholder(s)" the holder(s) of the Stocks or any of them;
- "Subsidiary" an industrial and provident society or company which is for the time being a subsidiary (within the meaning of Section 15 of the Friendly and Industrial and Provident Societies Act 1968) of THFC and the word "Subsidiaries" shall be construed accordingly.
- "Substituted Fixed Assets" means any specified real property of the borrower the subject of a Fixed Charge which THFC accepts as security for the Fixed Authorised Loan in substitution for the real property or any part thereof subject to that Fixed Charge at the date of entering into that Fixed Charge or for any other Substituted Fixed Assets or any part thereof in circumstances where THFC is satisfied that the Fixed Asset Value of such Substituted Fixed Assets is at least equal to the Fixed Asset Value of the real property or the relevant part thereof or, as the case may be, the Substituted Fixed Assets or the relevant part thereof being withdrawn.

PARTICULARS OF THE 5% STOCK

1. Security

1.1 The Stocks will be secured by a floating charge on the undertaking and all the assets for the time being both present and future wheresoever situate of THFC but will not be otherwise guaranteed or secured.

1.2 Power will be reserved to THFC at any time and from time to time to procure a Non Charging Subsidiary to become a Charging Subsidiary by such Non Charging Subsidiary executing in favour of and in a form reasonably satisfactory to the Trustee a deed supplemental to the Trust Deed creating a guarantee supported by a floating charge on its undertaking and all its assets for the time being both present and future wheresoever situate (including any uncalled capital) as collateral security for the Stocks and any Additional Stock.

2. Interest

2.1 The 5% Stock will bear interest at the rate of 5 per cent. per annum.

2.2 Interest is payable half yearly on 31st March and 30th September.

2.3 The first payment will be made on 31st March, 1988 for interest accruing on the 5% Stock from 8th December, 1987, and will amount to £1.5616 per £100 nominal of the 5% Stock.

3. Events of Default

The 5% Stock shall become immediately due and payable if any of the events set out below shall occur (but only if the Trustee so determines or is requested in writing by the registered holders of at least one fifth of the nominal amount of the 5% Stock or is requested by an Extraordinary Resolution of holders of the 5% Stock to demand payment) that is to say:—

3.1 If THFC defaults in the payment when due of any principal moneys or premium (if any) or for a period of fourteen days in the payment of any interest on the 5% Stock or any other class of stock constituted by the Trust Deed or by any deed supplemental thereto;

3.2 If THFC or any Charging Subsidiary makes default in the performance or observance of any covenant, undertaking, condition or provision binding on it under or pursuant to the Trust Deed or any deed supplemental thereto (other than any default in the payment when due of any principal moneys or premium (if any) or interest on any class of stock constituted by the Trust Deed or by any deed supplemental thereto) and (except where such default shall be incapable of remedy or the Trustee shall certify in writing that in its opinion any delay would be materially prejudicial to the interests of the holders of the 5% Stock) the same is not remedied to the satisfaction of the Trustee within 21 days after notice in writing of such default shall have been given to THFC by the Trustee;

3.3 If the security for any debenture, mortgage or charge of THFC or a Charging Subsidiary shall become enforceable and steps are taken to enforce the same or any unsecured loan stock, debenture or other indebtedness of THFC or of any Charging Subsidiary shall by reason of default become repayable prior to the due date for repayment or shall not be repaid when due and validly demanded and steps are taken to obtain repayment of the same;

3.4 If any guarantee of any loan or debt of any third party given by THFC or any Charging Subsidiary shall not be honoured when due and called upon and steps are taken to enforce the same;

3.5 If an order is made or a petition is presented for the appointment of an administrator in relation to THFC or any Charging Subsidiary or an encumbrancer takes possession or a trustee, receiver, administrative receiver or similar officer is appointed of the whole or any material part of the assets or undertaking of THFC or of any Charging Subsidiary or if a distress or execution or other process is levied or enforced upon or sued out against any of the chattels or properties of THFC or of any Charging Subsidiary and is not discharged within 14 days of being so levied or enforced upon or sued out;

3.6 If an order is made or effective resolution is passed for winding up THFC or any Charging Subsidiary (except in the case of any Charging Subsidiary for the purposes of a reconstruction or amalgamation the terms of which have been previously approved by the Trustee);

3.7 If any of certain other events specified in the Trust Deed relating to the insolvency or cessation of the business or a substantial part of the business of THFC or of any Charging Subsidiary occurs; or

3.8 If THFC or any Charging Subsidiary ceases without the consent of the Trustee either to be a registered industrial and provident society or to be incorporated in England;

AND except in the case of an event of default within paragraphs 3.1 or 3.6 above the Trustee shall have certified in writing that such an event is in its opinion materially prejudicial to the interests of the holders of the 5% Stock.

If the 5% Stock becomes due and payable as described above the amount payable in respect of the 5% Stock will be the Mid-Term Price together with any accrued interest.

The computation of the amount so payable will be in a manner approved by the Trustee after consultation with THFC and a member of The Stock Exchange. Overdue amounts will bear interest at an annual rate equal to the aggregate of 1 per cent. and the base lending rate of Barclays Bank PLC or if such rate cannot be ascertained such other rate as the Trustee may determine after consultation with THFC and a member of The Stock Exchange.

Note

An event of default by the borrower under an Authorised Loan will not of itself constitute an event of default by THFC under the Trust Deed.

4. Purchase and Redemption

4.1 THFC and any Subsidiary will be entitled to purchase the 5% Stock:—

4.1.1 on a recognised stock exchange or by tender (available alike to all holders of 5% Stock) at a price (inclusive of accrued interest but exclusive of expenses of purchase) not exceeding the Market Price or in the case of a purchase on a recognised stock exchange at the actual market price provided that it is not more than 5 per cent. above the Market Price; or

4.1.2 by private treaty at any price (inclusive of accrued interest but exclusive of expenses of purchase) not exceeding by more than 10 per cent. the middle market quotation of the 5% Stock as derived from The Stock Exchange Daily Official List on the last business day preceding the date of purchase; but not otherwise.

4.2 Power will be reserved to THFC to redeem at the Mid-Term Price together with any accrued interest the whole or any part (to be selected by drawings if less than £1 million and pro rata to each Stockholder's holding of 5% Stock if an excess of that amount) of the 5% Stock upon giving to the holders of the 5% Stock not less than one month's notice of its intention so to do expiring on any date for the payment of interest. The computation of the price payable will be in a manner approved by the Trustee after consultation with THFC and a member of The Stock Exchange.

4.3 Any 5% Stock purchased or redeemed by THFC shall be cancelled and shall not be available for re-issue.

4.4 Except insofar as previously purchased or redeemed by THFC the 5% Stock will be redeemed at par together with any accrued interest on 30th September, 2027.

4.5 THFC may redeem any 5% Stock held by a Subsidiary on such terms as they may agree and subject thereto a Subsidiary which is a Stockholder may sell 5% Stock on such terms as it may think fit but shall not vote at (but may be counted in the quorum of) any meeting of Stockholders in respect of 5% Stock of which it is the beneficial owner.

5. Additional Stock and Borrowing Powers

5.1 THFC will be entitled to create and issue for cash Additional Stock ranking in point of security *pari passu* with the 5% Stock either forming a single series with the 5% Stock or carrying such rights (including without limitation rights as to interest, premium or redemption) as THFC may think fit provided that no Additional Stock shall be issued by way of collateral security.

5.2 Power is reserved to THFC from time to time and at any time to borrow or secure or allow to subsist borrowings ranking *pari passu* with the Stocks and any Additional Stock subject only to the restrictions referred to in paragraph 6 below.

5.3 Subject to the restrictions referred to in paragraph 6 below power will be reserved to THFC from time to time and at any time to borrow further moneys and to grant security for such further moneys subject to the limits specified in its rules from time to time registered under the Industrial and Provident Societies Act 1965.

6. Restrictions

6.1 Neither THFC nor any Charging Subsidiary will be entitled to create or leave outstanding any charge or mortgage on the whole or any part of its undertaking or assets, present or future, which will rank in priority to the floating charge created by it as security for the Stocks and any Additional Stock or (as the case may be) for its guarantee thereof other than a fixed mortgage or charge securing indebtedness of THFC or any Charging Subsidiary incurred in the purchase or improvement of the property being charged and which is not given by way of collateral security.

6.2 THFC and each Charging Subsidiary will credit the net proceeds of the issue of the Stocks and of all issues of Additional Stock and of all *Pari Passu* Borrowings into a separate bank account (or in THFC's discretion separate bank accounts) (each for the purposes of this paragraph a "Capital Account").

All capital receipts arising from or in respect of the investment or other use of the proceeds of the Stocks, the Additional Stock and the *Pari Passu* Borrowings will be paid into a Capital Account along with such other moneys as THFC or the relevant Charging Subsidiary may think fit.

The only payments which may be made from a Capital Account by THFC or the relevant Charging Subsidiary are as follows:—

6.2.1 the payments of principal on and all other costs of a capital nature in connection with the issue, maintenance, purchase, redemption or repayment of the Stocks, the Additional Stock and any *Pari Passu* Borrowings; and

6.2.2 the making of investments in assets which for the time being come within Parts I or II of the First Schedule to the Trustee Investments Act 1961; and

6.2.3 the making of Authorized Loans; and

6.2.4 all other costs of a capital nature incurred by THFC or that Charging Subsidiary in connection with the investment of the relevant Capital Account in accordance with paragraphs 6.2.2 and 6.2.3 and any other sums of a capital nature which in the opinion of THFC's auditors are referable to the borrowings represented by the Stocks, the Additional Stock, the *Pari Passu* Borrowings and the use of the proceeds thereof.

6.3.1 The provision of paragraph 6.3.2 shall apply to each Authorized Loan other than a Fixed Authorized Loan.

6.3.2 THFC and each Charging Subsidiary shall procure that each Authorized Loan is made, and remains for so long as any part of it is outstanding, subject to terms and conditions no less onerous to the borrower and no less beneficial to THFC or the Charging Subsidiary (as the case may be) than the following:—

6.3.2.1 that the borrower shall on or prior to the making of any Authorized Loan create a first floating charge over its undertaking and all its assets both present and future wheresoever situate;

6.3.2.2 that the borrower shall not create or leave outstanding any mortgage or charge on the whole or any part of its undertaking or assets present or future ranking in priority to or *pari passu* with the floating charge referred to in paragraph 6.3.2.1 above except within the following limits:—

6.3.2.2.1 any fixed mortgage or charge on specific property whether or not existing at the date of the making of the Authorized Loan which is not given by way of collateral security for the indebtedness or other liabilities of any other person;

6.3.2.2 the creation of charges (including charges to secure other advances from THFC or any Charging Subsidiary) ranking *pari passu* with the floating charge provided that minimum Asset Cover continues to be provided to THFC or as the case may be the Charging Subsidiary in accordance with paragraph 6.3.2.4.

6.3.2.3 that the borrower will covenant to procure that the Asset Cover shall not be less than 150 per cent. of the excess of the Nominal Redemption Value of the Authorised Loan and the amount secured by *pari passu* charges under paragraph 6.3.2.2 from time to time over the amount standing at that time in any Sinking Fund set up under the terms of that borrower's Authorised Loans;

6.3.2.4 that where power is reserved on the part of the borrower to repay all or any part of the Authorised Loan prior to its stated repayment date the borrower shall give to THFC or as the case may be the Charging Subsidiary at least six weeks notice of any proposed repayment;

6.3.2.5 that any Authorised Loan will only be used by the borrower for the purpose of the provision of housing by itself or by others and for the making of investments in assets which for the time being come within Parts I or II of the First Schedule to the Trustee Investments Act 1961.

THFC and each Charging Subsidiary will covenant with the Trustee that save with the prior written consent of the Trustee it will not assent to any modification, abrogation, waiver or release in respect of any of the obligations of any borrower under an Authorised Loan made by it prior to the repayment in full to THFC or as the case may be the Charging Subsidiary of all moneys owing in respect of that Authorised Loan if such modification, abrogation, waiver or release would have the effect of making the terms and conditions on which the amount for the time being outstanding of the Authorised Loan is less onerous to the borrower or less beneficial to THFC or such Charging Subsidiary than the terms and conditions set out at paragraphs 6.3.2.1 to 6.3.2.5 above. THFC and each Charging Subsidiary will covenant with the Trustee that it will promptly and diligently enforce in all material respects the terms in such Authorised Loans equivalent to those listed in paragraphs 6.3.1 to 6.3.5 above together with the payment terms of the Authorised Loans unless the Trustee shall have consented to any waiver or release of any specific default in connection therewith in circumstances where in the opinion of the Trustee the interests of the Stockholders will not be materially prejudiced thereby.

6.4 THFC and each Charging Subsidiary shall procure that each Fixed Authorised Loan is made and remains for so long as any part of it is outstanding, subject to terms and conditions no less onerous to the borrower and no less beneficial to THFC or the Charging Subsidiary as the case may be than the following:—

6.4.1 that the borrower shall on or prior to the making of any Fixed Authorised Loan create a first fixed charge in favour of THFC or the relevant Charging Subsidiary over specified real property of the borrower approved by THFC and shall maintain the same as a first fixed charge;

6.4.2 that the borrower will covenant to procure that the real property charged by the Fixed Charge is and will remain of a Fixed Asset Value of not less than 150 per cent. of the excess of the Nominal Redemption Value of that Fixed Authorised Loan over the amount standing at that time in any Sinking Fund set up under the terms of that Fixed Authorised Loan;

6.4.3 that where power is reserved on the part of the borrower to repay all or any part of the Fixed Authorised Loan prior to its stated repayment date the borrower shall give to THFC or as the case may be the Charging Subsidiary at least six weeks notice of any proposed repayment;

6.4.4 that any Fixed Authorised Loan will only be used by the borrower for the purpose of the provision of housing by itself or by others and for the making of investments in assets which for the time being come within Parts I or II of the First Schedule to the Trustee Investments Act 1961; and

6.4.5 that THFC may at any time require the revaluation of the real property which on the date of such revaluation is charged by the Fixed Charge.

THFC and each Charging Subsidiary will covenant with the Trustee that save with the prior written consent of the Trustee it will not assent to any modification, abrogation, waiver or release in respect of any of the obligations of any borrower under a Fixed Authorised Loan made by it prior to the repayment in full to THFC or as the case may be the Charging Subsidiary of all moneys owing in respect of that Fixed Authorised Loan if such modification, abrogation, waiver or release would have the effect of making the terms and conditions on which the amount for the time being outstanding of the Fixed Authorised Loan is less onerous to the borrower or less beneficial to THFC or such Charging Subsidiary than the terms and conditions set out at paragraphs 6.4.1 to 6.4.5 above. THFC and each Charging Subsidiary will covenant with the Trustee that it will promptly and diligently enforce in all material respects the terms in such Fixed Authorised Loans equivalent to those listed in paragraphs 6.4.1 to 6.4.5 above together with the payment terms of such Fixed Authorised Loans unless the Trustee shall have consented to any waiver or release of any specific default in connection therewith in circumstances where in the opinion of the Trustee the interests of the Stockholders will not be materially prejudiced thereby.

6.5 No *Pari Passu* Borrowings shall be made by THFC or any Charging Subsidiary unless the beneficiary of any charge ranking *pari passu* with the floating charge securing the Stocks and the Additional Stock (if any) shall have entered into a deed in such form as the Trustee shall properly require in order to protect the interests of the Stockholders governing the appointment of joint receivers and other matters incidental to the exercise by the Trustee and by such beneficiary of their rights under their respective charges.

6.6 THFC shall procure that in any period of three consecutive accounting reference periods of THFC and in the periods from incorporation of THFC to the first and to the second dates to which the audited accounts of THFC are drawn (each a "Relevant Period") the income of THFC and all Charging Subsidiaries as shown in their audited accounts (i.e. before expenditure and taxation) in accordance with normal accounting principles is not less than the aggregate gross expenditure including interest payable on all borrowings of THFC and the Charging Subsidiaries as shown on the same basis during the Relevant Period.

THIS CARD IS CIRCULATED TO GIVE DETAILS OF AN ISSUE BY THE HOUSING FINANCE CORPORATION LIMITED AND SHOULD BE RETAINED FOR REFERENCE PURPOSES

HON-HT 41

THE HOUSING FINANCE
CORPORATION LIMITED

HOU

*(Incorporated in England with limited liability under the Industrial and Provident Societies Act 1965)
(Registered Number 25862R, having its registered office at 5 New Square, Lincoln's Inn, London WC2A 3RP)*

6.7 THFC will procure that no Charging Subsidiary shall without the prior written consent of the Trustee cease to be a Subsidiary of THFC. Power is, however, reserved to THFC or any Charging Subsidiary to procure a members' voluntary winding-up of a Charging Subsidiary and the distribution of its surplus assets freed from the floating charge thereon as collateral security for the Stocks and any Additional Stock or its supporting guarantee thereof if such assets are distributed in the winding-up to any one or more of THFC or any other Charging Subsidiary or Charging Subsidiaries.

6.8 Save as mentioned in sub-paragraph 6.9 below neither THFC nor any Charging Subsidiary shall sell, transfer or otherwise dispose of (whether by a single transaction or a number of transactions, related or not) the whole or any part of its undertaking or assets being substantial in relation to the undertaking or assets of THFC and the Charging Subsidiaries taken as a whole.

6.9 In determining whether the provisions of sub-paragraph 6.8 above have been observed and performed the following transactions shall be disregarded:—

- 6.9.1 the making of Authorised Loans and the repayment by any borrower of any Authorised Loan and the making of further Authorised Loans;
- 6.9.2 the sale, transfer or disposal by THFC or any Charging Subsidiary of the whole or any part of its undertaking or assets to any one or more other members of the Charging Group;
- 6.9.3 the application of the proceeds of an issue of share or loan capital for the purposes for which such issue is intended as stated in the prospectus or other issue document;
- 6.9.4 the application by THFC or any Charging Subsidiary (in accordance with paragraph 6.2.2 where applicable) of any funds not immediately required for the purpose of its business or undertaking in the acquisition of investments and the subsequent sale of the same; and
- 6.9.5 any transaction to which the Trustee shall have previously given its consent.

6.9.10 THFC and each of the Charging Subsidiaries shall not carry on any undertaking or business except that of making loans and giving advice to Authorised Persons.

6.11 The Trustee may without the consent of the Stockholders (but only if and insofar as in its opinion the interests of the holders of the relevant Stocks will not be prejudiced thereby) release on such (if any) conditions as the Trustee thinks fit the guarantee of the Stocks and any Additional Stock and the charge given in favour of the Trustee by a Charging Subsidiary with a view to facilitating a sale of any of the share capital of such Charging Subsidiary to which the Trustee shall have given its written consent.

7. Modification of Rights

7.1 Holders of 5% Stock will have power by Extraordinary Resolution *inter alia* to sanction any compromise or arrangement proposed to be made between THFC or any Charging Subsidiary and such Stockholders and to assent to the modification of any of the provisions contained in the Trust Deed.

7.2 The Trustee may concur with THFC in making any modification of any of the provisions contained in the Trust Deed required to obtain or maintain a listing for the 5% Stock on The Stock Exchange or which in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the 5% Stock or which is to correct a manifest error and may waive or authorise on such terms as seem expedient any breach by THFC or any Charging Subsidiary of the terms of the Trust Deed but only insofar as in its opinion the interests of such Stockholders will not be materially prejudiced thereby.

8. Transfer

The 5% Stock will be registered and transferable in amounts and integral multiples of £1.

9. Listing

THFC will promptly apply for and will use its best endeavours to obtain a listing for the 5% Stock on The Stock Exchange and for so long as any of the 5% Stock remains outstanding to maintain such listing.

10. Indemnification and Replacement of the Trustee

10.1 The Trust Deed will contain provisions for indemnifying the Trustee and for relieving it from certain responsibilities including provisions absolving it from registering any notice or other entry under the Land Registration Acts 1925 to 1971 against any registered land for the time subject to any floating charge securing the Stocks or any Additional Stock or any guarantee thereof. The Trustee is not required to approve specifically the terms of any Authorised Loan or inquire as to compliance by borrowers with the terms of any Authorised Loan and may rely on certificates of THFC and/or THFC's auditors as to compliance of all Authorised Loans with the requirements set out above, and as to compliance by THFC and the Charging Subsidiaries with their obligations generally.

10.2 The statutory power to appoint new trustees will be vested in THFC but before being appointed a new trustee must be approved by an Extraordinary Resolution.

PARTICULARS OF THE ZERO COUPON STOCK

1. Security

1.1 The Stocks will be secured by a floating charge on the undertaking and all the assets for the time being both present and future wheresoever situate of THFC but will not be otherwise guaranteed or secured.

1.2 Power will be reserved to THFC at any time and from time to time to procure a Non Charging Subsidiary to become a Charging Subsidiary by such Non Charging Subsidiary executing in favour of and in a form reasonably satisfactory to the Trustee a deed supplemental to the Trust Deed creating a guarantee supported by a floating charge on its undertaking and all its assets for the time being both present and future wheresoever situate (including any uncalled capital) as collateral security for the Stocks and any Additional Stock.

2. Interest

The Zero Coupon Stock will not bear interest.

3. Events of Default

The Zero Coupon Stock shall become immediately due and payable if any of the events set out below shall occur (but only if the Trustee so determines or is requested in writing by the registered holders of at least one fifth of the nominal amount of the Zero Coupon Stock or is requested by an Extraordinary Resolution of holders of the Zero Coupon Stock to demand payment) that is to say:—

- 3.1 if THFC defaults in the payment when due of any principal moneys or premium (if any) or for a period of fourteen days in the payment of any interest on any class of stock constituted by the Trust Deed or by any deed supplemental thereto;
- 3.2 if THFC or any Charging Subsidiary makes default in the performance or observance of any covenant, undertaking, condition or provision binding on it under or pursuant to the Trust Deed or any deed supplemental thereto (other than default in the payment when due of any principal moneys or premium (if any) or interest (where applicable) on any class of stock constituted by the Trust Deed or by any deed supplemental thereto) and (except where such default shall be incapable of remedy or the Trustee shall certify in writing that in its opinion any delay would be materially prejudicial to the interests of the holders of the Zero Coupon Stock) the same is not remedied to the satisfaction of the Trustee within 21 days after notice in writing of such default shall have been given to THFC by the Trustee;
- 3.3 if the security for any debenture, mortgage or charge of THFC or a Charging Subsidiary shall become enforceable and steps are taken to enforce the same or any unsecured loan stock, debenture or other indebtedness of THFC or of any Charging Subsidiary shall by reason of default become repayable prior to the due date for repayment or shall not be repaid when due and validly demanded and steps are taken to obtain repayment of the same;
- 3.4 if any guarantee of any loan or debt of any third party given by THFC or any Charging Subsidiary shall not be honoured when due and called upon and steps are taken to enforce the same;
- 3.5 if an order is made or a petition is presented for the appointment of an administrator in relation to THFC or any Charging Subsidiary or an encumbrancer takes possession or a trustee, receiver, administrative receiver or similar officer is appointed of the whole or any material part of the assets or undertaking of THFC or of any Charging Subsidiary or if a distress or execution or other process is levied or enforced upon or sued out against any of the chattels or properties of THFC or of any Charging Subsidiary and is not discharged within 14 days of being so levied or enforced upon or sued out;
- 3.6 if an order is made or effective resolution is passed for winding up THFC or any Charging Subsidiary (except in the case of any Charging Subsidiary for the purposes of a reconstruction or amalgamation the terms of which have been previously approved by the Trustee);
- 3.7 if any of certain other events specified in the Trust Deed relating to the insolvency or cessation of the business or a substantial part of the business of THFC or of any Charging Subsidiary occurs; or
- 3.8 if THFC or any Charging Subsidiary ceases without the consent of the Trustee either to be a registered industrial and provident society or to be incorporated in England;

AND except in the case of an event of default within paragraphs 3.1 or 3.6 above the Trustee shall have certified in writing that such an event is in its opinion materially prejudicial to the interests of the holders of the Zero Coupon Stock.

If the Zero Coupon Stock becomes due and payable as described above the amount payable in respect of the Zero Coupon Stock will be the Mid-Term Price.

The computation of the amount so payable will be in a manner approved by the Trustee after consultation with THFC and a member of The Stock Exchange. Overdue amounts will bear interest at an annual rate equal to the aggregate of 1 per cent. and the base lending rate of Barclays Bank PLC or if such rate cannot be ascertained such other rate as the Trustee may determine after consultation with THFC and a member of The Stock Exchange.

Note

An event of default by the borrower under an Authorised Loan will not of itself constitute an event of default by THFC under the Trust Deed.

4. Purchase and Redemption

4.1 THFC and any Subsidiary will be entitled to purchase the Zero Coupon Stock:—

4.1.1 on a recognised stock exchange or by tender (available alike to all holders of Zero Coupon Stock) at a price (exclusive of expenses of purchase) not exceeding the Market Price or in the case of a purchase on a recognised stock exchange at the actual market price provided that it is not more than 5 per cent. above the Market Price; or

4.1.2 by private treaty at any price (exclusive of expenses of purchase) not exceeding by more than 10 per cent. the middle market quotation of the Zero Coupon Stock as derived from The Stock Exchange Daily Official List on the last business day preceding the date of purchase;

but not otherwise.

4.2 Power will be reserved to THFC to redeem at the Mid-Term Price the whole or any part (to be selected by drawings if less than £1 million and pro rata to each Stockholder's holding of Zero Coupon Stock if in excess of that amount) of the Zero Coupon Stock upon giving to the holders of the Zero Coupon Stock not less than one month's notice of its intention so to do. The computation of the price payable will be in a manner approved by the Trustee after consultation with THFC and a member of The Stock Exchange.

4.3 Any Zero Coupon Stock purchased or redeemed by THFC shall be cancelled and shall not be available for re-issue.

4.4 Except insofar as previously purchased or redeemed by THFC the Zero Coupon Stock will be redeemed at par on 31st December, 2012.

4.5 THFC may redeem any Zero Coupon Stock held by a Subsidiary on such terms as they may agree and subject thereto a Subsidiary which is a Stockholder may sell Zero Coupon Stock on such terms as it may think fit but shall not vote at (but may be counted in the quorum of) any meeting of Stockholders in respect of Zero Coupon Stock of which it is the beneficial owner.

5. Additional Stock and Borrowing Powers

5.1 THFC will be entitled to create and issue for cash Additional Stock ranking in point of security *pari passu* with the Zero Coupon Stock either forming a single series with the Zero Coupon Stock or carrying such rights (including without limitation rights as to interest, premium or redemption) as THFC may think fit provided that no Additional Stock shall be issued by way of collateral security.

5.2 Power is reserved to THFC from time to time and at any time to borrow or secure or allow to subsist borrowings ranking *pari passu* with the Stocks and any Additional Stock subject only to the restrictions referred to in Paragraph 6 below.

5.3 Subject to the restrictions referred to in Paragraph 6 below power will be reserved to THFC from time to time and at any time to borrow further moneys and to grant security for such further moneys subject to the limits specified in its rules from time to time registered under the Industrial and Provident Societies Act 1965.

6. Restrictions

The restrictions referred to in Paragraph 6 of the "Particulars of the 5% Stock" set out above shall apply equally to the Zero Coupon Stock.

7. Modification of Rights

7.1 Holders of Zero Coupon Stock will have power by Extraordinary Resolution *inter alia* to sanction any compromise or arrangement proposed to be made between THFC or any Charging Subsidiary and such Stockholders and to assent to the modification of any of the provisions contained in the Trust Deed.

7.2 The Trustee may concur with THFC in making any modification of any of the provisions contained in the Trust Deed required to obtain or maintain a listing for the Zero Coupon Stock on The Stock Exchange or which in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the Zero Coupon Stock or which is to correct a manifest error and may waive or authorise on such terms as seem expedient any breach by THFC or any Charging Subsidiary of the terms of the Trust Deed but only insofar as in its opinion the interests of such Stockholders will not be materially prejudiced thereby.

8. Transfer

The Zero Coupon Stock will be registered and transferable in amounts and integral multiples of £1.

9. Listing

THFC will promptly apply for and will use its best endeavours to obtain a listing for the Zero Coupon Stock on The Stock Exchange and for so long as any of the Zero Coupon Stock remains outstanding to maintain such listing.

10. Indemnification and Replacement of the Trustee

10.1 The Trust Deed will contain provisions for indemnifying the Trustee and for relieving it from certain responsibilities including provisions absolving it from registering any notice or other entry under the Land Registration Acts 1925 to 1971 against any registered land for the time being subject to any floating charge securing the Stocks or any Additional Stock or any guarantee thereof. The Trustee is not required to approve specifically the terms of any Authorised Loan or inquire as to compliance by borrowers with the terms of any Authorised Loan and may rely on certificates of THFC and/or THFC's auditors as to compliance of all Authorised Loans with the requirements referred to above, and as to compliance by THFC and the Charging Subsidiaries with their obligations generally.

10.2 The statutory power to appoint new trustees will be vested in THFC but before being appointed a new trustee must be approved by an Extraordinary Resolution.

YIELDS

The gross redemption yields of the Stocks at their respective issue prices are as follows: —

<i>Stock</i>	<i>Issue Price</i>	<i>Gross Redemption Yield</i>
5% Stock	47.160	10.786
Zero Coupon Stock	7.187	10.786

The gross redemption yields are calculated in accordance with the principles indicated by the Joint Index and Classification Committee of the Institute and Faculty of Actuaries as reported in the Journal of the Institute of Actuaries Volume 105, Part 1, 1978, Page 18.

TAXATION

The statements below are based on current law and practice in the United Kingdom. They are general in nature, apply only to persons who are the beneficial owners of the Stocks and may not apply to certain classes of taxpayer (such as dealers). Persons who are subject to taxation in jurisdictions other than the United Kingdom or who are in any doubt as to their tax position should consult their professional advisers.

1. Stamp Duty

No stamp duty, stamp duty reserve tax or similar tax or duty is imposed in the United Kingdom on the issue or redemption of the Stocks.

Renunciations of the renounceable allotment letters in respect of the Stocks will not attract stamp duty or stamp duty reserve tax. Stamp duty and stamp duty reserve tax will not be chargeable on an instrument which transfers registered Stock.

2. Income Tax

Both the 5% Stock and the Zero Coupon Stock will be "deep discount securities" as defined in Section 36 of the Finance Act 1984 and their tax treatment in general will be determined by Section 36 of and Schedule 9 to the Finance Act 1984.

By virtue of these provisions the holders of either of the Stocks will be treated as receiving an amount of taxable income for the year of assessment in which the relevant Stock matures or, if earlier, the year in which the relevant Stock is redeemed or such a Stockholder disposes of the relevant Stock. That taxable income will generally be calculated by treating the discount on issue of the relevant Stock as accruing on a compound yield basis, with yearly rests, from issue to maturity and the amount of such Stockholder's taxable income will be a sum equal to the aggregate of interest paid (if any) and the amount so treated as accruing for the period of his ownership.

If the Stockholder is carrying on a financial trade he may be taxed on the discount as it accrues computed on a compound yield basis.

Under present revenue law, except as mentioned below income tax will not be deductible at source in respect of interest paid (if any) or the proceeds on maturity or earlier redemption or disposal of any of the Stocks.

THFC will not "gross up" any interest of the proceeds for any deduction for or withholding of any taxes, duties or governmental charges which it is or may be required to make.

In the case of a holder of any of the Stocks who is regarded as being not resident in the United Kingdom for taxation purposes for the whole of the year of assessment in which he disposes of the relevant Stock or the relevant Stock is redeemed or in the case of the 5% Stock for any year in which interest on such Stock is paid the Inland Revenue will in general take no action to recover tax due either pursuant to the said Section 36 or in respect of such interest except where such person: —

(CONTINUED ON CARD 4)

THIS CARD IS CIRCULATED TO GIVE DETAILS OF AN ISSUE BY THE HOUSING FINANCE CORPORATION LIMITED AND SHOULD BE RETAINED FOR REFERENCE PURPOSES

HON-HT 41

**THE HOUSING FINANCE
CORPORATION LIMITED**

HOU

*(Incorporated in England with limited liability under the Industrial and Provident Societies Act 1965)
(Registered Number 25862R, having its registered office at 5 New Square, Lincoln's Inn, London WC2A 3RP)*

- 2.1 is chargeable in the name of an agent under Section 78 of the Taxes Management Act 1970; or
- 2.2 has a branch in the United Kingdom which has the management or control of the interest; or
- 2.3 seeks to claim relief in respect of taxed income from United Kingdom sources; or
- 2.4 is chargeable to corporation tax on the interest as income of a United Kingdom branch or agency.

This practice is concessionary and may not apply if there are special circumstances or where the Inland Revenue considers that an attempt has been made to use the concession for tax avoidance.

Payments of interest on the 5% Stock to persons who are resident in the United Kingdom for tax purposes will be made without deduction of income tax by THFC by virtue of Section 340 of the Income and Corporation Taxes Act 1970 which applies to registered industrial and provident societies.

Where interest is paid to persons whose usual place of abode is not within the United Kingdom then Section 54 of the Income and Corporation Taxes Act 1970 shall apply and income tax at the basic rate, presently 27 per cent., shall be deducted accordingly. Such persons may be entitled to relief under the terms of a double taxation treaty with the United Kingdom. Such relief may be available in the form of a reduced or nil withholding of income tax at source. An application must be made to the Inland Revenue by the Stockholder before the relief can be granted.

On any transfer of the 5% Stock or on the death of a holder of the 5% Stock that part of the gain reflecting interest accrued on the 5% Stock may be taxed as income pursuant to the provisions of Chapter IV of Part II of the Finance Act 1985 as amended by the Finance Act 1986.

3. Capital Gains Tax

THFC has been advised that the Stocks will constitute "qualifying corporate bonds" within the terms of Section 64 of the Finance Act 1984. As such, no gain or loss will be realised for the purpose of United Kingdom taxation on capital gains on any disposal of the Stocks.

THE HOUSING FINANCE CORPORATION LIMITED

Introduction

THFC was incorporated on 6th November, 1987 for the purpose of raising private sector funding for housing. It is a registered industrial and provident society. Its affairs are governed by the provisions of the Industrial and Provident Societies Acts 1965 to 1978.

Role of THFC

The incorporation of THFC arises out of a joint initiative by The Housing Corporation and The National Federation of Housing Associations, each of whom have a representative on THFC's Board of Directors.

The principal object of THFC as contained in its rules is the lending of money and the giving of advice to housing associations registered under Section 5 Housing Associations Act 1985, to unregistered self build societies as defined in Sections 1(3) and 3(2) Housing Associations Act 1985 and to charities having a housing function.

It is intended that for the immediately foreseeable future all moneys borrowed by THFC will be on-lent to individual registered housing associations on back to back arrangements.

Housing Associations

The role of housing associations in the provision of housing in the United Kingdom dates back to the early part of the 19th Century. At that time housing associations were funded primarily by voluntary and charitable donations with more recently local authority and government funding being made available. As the availability of private rented accommodation has declined so the importance of housing associations in the provision of both newly built and renovated rented accommodation has grown.

Housing associations are now governed by the Housing Associations Act 1985. Under that Act the powers of The Housing Corporation are consolidated so that it continues to operate as a central body with registration, monitoring and supervisory functions. The Housing Corporation also has responsibility for the allocation of government grants to individual housing associations according to detailed regulations. The Housing Corporation's control of housing associations is backed by its powers, *inter alia*, of the removing of committee members or the appointing of additional committee members, the scrutiny of housing association accounts and the making of monitoring visits.

A registered housing association must either be a registered charity or be a body corporate with limited liability registered under the Industrial and Provident Societies Act 1965.

Accountants Report

The following is the text of a report received by the Directors of THFC from Deloitte Haskins & Sells, Chartered Accountants, the auditors of THFC: —

128 Queen Victoria Street,
London EC4P 4JX.

3rd December, 1987

The Directors,
The Housing Finance Corporation Limited,
5 New Square,
Lincoln's Inn,
London WC2A 3RP.

Gentlemen,

We report that The Housing Finance Corporation Limited ("THFC") was incorporated on 6th November, 1987. THFC has not yet commenced business, no accounts have been made up, nor have any dividends been declared or paid since the date of incorporation.

Yours faithfully

Deloitte Haskins & Sells
Chartered Accountants

General Information

1. The names of the Directors of THFC are as follows: —

David Hugh Laing Hopkinson CBE Chairman, has recently retired as the deputy chairman and chief executive of the M&G Group PLC. He is currently deputy chairman of English China Clays PLC and is a board member of The Housing Corporation and several companies.

Richard Stuart Best is the director of The National Federation of Housing Associations.

Ralph Simpson Connelly MBE is honorary treasurer of The National Federation of Housing Associations, deputy chairman of Auriol Housing Foundation, chairman of finance of Metropolitan Housing Trust Limited, is a former chairman of The Pensions Trust for Charities and Voluntary Organisations and a committee member of numerous other housing associations and industrial and provident societies.

George John James Dennis is the managing director of TSB Investment Management Limited and is on the board of several other companies. He is investment adviser to Berkshire County Council Pension Fund.

David Albert Edmonds is the chairman of New Society Limited and chief executive of The Housing Corporation.

Philip Edward Sellers is a board member with responsibility for corporate finance and planning, The Post Office, is chairman of the Nationalised Industries Finance Panel and is a director of several other companies.

Stephen Fitzmaurice Wood is chief investment manager of the Co-Operative Insurance Society ("CIS") and the investment adviser to Greater Manchester County Superannuation Fund and is a director of several companies in connection with CIS and its investments.

All of 5 New Square, Lincoln's Inn, London WC2A 3RP.

2. The Housing Corporation, The National Federation of Housing Associations, Mr. Hopkinson, Mr. Connelly, Mr. Dennis, Mr. Sellers and Mr. Wood each hold one fully paid share of £1 in THFC. Those shares represent the entire issued share capital of THFC.

3. Each Director is non-executive and will receive remuneration from THFC at a rate not exceeding £6,000 in 1988. None of the Directors has any existing or proposed service contract with THFC other than any contract expiring or determinable by THFC without payment of compensation (other than statutory compensation) within one year. The Directors are responsible for the taking of decisions by THFC to borrow and to lend funds and the terms of those borrowings and lendings.

4. THFC will operate from the offices of its Secretaries, Housing Association Consultancy and Advisory Service Limited, ("HACAS") at 2 Hertslet Road, London N7 6PL. HACAS will perform all necessary administration on behalf of THFC including the supervision of Authorised Loans.

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5. There are no legal or arbitration proceedings pending or threatened against THFC which may have or which have had during the last twelve months a significant effect on the financial position of THFC.
6. In the opinion of the Directors the working capital available to THFC is sufficient for its present requirements.
7. The net proceeds of the issue are estimated to total £30,300,000 after deduction of the expenses of the issue (including commission payable to James Capel & Co. under the Material Contract described below) which are estimated to amount to approximately £450,000 (excluding value added tax) and which will be paid by the Associations.
8. Renounceable allotment letters in respect of each Stock will be sent to placees on 8th December, 1987 and will be renounceable until 21st January, 1988. Each renounceable allotment letter will represent the right of the person(s) named in it to become registered as the holder of the relevant Stock comprised in that letter. A transfer of this right can be made by renunciation of the renounceable allotment letter or, in the case of a renounee, by delivery of it to the transferee, subject to the requirement to register renunciations. After 21st January, 1988 the Stocks will be transferable only by an instrument of transfer. Certificates in respect of the Stocks are expected to be despatched by post on 11th February, 1988 at the risk of the persons entitled thereto after which the renounceable allotment letters will cease to be valid for any purpose. When issued, the Stocks will each be a registered security. Full details concerning renunciation, consolidation, splitting and registration will be contained in the renounceable allotment letters.
9. Barclays Bank PLC of PO Box 34, Octagon House, Gadbrook Park, Northwich, Cheshire CW9 7RA is the receiving bank and the registrar for the Stocks.
10. The Trustee of the Stocks is Eagle Star Trust Company Limited of 1 Threadneedle Street, London EC2R 8BE, a trust corporation.
11. The issue of the Stocks has been underwritten by James Capel & Co. of James Capel House, 6 Bevis Marks, London EC3A 7JQ pursuant to the Material Contract referred to below.
12. The Trust Deed for the Stocks does not provide for any prescription period after which rights to interest and principal in respect of the relevant Stock will lapse.
13. Deloitte Haskins & Sells have given and have not withdrawn their written consent to the issue of this document with the inclusion of their name and report and references to themselves in the form and context in which they appear.
14. The Trust Deed shall be governed in accordance with English Law and shall be subject to the jurisdiction of the English Courts.

Note: The Trustee will register particulars of the floating charge created pursuant to the Trust Deed with the Registrar of Friendly Societies. Such registration may not constitute notice of such charge to any subsequent chargee.

Material Contract

The only contract (apart from contracts entered into in the ordinary course of business) which has been entered into by THFC within the two years immediately preceding the date of this document and which is or may be material is as follows:—

A Placing Agreement dated 3rd December, 1987 between (1) THFC and (2) James Capel & Co. under which James Capel & Co. have agreed (subject *inter alia* to the Stocks being admitted to the Official List by the Council of The Stock Exchange) on or before 9th December, 1987 to subscribe or procure subscribers for the whole of the Stocks at the relevant issue price and under which THFC is to pay a commission to James Capel & Co. of ½ per cent. on the proceeds of the Stocks and a fee (plus any value added tax thereon).

Documents Available for Inspection

Copies of the following documents may be inspected at the registered office of THFC, 5 New Square, Lincoln's Inn, London WC2A 3RP during usual business hours on any weekday (Saturdays and public holidays excepted) up to and including 17th December, 1987:—

- (a) The rules of THFC;
- (b) Draft (subject to modification) of the Trust Deed;
- (c) The Material Contract referred to above; and
- (d) The report and written consent of Deloitte Haskins & Sells referred to above.

3rd December, 1987