

the East London **Bond**

Information for corporate investors

Nothing in this document constitutes an offer to sell or a solicitation of an offer to buy the bonds described in this document. No person should subscribe for any bonds referred to in this document except on the basis of information in the offer documents to be published by Citylife Limited, which is registered by the Financial Services Authority under the Industrial and Provident Societies Act 1965 (28861R).

The East London Bond is a Charitable Bond which will be offered by Citylife, a FSA registered society, on behalf of the Bromley by Bow Centre and Community Links – two well established, nationally-renowned charities working in the heart of East London.

Citylife's Charitable Bonds are unique financial tools that allow on balance sheet capital to be used for social benefit in a tax efficient and highly secure way. This means that demonstrable and measurable support for communities and social causes no longer has to be limited by the confines of corporate social responsibility budgets.

The benefits of investment in the East London Bond

- a high-impact, measurable demonstration of CSR in action
- initial investment returned in five years' time
- bonds retained as assets
- a high value, tax exempt yield for charity
- releases instant funds for two leading charities in East London
- five-year CSR dividends from a single transaction

Citylife

Citylife is a national charitable organisation supporting causes that give people a better future. It is a society registered with the Financial Services Authority (FSA), recognised by HM Revenue and Customs as a charity and governed by independent trustees. As such Citylife is permitted to offer and issue certain bonds to the public in the United Kingdom based on the exemption under the Financial Services and Markets Act (section 85(5) and Schedule 11A).

Citylife's Charitable Bonds provide charities with a unique and innovative way to raise new funds for social benefit.

Bromley by Bow Centre and Community Links

The Bromley by Bow Centre and Community Links are two well established, nationally-renowned charities working in the heart of East London. Community Links was founded in 1977, while the Bromley by Bow Centre is currently celebrating its 25th anniversary.

Between them, these two charities are helping thousands of people every week in some of the poorest parts of the country. Newham is the sixth most deprived local authority out of 354, while Tower Hamlets is third. In this context of desperate need, the Bromley by Bow Centre and Community Links are helping to transform lives and turn their communities around.

Their innovative and successful approaches have influenced the work of community organisations across the country and government policy.

Partners for the East London Bond

Citylife would like to thank Royal Bank of Canada for help towards underwriting the issue costs and offering to provide trustee services for the East London Bond, and Linklaters LLP for providing legal advice to Royal Bank of Canada.

How Charitable Bonds work

Charitable Bonds work by providing a combination of grant funding and capital loans.

At the request of one or more charities, Citylife may create an offer of bonds on their behalf. When the offer period closes, around 80 per cent* of the total raised is loaned at a commercial rate to Registered Social Landlords (RSLs). These are not-for-profit housing providers regulated by the Tenant Services Authority, who use the loans as part of their business to create urgently needed affordable housing for local communities and key workers.

The remaining 20 per cent or so, after costs, is immediately given as a tax exempt grant to the charity (or charities).

After five years, the RSLs repay their loans with interest – taking the fund to its original 100 per cent level, from which bondholders can be repaid in full if they wish or may be able to roll their investment over into a subsequent Bond.

So on an investment of £100,000 for example, around £20,000 will immediately go to charity while the rest will help to create affordable places to live.

Example

The East London Bond raises £10 million. Citylife will lend an exact proportion of this sum to an RSL such that the compound sum repaid after five years is exactly £10 million. At an interest rate of 5%* per annum the proportion of the investment loaned would be £7,835,262.

This leaves a balance of £2,164,738 from which the administration and marketing costs of issuing the Bond are paid,[†] and the remainder is disbursed equally as unrestricted tax-exempt grants to the Bromley by Bow Centre and Community Links.[‡]

Five years later, the RSL pays back Citylife the money it borrowed plus £2,164,738 in interest. This totals £10 million, which is then used to pay back bondholders in full.

* For illustration only - exact figure depends on commercial interest rates at time of issuing the loan.

† Costs of issuing and marketing the East London Bond are kept as low as possible thanks to pro-bono support from a number of partners, but should the Bond raise less investment than expected, Citylife will protect the grant to the Bromley by Bow Centre and Community Links by taking liability for any costs of more than 5% of the total raised by the Bond.

‡ The activities outlined in the pledge and offer documents illustrate the current funding priorities of Bromley by Bow Centre and Community Links, but grants will be spent where most needed for the benefit of the local communities.

Corporate benefits of the East London Bond

Invest in the future of East London

The yield from the East London Bond will change the lives of people living in some of the most deprived areas of England, right on the edge of the Olympics site. It will fund two local, pioneering charities that are making a significant impact on their communities.

Corporate social responsibility

Supporting the East London Bond is an effective, high-impact way of demonstrating CSR. It not only generates a high return on investment for social causes, it also creates a more dramatic message about your CSR commitment.

For example, if you invest £1 million in the East London Bond at zero interest there is arguably an opportunity cost to your company, which for illustration purposes let us say is £30,000 per year for five years.⁵

Therefore you could either invest £1 million in the Bond or give £30,000 a year as a direct donation, which would be charged to profit and loss. In both scenarios the cost to the company is the same. But by investing in the Bond you can announce your seven-figure support for charity while retaining the money as an asset on your balance sheet. The top investors in the East London Bond will also be publicly acknowledged and promoted through media coverage.

For the charities, there is greater benefit in receiving a lump sum now than the same amount or less over five years. Furthermore, the combined investment by many companies in the East London Bond will create greater social dividends than if each of those companies gave to different causes. From one single transaction you will gain those CSR dividends reported every six months for five years.

Value

By pooling the capital from multiple investors, Citylife is able to on-lend the investment in the Bond at a commercial margin above the rate of interest available to investors directly. Furthermore, since Citylife is a charity the interest gained is tax free.

For example, the current yield on Treasury 5% Sept 2014 is 3% (as at 1 August 2009). Instead of investing in the East London Bond, a company with £1 million of capital could give £137,000 to charity and invest the remainder at 3% in order for that investment to be worth £1 million gross in five years' time (although tax may be payable on the interest gained).

Alternatively, an investment of £1 million in the East London Bond is expected to release around £200,000 immediately for the Bromley by Bow Centre and Community Links. The remainder will be loaned to a Registered Social Landlord and paid back in five years' time with tax free interest, allowing bondholders to receive their capital back in full.

Immediate benefits to charity

As described above, an investment in the East London Bond will release immediate funding for the Bromley by Bow Centre and Community Links. This up front grant will be more effective in enabling them to achieve their mission than an equivalent amount in smaller donations spread over five years.

⁵ For illustration only, based roughly on investment in Treasury 5% Sept 2014 at 1 August 2009. Opportunity costs will be perceived differently by each organisation.

Bonds retained as assets

The bonds you purchase are retained as assets. This means that buying a bond may not have any material impact on your Profit and Loss accounts.** In the event of changed circumstances the bonds could also be used as collateral against borrowing or transferred to a third party.

Initial investment returned in five years' time

Investors will be given the opportunity to receive their principal investment at par five years from the date of issue of the East London Bond. At this point you may choose to donate all or part of your investment to the Bromley by Bow Centre and Community Links, or to roll all or part into a subsequent Bond if available.

Employee engagement

Both the Bromley by Bow Centre and Community Links have employee volunteering and event programmes that help to strengthen community partnerships, promote teamwork and enhance employee satisfaction. Opportunities range from helping to transform local housing estates and community centres to running skills workshops or mentoring young entrepreneurs.

Purchasing bonds

Bonds are available to purchase at a range of values: £1,000,000, £100,000, £10,000, £1,000, and £100. This allows investors to buy a combination of bonds for the amount they wish to invest, and after five years to invest some or all of the bonds in a new Bond if available, or to donate some or all of the bonds to charity. The minimum investment is £500.

Once the offer document for the East London Bond has been published, you will need to complete an application form and send us payment for the amount you wish to invest. The bonds are officially purchased on the closing date when you will be sent a certificate confirming your purchase.

Risks

A low risk investment

Citylife believes the risks of investment in the East London Bond to be low.

The proceeds from the Bond are loaned by Citylife to one or more Registered Social Landlords (RSLs), which are regulated by the Tenant Services Authority (TSA), the government regulator for affordable housing. Part of the role of the TSA is to protect tenants' interests by ensuring that RSLs remain financially viable and settling the affairs of any providers who become insolvent.

Since Citylife carries the liability to repay investors in the Bond, it only lends to RSLs that it is fully satisfied are of suitable credit based upon reports by the TSA and credit ratings by a bank or independent ratings agency. Details of the RSL that Citylife will lend to will be given in the Offer Document for the East London Bond.

** Your accounting of bonds purchased will depend on your specific circumstances and you may wish to seek further professional advice.

The loan, and any associated guarantee, is assigned to Royal Bank of Canada as an independent trustee, which means that even if Citylife were to stop trading, the trustee is in place to receive repayment from the RSL and then to pay monies it receives to bondholders at maturity.

Furthermore, the Bromley by Bow Centre and Community Links have decided that part of the loan to the RSL may be backed by a bank guarantee, giving investors in the East London Bond the option of choosing which part they invest in. While Citylife considers the loan to the RSL to be a very secure investment, a bank guarantee provides a further layer of protection in the event that the liabilities of the RSL are not discharged in full.

The cost of the guarantee may be up to 3.75% of your investment (75bps per annum) and would be deducted from the grant that the Bromley by Bow Centre and Community Links receive. For example, if you invest £1 million and request the guarantee option, up to £37,500 from the grant fund will be paid to the provider of the guarantee. You could however offset this cost if you wish by making an extra donation at the time of purchasing a bond.

Risks defined

Like any investment, an investment in the East London Bond carries a degree of risk. Some of the material risks are described below but there may be additional risks. You should consult your own legal, financial, accounting, tax or other relevant advisor prior to making any investment decision.

In the event a RSL is unable to repay the loan made to it by Citylife when due and the Tenant Services Authority (TSA) is not able to use its powers to settle the affairs of that RSL, you may not receive repayment in full (or at all).

If in this event you have opted for a bank guarantee of the relevant RSL loan, the risk of non-repayment is reduced. You will not obtain the benefit of the security of the guarantee unless you request to receive it when completing an application form for the Bond. There is however a risk that the bank providing the guarantee may in some circumstances be unable to honour its guarantee.

Royal Bank of Canada has not investigated the creditworthiness of Citylife, the RSL or any bank providing a guarantee and accepts no liability, beyond its duties as trustee, in the event that payment in full is not made on the maturity date.

Further information

If you would like any further information, please contact us at:

info@eastlondonbond.org

0800 652 8776

Support for the East London Bond

“When London businesses invest in this Bond they know they are getting value for their money, supporting East London charities more effectively than they could through an equivalent amount made up of smaller donations.”

Baroness Jo Valentine
Chief Executive, London First

“Business in the Community is delighted to champion this innovative and powerful approach to supporting two excellent organisations in East London, who are working hard to tackle the most pressing social issues in the area.”

Paul Buchanan
London Regional Director, Business in the Community

“ELBA has the highest admiration for Community Links and the Bromley by Bow Centre. This Bond is an inspired way of securing the additional investment they need for the vital work they now undertake in East London.”

Liam Kane
Chief Executive, East London Business Alliance

Support for previous Charitable Bonds

“At Sage we are proud to have invested in a Citylife Bond that has funded enterprise support in the North East. Part of our CSR strategy at Sage is based on giving back to the communities around us and our involvement with the Bond allows us to do just that. It continues to provide exciting opportunities to take enterprise directly into the hearts of communities, offering support and inspiration to the people who live in them.”

Alastair Mitchell
Finance Director, Sage (UK) Ltd

“The Sheffield Bond is good for the people and the City of Sheffield, and DLA Piper is proud to participate in it.”

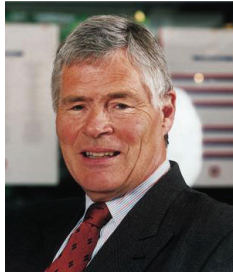
Richard Taylor
Partner, DLA Piper

“Here at Hays Travel we were delighted to invest in a Citylife Bond and support a project which encourages enterprise, regenerates local communities and helps unemployed people get back to work. What’s more, the Bond is fully repayable so it doesn’t even cost us anything to help out. This is a fantastic scheme that we’re proud to be involved with.”

Hays Travel

“The Sheffield Bond played an important part in our Community Social Responsibility programme as it certainly helped to build a strong spirit of social, ethical and environmental responsibility within business communities in the city.”

Jill Davies
Chief Executive, Westfield Health



The East London Bond is a unique opportunity to invest in the future of East London. It is a way to use your financial resources to help those in need without giving those resources away.

The Bond will support two of the most exciting and effective community-based charities, both of which have been working in East London over the last twenty five years. Unlike any other investment opportunity, the yield on this Bond will fund the work of these two charities to transform lives, lift communities out of poverty and contribute economic benefit to the whole of London.

Stephen O'Brien
Chair of the East London Bond

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