MEETING OF THE OSPREY HOUSING BOARD
4 MARCH 2020 AT 10:00
AT OH OFFICE, WESTHILL

Present:	Stuart Robertson, Director OH Board (SR) Rab Hepburn, Director OH Board (RH) Jonathan Young, Director OH Board Raymond Edgar, Director OH Board (RE) Simpson Buglass, Director OH Board (SB)
Apologies:	Douglas Bodie, Director OH Board (DB) Marian Reid, Director OH Board (MR) Mike Scott, Director OH Board (MS) Brian Topping, Director OH Board, (BT) Glenn Adcook, Chief Executive Osprey Group (CEO)
Attending:	Gary Walker, Chief Finance Officer, Osprey Group (CFO) Clare Ruxton, Corporate Services Manager, Osprey Group (CSM) Sofia Redford, Corporate Services Officer Osprey Group (CSO) Shonagh Brown, Senior Associate, Pinsent Masons LLP (ShB) Natalie McBride, Trainee Solicitor, Pinsent Masons LLP (NMcB)

Minute No	Subject	Action
1.	**Administration**	
1.1	**Welcome and Apologies** The Chair invited Shonagh Brown and Natalie McBride from Pinsent Mason to the meeting. Apologies are noted above.	**Chair**
1.2	**Declarations of Interest** There were no changes to the standard declarations.	**Chair**
2.	**Items for Decision**	
2.1	**Approval and Signing of Renewed RCF with Lloyds Banking Group** The CFO reminded the Board that the renewal of the Revolving Credit Facility is required by 31 March 2020. Shonagh Brown from Pinsent Mason, acting as Osprey Housing's legal advisor, were invited to present the legal changes from the initial agreement. The intention of the negotiations was to update the Facility Agreement by extending the £7.5M RCF by a further period of 5+1+1 years and remove the reference to RPI loans, a product no longer offered by LBG. The Board noted that LBG have taken the opportunity to overhaul the agreement for policy and LMA updates along with what they view to no longer be "accepted market positions". The CFO and ShB informed the Board that the overhaul included more amendments than expected. The main changes were highlighted by ShB as follows: **Extension:** The RCF is committed for a further period of 5 years from the date of ARA.	**CFO/ShB**

	Just before the 2nd anniversary, Osprey can request to extend the RCF termination for a further 1 year. Just before the 3rd anniversary Osprey can request a further 1 year extension or 2 years if the first option has not been exercised. For each case, the granting of the extension option is at the sole discretion of the Lender and subject to payment of an arrangement fee. ShB felt that the drafting is relatively Borrower friendly compared to other extension drafting she has seen. The flexibility allowing Osprey to request a 2 year extension if the first extension option is not exercised is not something that lenders often agree to include. The CFO stated that an extension may not be exercised but is a valuable option to have. **Break Costs:** Lloyds have substantially redrafted the provisions relating to break costs for fixed rate loans. This was queried with Lloyds by the CFO who requested that they provide illustrative break cost figures under the current and new provisions. Lloyds advised there was no change to the methodology of calculation and that the figure was the same under both methods. CFO is content to accept position on basis of assurances from Lloyds regarding the calculation methodology outcomes (including an email from Mike Wilkes of Lloyds who confirmed the methodology applied to calculate break costs remains the same as under the existing agreement). The challenges were: Is this related to the imminent removal of LIBOR? ShB confirmed that it is not. Is it foreseen that Osprey may break the agreement? Possibly, as the legacy loan elements run until 2035.		

	Foreign Account Tax Compliance Act (FATCA). FATCA drafting, which relates to withholding tax on US source income, has been added. This drafting is included in all UK loan documentation as standard now and reflects LBG policy. The drafting follows Loan Market Association Rider 3, which means the risk of FATCA withholding is with the bank and not the borrower. The LMA drafting is accepted in the market and Osprey has therefore agreed the inclusion of this drafting. **Representations:** Lloyds have added new representations to reflect their internal minimum documentation requirements. This was challenged but with limited success. Standard carve-outs/qualifications have been negotiated where applicable for new representations and negotiated positions for existing representations. New representations cover matters such as no breach of laws, basis of preparation of financial statements, governing law, pensions and pari passu ranking. These are all typically found in loans of this nature. The CFO is comfortable that the representations can be made. The challenges were: Is there onus on Osprey to provide additional representations? The CFO confirmed that there is but they are not significant. **Sanctions and ABC:** Specific representations and undertakings around compliance with anti-money laundering laws (AML), anti-bribery and corruption (ABC) rules and sanctions. This is standard for Lenders to include now. Lenders want assurance that no funding activities that are in breach of AML, Sanctions and ABC legislation.	

Lenders want to be sure loan proceeds are not used in breach of sanctions to protect themselves against any charges of facilitation.

The language included is quite standard. ShB confirmed that they had tried to push for carve-outs on the basis that Osprey should be considered a low risk business. This was rejected by Lloyds due to internal policy requirements. The CFO confirmed that there are no compliance issues.

The challenges were:
If we pay a subcontractor who unbeknown to Osprey launders money, would that be a breach of the sanctions?
Response: No, as long as we are comfortable that we have done our due diligence when appointing the contractor.

Undertakings:

Additional undertakings have been included similar to the representations.

Mergers & Subsidiaries: Osprey have an agreement with Lloyds to the OHM Transfer of Engagement subject to conditions being satisfied, incl. (i) Lloyds is satisfied with documentation, (ii) Regulatory consents are in place, (iii) BoS agreeing to amend the BoS loan documentation and the transaction completing within a year.

Financial assistance: Tightened up undertaking around OH providing financial assistance (loans, guarantees, etc.) to any person. Subject to appropriate carve-outs so that usual support to subsidiaries can be continued.

Change of business and Centre Of Main Interest added which restrict any material changes being made to business operations currently carried out and changing main centre of operations without approval of LBG. On the basis that Osprey is an RSL with a very fixed business purpose it was agreed for this could be accommodated.

Valuation Covenants:

There had been a lot of discussion with Lloyds regarding these.

	Osprey had not expected any amendments to be made to the valuation covenants: EUV-SH, EUV-SH with sales and Market Value subject to Tenancies. For a property to count towards EUV-SH with sales, Lloyds required these to be clear of any title restrictions and we asked to exclude any restrictions imposed by a section 75 agreement. Lloyds did not accept this. Following a review of charged titles, it was evident that several contained restrictions limiting use to social housing only in perpetuity. Others referred to local authority consent to disposal or change of tenure. After much discussion with Lloyds, they have agreed to remove the EUV-SH with sales test and so value will only be determined by reference to EUV-SH and MV-TT. The market value of any property s75 provision dictates that they remain Social Housing will be at EUIV-SH only. The CFO is certain that there is significant headroom within the existing charged properties to comfortably deal with this change. Challenge: Can we sell a property if it has a burden. Response: No, unless LA would agree to amend/waive s75 burden(s). **Events of Default (EoD):** Lloyds looked to re-negotiate some previously agreed positions, particularly around misrepresentation of EoD, which they no longer felt were current market practice, where there was previously a qualification around MAE. Agreed a compromise period that gives a remedy period to correct any misrepresentations. Have added some new EoDs around restructuring of the company and cessation of business. These overlap with some of the existing EoDs and so have been agreed on that basis.	

	Agent Management Time: The agreement remains drafted on syndicatable basis with Lloyds as sole the Lender. If a second lender is introduced an Agent would be required. The Agent would charge an annual fee but the proposed clause would allow the Agent to charge for undertaking "additional duties". Lloyds were not willing to take this out but agreed to compromise so that it only applies at an EoD or if the Agent has to undertake exceptional duties relating to a potential EoD. **Replacement of Screen Rate:** As the Board are aware, LIBOR is being phased out In approximately one year. Currently there are no firm decisions as to what will replace it although SONIA or some form of SONIA is the most likely. The agreement may require a refresh once a replacement is in place. The Loan Market Association rider is included to deal with the process for agreeing a new floating rate basis that would require consent of both the Lender and OH. ShB confirmed that from a legal and commercial perspective she and the CFO are satisfied with the document. The Board noted that there is no provision in the agreement for a currency change after a potential second Independence Referendum. The Board noted that it is a difficult time to re-negotiate a loan agreement due to the unknown factors of replacing LIBOR and the uncertainty of Brexit. The Chair asked the Board to approve the agreement. This was proposed by RH, seconded by SB and unanimously supported by all Board members present.	

	The Board also approved the Chair signing all of the required documentation at the end of the meeting.	
3.	**Any Other Business** None	
4.	**Date of Next Meeting** Wednesday 27 May 2020 at 10:00 at OH Office, 22 Abercrombie Court, Westhill.	

The meeting closed at 11:00

Date: __________27/5/20______________________

Signed:__________Stuart Robertson______________________