

the East London **Bond**

Information for private 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 a unique financial tool to allow money that might otherwise be sitting in savings accounts to be put to work for social benefit. That means you can now use your money to support charity without having to give it away.

Why invest in the East London Bond?

- put your savings to work for the benefit of others
- a secure investment with a high return for charity
- release instant funds for two leading charities in East London
- support the development of affordable housing for people in need
- all your money back in five years' time

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.

What is a bond?

A bond is a financial mechanism for investing money in an organisation, like a bank or a company, for a fixed period of time. It's a contract in which the investor effectively agrees to lend a certain amount of money, and the organisation promises to pay it back ('redeem' it) on certain terms at a later date ('maturity'). Citylife offers bonds at fixed values, so if you buy a £1,000 bond from Citylife, you are buying a promise that Citylife will pay you £1,000 in five years' time.

Certain types of organisations, like Citylife, can offer a set of bonds (with a lower case 'b') for a fixed period under a single set of terms and conditions. This offer is what we call a Bond (with a capital 'B'). Usually, an organisation offers Bonds as a way of raising finance for itself. Citylife offers Charitable Bonds as a way of raising finance for social causes.

How do Charitable Bonds work?

Citylife's 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. The bonds are available to purchase for a fixed offer period, usually three to six months, and may be bought by organisations and individuals in return for a bond certificate.

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 – and bondholders are repaid in full. So on an investment of £1,000 for example, around £200 will immediately go to charity while the rest will work to create affordable places to live. In effect, what you give is the interest you might have received over five years had you put the money in a bank or invested it elsewhere.

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.[‡]

* 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 any marketing materials for the East London Bond 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.

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.

How is investing in a Bond different to making a donation?

Investing in a Charitable Bond is an additional way to support charity. By putting your savings to work for the benefit of others, you can give more than you can afford to donate, or still support charity even if you don't feel in a position to give money away.

Alternatively you may prefer investing in a Bond to giving outright. However, you should remember that around 20% of your investment goes to charity, and ensure that buying a bond does not reduce the total amount you give to charity.

Why is the East London Bond a good investment?

A Charitable Bond is the ideal opportunity for people who are more interested in making a social profit from their savings than a personal gain.

By investing in the East London Bond, you can release five years' worth of compound interest on your savings as a grant to charity on day one. What's more, by pooling the money of 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. And since Citylife is a charity, the interest gained is tax free.

For example, National Savings and Investments (NS&I) currently offers a five-year Bond at a guaranteed annual rate of 2.6% gross (before tax).[§] With £1,000 of savings, you could give £100 away and invest the rest with NS&I so that after five years your investment would be worth £1,000 net (after basic rate tax is deducted).

If however you used your £1,000 to buy a bond, around £200 would be given immediately to charity, while the rest will gain interest in a tax free environment so that you get your £1,000 back in full in five years' time.

Furthermore, if you put your money in a different savings scheme it might be invested in a range of funds you know nothing about. But if you invest in the East London Bond, you'll know that the underlying investment is being used to create affordable housing for local communities and key workers.

How do I purchase a bond?

You can buy bonds as an individual or jointly with one other person.

There are different values of bond that you can buy, at £1,000,000, £100,000, £10,000, £1,000, and £100. This allows you to buy a combination of bonds for the amount you 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.

§ As at 1 August 2009

Once the offer document for the East London Bond has been published, you just need to complete an application form and send us a cheque 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.

How much can I invest in a Bond?

The minimum amount you can invest in the East London Bond is £500, and you can invest any amount greater than this in multiples of £100.

Can I use a Charities Aid Foundation (CAF) or Stewardship account to buy a bond?

Yes, you can buy a bond using a CAF or Stewardship account (or similar), but your investment must be repaid to the same account on redemption of the bond.

Can I get Gift Aid with a Bond?

No, because the interest that is accumulated on your investment is already exempt from tax.

How is my money invested?

To ensure that you get back what you put in, around 80 per cent of your investment is loaned at a commercial rate to one or more Registered Social Landlords (RSLs). These are government regulated not-for-profit housing providers that build, develop and maintain housing for local communities and key workers. They typically support people in need through provision of low-cost rental accommodation and through financial schemes, such as shared ownership, to help those who cannot afford to buy their own homes outright. They may also offer other services such as sheltered housing or at home care.

Citylife works with a number of RSLs, both because of the social benefits they deliver and because they are a secure investment (see risks section below). The details of the RSL Citylife will work with for the East London Bond will be given in the offer document.

How will I know what difference my money is making?

The Bromley by Bow Centre and Community Links will send you regular updates about how the yield from your bond is being spent and the difference it is making to local communities. You will also have opportunities to visit each charity and see the work in action, or get involved by volunteering in a range of activities from helping to transform local housing estates to working with children and young people.

Will I be able to buy any further bonds?

Once the offer period for the East London Bond has closed you will not be able to buy any more of these bonds. You will be able to invest in any subsequent Charitable Bonds issued by Citylife, although these Bonds may or may not support the Bromley by Bow Centre and Community Links.

What happens if I need the money before the end of the five years?

The East London Bond is a fixed-term investment and not suitable for those who may require access to their money before maturity. However, you can transfer your bond(s) if someone is willing to buy it (them) from you.

Could I transfer my bonds to someone else?

Yes, Citylife's bonds can be transferred from the original investor to another person.

What happens if I die before my bonds mature?

If you are a joint investor, the ownership of the bonds will pass in full to the surviving bondholder. If you are a sole investor, the bonds will be transferred in accordance with your will (or distributed in accordance with intestacy rules if you have not made a will).

What happens when my bonds mature?

We will contact you before your bonds mature for instructions. You can choose to:

- receive all your initial investment back
- donate part or all of the value of your bonds to Bromley by Bow Centre and Community Links
- reinvest part or all of your bonds up to £20,000 in membership shares of Citylife
- you may be able to roll your investment over into a subsequent Charitable Bond.

Will I have to pay tax on the money I get back?

No. Since you have not made any profit on your investment, you do not need to pay any tax.

What are the risks with a Bond?

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.

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 the loan to the RSL is already considered by Citylife 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 £1,000 and request the guarantee option, up to £37.50 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.

Where can I get more advice?

We're happy to talk to you directly if you have any further questions about how Charitable Bonds work, although we cannot give you any financial advice. If you require financial advice about investing in the East London Bond, you should talk to an independent financial advisor.

You can contact us at:

info@eastlondonbond.org

0800 652 8776

Glossary of terms

Application

Investors who wish to buy a bond must complete an application form based on the terms of the Offer Document. The bond is officially purchased when the offer period closes, or if for any reason the bonds are not issued, the money is returned to investors. Applicants can change their mind at any point up to the closing date and receive their investment back in full.

Beneficiary

The charity or organisation that receives a grant as a result of money invested in a Bond.

bond

A contract that is bought by an investor from an organisation, in which the organisation promises to repay the value of the bond at a later date on certain terms and conditions.

Bond

The collective term for the offer of bonds under a single set of terms and conditions.

Bondholder

The investor, whether an individual or company, who buys a bond.

Capital

The money invested in a Bond.

Closing date

The end of the offer period when bonds may be issued. The date is published in the offer document but may be extended at the discretion of Citylife's trustees.

Commercial rate

The agreed rate of interest that the Registered Social Landlord (RSL) will pay on the loan it borrows from the capital raised by the Bond. The rate is comparable to rates available to RSLs from other lenders, and is calculated by an agreed formula based on a standard government measure.

While it is unlikely there would be significant fluctuation in this calculation, it means the actual interest rate, and therefore the percentage of the Bond fund given to the beneficiary, cannot be specified exactly in advance.

Compound interest

Interest that is calculated on both the original sum and the interest already accumulated. So if £100 is loaned at 5% annual interest, after one year the amount owed would be £105. After two years a further 5% on the £105 is owed, i.e. £110.25.

Therefore if £100 is loaned for five years at an annual rate of 5%, the total amount owing after five years is £128, which is equivalent to 28% interest over five years.

Credit rating

The credit rating of a company is an evaluation from an independent ratings agency that states the risk of lending to that company. It measures the ability and willingness of the company to meet its financial obligations in full and on time. Citylife may use such ratings to determine whether an RSL is of suitable credit before making loans.

Default

In financial terms this means a failure to satisfy the terms of a loan obligation or pay back a loan.

Financial Services Authority (FSA)

The FSA is an independent body that regulates the financial services industry in the UK. Under the Financial Services and Markets Act it has four statutory objectives: maintaining confidence in the financial system; promoting public understanding of the financial system; securing the appropriate degree of protection for

consumers; and reducing the extent to which it is possible for a business to be used for a purpose connected with financial crime.

The FSA is also the registering authority for societies which register under the Industrial and Provident Societies Act 1965 (I&P Act 1965).

Financial Services and Markets Act 2000

The Act that currently governs UK financial market regulation, under which Citylife is permitted to offer certain bonds to the public in the UK.

Fixed-term

Citylife's bonds have a fixed term of five years, meaning that investments will be repaid five years after bonds are issued. This period is fixed, meaning that Citylife cannot retain the investment longer than five years, and investors cannot withdraw their money during the period except by negotiation with Citylife.

Guarantee

For the East London Bond, investors have the option of requesting a guarantee on the loan made to the RSL. The guarantee is given by a major financial institution, like a bank, and is effectively an insurance policy against the event that the RSL is unable to repay its loan on time in part or full. Since the risk of default by the RSL is considered low, the guarantor is willing to provide a guarantee, for a fee, to pay back the money itself if required.

Guarantor

The provider of a guarantee.

Industrial and Provident Society

An industrial and provident society (IPS) is an organisation conducting an industry, business or trade, either as a co-operative or for the benefit of the community, and is registered under the Industrial and Provident Societies Act 1965.

Issue

The issue of bonds is the point at which the bonds are officially purchased on the closing date of the offer period. The decision for Citylife to issue bonds must be approved by its trustees, and the offer of bonds does not guarantee that they will be issued.

Maturity

The maturity date is the end of the fixed-term of the bond when money is returned to investors.

Money laundering

Money laundering is the criminal practice of disguising illegally obtained funds so that they seem legal. Citylife has obligations under the Money Laundering regulations, the Proceeds of Crime Act, and The Terrorism Act to report any suspicious or unusual transactions to the authorities. Applicants for a bond on the basis of the offer document to be issued by Citylife may therefore be required to provide evidence of identity, address or both.

Offer Document

A legally authorised document that sets out the terms and conditions of a Bond and invites investment in the Bond. Applications for a Bond can only be made on the basis of an Offer Document.

Offer period

The period in which investors can apply to purchase a bond on the basis of the Offer Document. This period can be extended at the discretion of the trustees of Citylife. After the offer period closes, no further investments can be made in a Bond.

Redemption

The act of paying money back to investors.

Registrar

The Registrar of a Bond holds all the records of investors and should be contacted in the event of any change of details. For the East London Bond the Registrar will be Wrigleys Solicitors LLP who are authorised and regulated by the Financial Services Authority.

Roll over

At the end of the fixed term of a Bond, bondholders may be offered the opportunity to roll all or part of their investment over into a subsequent Bond.

Registered Social Landlord (RSL)

A not-for-profit housing provider approved and regulated by the Government through the Tenant Services Authority (TSA). RSLs typically support people in need through provision of low-cost rental accommodation and through financial schemes, such as shared ownership, to help those who cannot afford to buy their own homes outright. They may also offer other services such as sheltered housing or at home care.

Charitable Bond

A type of Bond offered uniquely by Citylife to support social causes.

Subscription lists

A financial term to describe the list of investors applying to buy bonds. The start and end of the offer period may be referred to as the opening and closing of the subscription lists.

Tenant Services Authority (TSA)

The regulator for affordable housing, which was set up as a result of the 2008 Housing and Regeneration Act. Its purpose is to protect the interests and needs of tenants, and part of its role is to monitor the performance of RSLs and ensure that they remain financially viable.

Transfer

The East London Bond is transferable, meaning you could sell your bond to someone else and that person would be paid the value of the bond at maturity.

Trustee

The Trustee for a Bond is an independent organisation offering trustee services, which holds rights to the loan, and any connected guarantee, made by Citylife to the RSL under trust for the bondholders. This 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. Royal Bank of Canada have offered to act as Trustee for the East London Bond.

The Trustee for a Bond should not be confused with Citylife's trustees, a board of volunteers who are legally responsible for the overall management and decision-making of the charity.

Yield

The additional money generated by investment in a Bond. With Charitable Bonds the yield is donated to social causes.

Zero-interest

The East London Bond is zero-interest, meaning that investors get back after five years exactly what they put in.

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.”

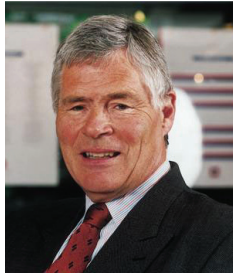
Richard Taylor
Partner, DLA Piper

“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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