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For information about risk factors which should be considered by prospective investors, see Risk Factors on page 40-42



LAGOS STATE GOVERNMENT

₦500,000,000 DEBT ISSUANCE PROGRAMME

For the Issuance of a Bond or Series of Bonds with maturities of 5 years and longer

THIS SHELF PROSPECTUS AND THE SECURITIES THAT IT OFFERS HAVE BEEN APPROVED AND REGISTERED BY THE SECURITIES & EXCHANGE COMMISSION. IT IS A CIVIL WRONG AND CRIMINAL OFFENCE UNDER THE INVESTMENTS & SECURITIES ACT (NO. 29 OF 2007) TO ISSUE A PROSPECTUS WHICH CONTAINS FALSE OR MISLEADING INFORMATION. THE CLEARANCE AND REGISTRATION OF THIS PROSPECTUS AND THE SECURITIES WHICH IT OFFERS DOES NOT RELIEVE THE PARTIES FROM ANY LIABILITY ARISING UNDER THE ACT FOR FALSE AND MISLEADING STATEMENTS CONTAINED HEREIN OR FOR ANY OMISSION OF A MATERIAL FACT.

THIS SHELF PROSPECTUS IS TO BE READ AND CONSTRUED IN CONJUNCTION WITH ANY SUPPLEMENT THERETO AND ALL DOCUMENTS WHICH ARE INCORPORATED HEREIN, BY REFERENCE AND, IN RELATION TO ANY TRANCHES (AS DEFINED HEREIN) OF INSTRUMENTS, TOGETHER WITH THE APPLICABLE PRICING SUPPLEMENT. THIS SHELF PROSPECTUS SHALL BE READ AND CONSTRUED ON THE BASIS THAT SUCH DOCUMENTS ARE INCORPORATED HEREIN AND FORM PART OF THIS SHELF PROSPECTUS

THE REGISTRATION OF THE SHELF PROSPECTUS AND ANY PRICING SUPPLEMENT THEREAFTER DOES NOT IN ANY WAY WHATSOEVER SUGGEST THAT THE SECURITIES & EXCHANGE COMMISSION ENDORSES OR RECOMMENDS THE SECURITIES OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORT EXPRESSED THEREIN.

THE ISSUER ACCEPTS RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS DOCUMENT. TO THE BEST OF ITS KNOWLEDGE AND BELIEF (HAVING 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.

INVESTORS ARE ADVISED TO NOTE THAT LIABILITY FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS SHELF PROSPECTUS IS PROVIDED IN SECTIONS 85 AND 86 OF THE INVESTMENTS & SECURITIES ACT 2007

THIS SHELF PROSPECTUS IS VALID FOR AN INDEFINITE PERIOD UNTIL DETERMINED BY THE COMMISSION ACCORDING TO RULES 279 (3)(5)(II) OF THE SEC RULES (SUNDRY AMENDMENTS, APRIL 2015)

LEAD ISSUING HOUSE/BOOK RUNNER:

CHAPEL HILL

ADVISORY PARTNERS LIMITED

RC 622258

JOINT ISSUING HOUSES/BOOK RUNNERS:



Futureview
RC 217065



RC 733383



RC 672560



Stanbic IBTC
Capital
RC 1031766



RC 370890

United Capital

RC 444999



VETIVA
RC 485600

ZENITH
CAPITAL
RC 639191

This Shelf Prospectus is dated the 30th day of December 2016

This Shelf prospectus will be available on the following websites throughout the Validity Period

www.lagosstate.gov.ng www.sec.gov.ng

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1. DEFINITION OF TERMS

"Access Bank"	Access Bank Plc
"Agusto"	Agusto & Co.
"Allotment Date"	The date on which the Bonds are allotted to successful bidders
"Bidder"	Any Qualified Investor who makes a bid pursuant to the terms of a Pricing Supplement
"Bonds"	Any bonds which may be issued by the State under the Programme in accordance with the terms of this Shelf Prospectus and any subsequent Pricing Supplement
"Bonds Law"	The Lagos State Bonds, Notes and Other Securities Issuance Law 2008
"the Book"	The collation of all bids received from Qualified Investors in respect of a particular Series or Tranche under the Programme, indicating the value of the bids and the respective allocation
"Book Runner(s)"	The Issuing House(s) duly appointed by the Issuer to maintain the Book in respect of the Bonds being sold by way of Book Building
"Book Building"	A process of price and demand discovery through which a Book Runner seeks to determine the price at which securities should be issued, based on the demand from Qualified Institutional and High Net worth Investors
"Business Day"	Any day except Saturdays, Sundays and Federal Government declared public holidays on which banks are open for business in Nigeria
"CAC"	Corporate Affairs Commission
"CAGR"	Compound Annual Growth Rate
"CAMA"	Companies and Allied Matters Act Cap C20, LFN, 2004
"Capital Budget"	Medium-Term Budget Framework/Fiscal Strategy Paper (2016 -2018)
"CBN"	Central Bank of Nigeria
"CDSA"	Consolidated Debt Service Account, the dedicated account created pursuant to the Lagos State Bonds, Notes and Other Securities Issuance Law 2008 for purposes of servicing public debt repayment obligations. The Sinking Fund will be funded from the Irrevocable Standing Payment Order and CDSA
"Chapel Hill"	Chapel Hill Advisory Partners Limited
"CITA"	Companies Income Tax Act Cap C21, LFN, 2004 (as amended by the Companies Income Tax (Amendment) Act No. 11 of 2007
"Coronation Trustees"	Coronation Trustees Limited
"Coupon"	The interest paid on the Bond semi-annually, expressed as a percentage of the face value of the Bond
"Coupon Payment Date"	The date on which the Coupon is paid to bondholders, as specified in the Pricing Supplement
"Coupon Rate"	The annual interest rate that will be paid on each bond issued pursuant to the Programme, expressed as a percentage of the face value
"CSCS" or the "Clearing System"	Central Securities Clearing Systems Plc
"Daily Official List"	An official publication of The Nigerian Stock Exchange which is issued daily and details information including price movements and traded volumes for all securities quoted on The Exchange
"Debt Issuance Programme" or the "Programme".	The ₦500,000,000,000 Debt Issuance Programme described in this Shelf Prospectus pursuant to which the State may issue tranches of bonds from time to time, the maximum aggregate outstanding value of which shall not exceed ₦500,000,000,000
"Debt Department"	The Lagos State Debt Management Department

1. DEFINITION OF TERMS

"Debt Office Law"	The Lagos State Debt Management Office (Establishment) Law 2008
"DMO"	The Debt Management Office of the Federal Republic of Nigeria
"Exchange Rate"	The applicable USD/NGN currency exchange rate shall be the prevailing Central Bank of Nigeria Dutch Auction clearing rate on any Allotment Date
"FGN"	Federal Government of Nigeria
"FIRS"	Federal Inland Revenue Service
"FMDQ – OTC"	FMDQ-OTC Plc
"Futureview"	Futureview Financial Services Limited
"GCR"	Global Credit Ratings co.
"GDP"	Gross Domestic Product
"High Net Worth Individual"	An Individual investor with a net worth of at least ₦300,000,000 excluding real assets (such as automobiles, homes and furniture) as defined by SEC Rule 321
"Holder"/"Bondholder"	A person in whose name a Bond is registered in the Register
"IGR"	Internally Generated Revenue
"IMF"	International Monetary Fund
"Instruments"	Any registered bond, promissory notes, syndicated notes or such other securities or debt instruments as may be issued by the Debt Office on behalf of the State, pursuant to the Bonds Law
"ISA"	Investments & Securities Act No 29 of 2007
"ISPO"	Irrevocable Standing Payment Order
"Issue Date"	The date on which the relevant Tranche or Series of any Bond is issued and allotted, as specified in the applicable Pricing Supplement
"Issuer"	Lagos State Government of Nigeria
"Issuing Houses"	Lead and Joint Issuing Houses
"JEE"	Jackson, Etti & Edu
"Joint Issuing Houses"	Chapel Hill, Stanbic IBTC Capital, Futureview, Union Capital, Vetiva, United Capital, SFS, Radix Capital and Zenith Capital. The responsibilities of the parties being joint only as regards the roles of Issuing Houses/Book runners
"Joint Ratings Agencies"	Agusto & Co. and GCR. The responsibilities of the parties being joint only as regards the roles of rating agency
"Joint Solicitors to the Issuer"	Templars Solicitors and Simmons Cooper Partners
"Joint Trustees"	A collective reference to all the Trustees appointed by the State under the Bonds Law to represent and oversee the interests of the Bondholders, and who shall invest, manage and administer the Sinking Fund(s) established under the Bond Law
"LAMATA"	Lagos Metropolitan Area Transport Authority
"LASG" or the "State"	The Lagos State Government of Nigeria
"Lead Issuing House/Book Runner"	Chapel Hill
"LFN"	Laws of the Federation of Nigeria
"LSIRS"	Lagos State Internal Revenue Service
"Maturity Date"	The date on which any outstanding principal amount falls due for payment by the State, as specified in each applicable Pricing Supplement
"MDA"	Ministry, Department or Agency
"MTC"	Medium-Term Capital
"Naira", "NGN" or "₦"	The Nigerian Naira

1. DEFINITION OF TERMS

"NBS"	National Bureau of Statistics
"NEEDS"	National Economic Empowerment and Development Strategy
"OTC"	Over-the-Counter
"PenCom"	National Pension Commission
"Pension Reform Act"	Pension Reform Act 2014
"PITA"	Personal Income Tax Act, Cap P8, LFN 2004
"Pricing Supplement"	The document issued in respect of a particular Series or Tranche which sets out the terms and conditions the issuance of that Bond and which supplements the terms and conditions in, and incorporates the Shelf Prospectus by reference and all documents incorporated by reference therein. The Pricing Supplement must be read in conjunction with the Prospectus
"Programme Trust Deed"	The Deed constituting the Bond between Lagos State and the Joint Trustees.
"PWC"	Price Waterhouse Coopers
"Qualified Institutional Investor"	A purchaser of securities that is financially sophisticated and recognised by the Commission as such in accordance with SEC Rule 321
"Qualified Investor"	Qualified Institutional Investors and High Net Worth Investors
"Radix Capital"	Radix Capital Markets Limited
"Radix Trustees"	Radix Trustees Limited
"Receiving Bank"	Access Bank Plc
"Reporting Accountant"	Price Waterhouse Coopers
"Record Date"	The date the list of holders of the bonds is extracted from the register for the purposes of making coupon payments, being a day which is 21 (Twenty-One) days immediately preceding the date on which the coupon falls due for payment
"Redemption Amount"	The Aggregate principal amount outstanding in respect of a Bond on the Maturity Date
"Register"	The Register(s) of Bondholders which shall be maintained by the Registrars and which will contain details of the Bondholders
"Registered Bank"	Any Bank in Nigeria Licensed by the Central Bank of Nigeria
"Registrars"	United Securities Limited
"Remittance Date"	The date on which the Receiving Banks are required to transfer the proceeds of each Tranche or Series of Bonds to the Issuer
"A"	Solola Akpana & Co.
"NEEDS"	State Economic Empowerment and Development Strategy
"Senior Bonds"	Bonds that rank pari passu without any preference to one above the other by reason of priority of date of issue, currency of payment or otherwise with all other senior unsecured obligations of the State, present and future, except to the extent that any such obligations are by their terms expressed to be subordinated in right of payment.
"Series"	A Tranche of Bonds together with any further Tranches of Bonds which are: <ol style="list-style-type: none">expressed to be consolidated and forming a single series with the Bonds of the original Tranche, andare identical in all respects (including as to listing) except for their respective Issue Dates, Coupon Payment Dates and/or Issue Prices the terms of which are identical. For this programme, Series shall mean each Tranche of the Bond being issued.
"Settlement Date"	The date by which an allottee must pay for the Bonds following an allocation of Bonds; which in the case of a Book Build will be the same date as the completion meeting or the signing ceremony

1. DEFINITION OF TERMS

"SFS"	SFS Financial Services Limited
"Shelf Prospectus or "Prospectus"	This document issued by the State in accordance with the Rules and Regulations of the Securities & Exchange Commission, which details the aggregate size and broad terms and conditions of the Bonds to be issued under the Programme.
"SimmonsCooper"	Simmons Cooper Partners
"Sinking Fund"	A fund specifically established and managed by the Joint Trustees on behalf of the State, for each Bond issuance, for purposes of servicing the coupon and Principal repayment obligations; and into which payments from the Irrevocable Standing Payment Order and the Consolidated Debt Service Account ("CDSA") shall be remitted in accordance with the terms and conditions of the issue of the particular Bond(s)
"Joint Solicitors to the Issue"	Solola Akpana & Co. & Banwo & Ighodalo
"Solicitor to the Trustees"	Jackson, Etti & Edu
"Stanbic IBTC Capital"	Stanbic IBTC Capital Limited
"Sterling Trustees"	Sterling Asset Management & Trustees Limited
"STL Trustees"	STL Trustees Limited
"Templars"	Templars Solicitors
"Tranche"	An issuance of the Bond(s), pursuant to a Pricing Supplement and the terms of which are identical in all respects"-
"Terms and Condition"	The terms and conditions of the Programme as set out in this Shelf Prospectus
"The Exchange"	The Nigerian Stock Exchange or any other stock exchange(s) recognised and/or approved by the SEC on which any Bonds may from time to time be listed.
"Trustees"	Sterling Asset Management and Trustees Limited, STL Trustees Limited, United Capital Trustees Limited, Coronation Trustees Limited, and Radix Trustees Limited
"The Commission" or "the SEC"	Securities & Exchange Commission
"The Constitution"	The Constitution of the Federal republic of Nigeria 1999 (as amended)
"The Laws"	The Lagos State Bonds, Notes and Other Securities Issuance Law 2008 and the Lagos State Debt Office (Establishment) Law 2008
"United Capital"	United Capital Plc
"United Securities"	United Securities Limited
"United Trustees"	United Capital Trustees Limited
"Union Capital"	Union Capital Markets Limited
"Validity Period"	An indefinite period commencing from the date of SEC approval of this Shelf Prospectus, until determined by the Commission
"Vetiva"	Vetiva Capital Management Limited
"Zenith Capital"	Zenith Capital Limited

2. INFORMATION IN RESPECT OF THE SHELF PROSPECTUS

Presentation of Information

This Shelf Prospectus has been prepared by Chapel Hill, Stanbic IBTC, Futureview, Union Capital, Vetiva, SFS, United Capital, Radix Capital and Zenith Capital, in connection with the ₦500 Billion Debt Issuance Programme of the Lagos State Government (pursuant to which the Lagos State Government will issue either Bonds, Notes or Other Securities with maturities of five years and longer) for the purpose of giving information to prospective investors in respect of the Instruments described herein.

Following the registration of this Shelf Prospectus the SEC will register the specific Instruments as they are issued under each Series.

The Lagos State Government and the members of the Lagos State Executive Council individually and collectively accept full responsibility for the accuracy of the information contained herein and have taken reasonable care to ensure that the material facts contained herein are true and accurate in all material respects and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no material facts, the omission of which, would make any material statement herein misleading or untrue. Additional information may be obtained at or through the offices of the Issuing Houses/Book Runners, at the respective addresses listed on pages 12-13 of this Prospectus on any Business Day during the period of the respective opening and closing dates of issuance of Instruments under the Debt Issuance Programme, provided the Issuing Houses/Book Runners possess such information or can acquire it without undue effort or unreasonable expense.

The receipt of this Shelf Prospectus or any information contained in it or supplied with it or subsequently communicated to any person does not constitute investment advice from Chapel Hill, Stanbic IBTC, Futureview, Union Capital, Vetiva, SFS, United Capital, Radix Capital and Zenith Capital to any prospective investor. Each prospective investor should make their own independent assessment of the merits or otherwise of subscribing for the securities offered herein and should take their own professional advice in connection with any prospective investment by them.

Forward-Looking Statements

This Shelf Prospectus includes certain statements, estimates and projections with respect to the future performance of the Lagos State Government. These statements, estimates and projections reflect various assumptions by the Lagos State Government concerning its anticipated development programme, which have been included solely for illustrative purposes. These statements, estimates and projections should not however, be relied upon as a representation, warranty or undertaking, expressed or implied, as to the future performance of the Lagos State Government and actual occurrences may vary materially from the projected developments contained herein and/or the assumptions on which such statements, estimates and projections were based.

Financial Information

The Lagos State Government maintains its books of accounts in Naira in accordance with the generally accepted accounting principles applicable in Nigeria ("Nigerian GAAP"). The financial information included in this document comprises the audited financial statements of the Lagos State Government for the five years ended September 30, 2015.

Certain statistical information presented in this document on topics such as the Nigerian economy and political landscape and related subjects have been obtained from third party sources, as described herein. The third party information is presented in the following sections of this document: "*Nigeria Overview*", "*Description of the State*" and "*Risk Factors*". The Lagos State Government has accurately reproduced such information and as far as the State is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. Prospective investors should note that some of the State's estimates are based on such third party information.

Neither the State nor the Issuing Houses/Book Runners have independently verified the figures, market data or other information on which third parties have based their studies.

2. INFORMATION IN RESPECT OF THE SHELF PROSPECTUS

Certain figures included in this document have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Solely for the convenience of the reader, this document presents unaudited translations of certain Naira amounts into US dollars at the rate of US\$1.00 = N318¹¹. No representation is made that the Naira or US dollar amounts in this document could have been converted in US dollars or Naira, as the case may be, at any particular rate.

Statements in a Pricing Supplement

Following the publication of this Shelf Prospectus, Pricing Supplement(s) will be issued in relation to each Series or Tranche of Bonds that are to be offered for issuance by the State under the Programme. Each applicable Pricing Supplement will be cleared and approved by the SEC.

Specific statements on a Bond as contained in the relevant Pricing Supplement shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Shelf Prospectus. Any statements so modified shall not, except as modified or superseded, constitute a part of the Shelf Prospectus.

Amendments to the Shelf Prospectus

The Issuer, in the event of any significant change, material mistake or inaccuracy relating to information included in this Shelf Prospectus which is capable of affecting the assessment of the Bonds, shall prepare an addendum to this Shelf Prospectus for use in connection with any subsequent issue of Bonds, under the Debt Issuance Programme, which shall be subject to the Commission's clearance.

¹¹ Source: FMDQ, October 2016

3. PARTIES TO THE OFFER

Issuer

The Lagos State Government
Lagos State Secretariat
Alausa, Ikeja
Lagos



Representatives of the State Executive Council

His Excellency, Mr Akinwunmi Ambode
Governor

Her Excellency Mrs Idiat Oluranti Adebule
Deputy Governor and Commissioner for Education



Mr Tunji Bello
Secretary to the State Government.

Mr Akinyemi Ashade
Honourable Commissioner for Finance and Acting
Commissioner for Budget and Planning



Mr Gbolahan Lawal
Honourable Commissioner for Housing



Dr Jide Idris
Honourable Commissioner for Health



Mr Seye Oladejo
Honourable Commissioner for Special Duties and
Intergovernmental Relations



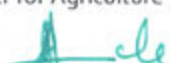
Mr Ganiyu Johnson
Honourable Commissioner for Works & Infrastructure



Mr Oluwatoyin Suarau
Honourable Commissioner for Agriculture



Mr Rotimi Ogunleye
Honourable Commissioner for Commerce, Industry and
Cooperatives



Mr Babatunde Adejare
Honourable Commissioner for Environment



Mr Olawale Oluwo
Honourable Commissioner for Energy and Mineral
Resources



Mr Benson Akintola
Honourable Commissioner for Establishment, Training and
Pensions



3. PARTIES TO THE OFFER

Representatives of the State Executive Council
(Continued)


Mr Babatunde Fuad Durosinmi-Etti
Honourable Commissioner for Wealth Creation and
Employment


Mr Aboul-Hakeem Abdul-Lateef
Honourable Commissioner for Home Affairs and Culture


Mr Steve Ayorinde
Honourable Commissioner for Information & Strategy


Mr Adeniji Kazeem
Honourable Commissioner for Justice & Attorney General


Mr Musiliu Folami
Honourable Commissioner for Local Government and
Community Affairs


Mr Wasiu Anifowoshe
Honourable Commissioner for Physical Planning and Urban
Development


Mr Olufemi Odubiyi
Honourable Commissioner for Science and Technology


Mr Adebawale Akinsanya
Honourable Commissioner for Waterfront Infrastructure
Development


Ms Lola Akande
Honourable Commissioner for Womens Affairs and Poverty
Alleviation


Mrs Uzamat Akinbile-Yusuf
Honourable Commissioner for Youth and Social
Development

Accountant-General to the State


Mrs Abimbola Shukrat Umar

Auditor-General to the State


Mrs Helen Deile

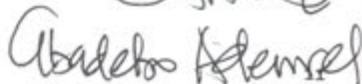
Lead Issuing House/Book Runner


Chapel Hill Advisory Partners Limited
1st Floor, 45 Saka Tinubu Street
Victoria Island
Lagos

Joint Issuing Houses/Book Runners


SFS Financial Services Limited
Plot 287 Ajose Adeogun Street
Victoria Island
Lagos


Vetiva Capital Management Limited
Plot 266b, Kofo Abayomi Street
Victoria Island
Lagos


Abadebo Ademola

3. PARTIES TO THE OFFER

Futureview Financial Services Limited
Futureview Plaza
22, Oju Olobun Close, off Idejo
Victoria Island
Lagos

Myisha Elizabeth Sh

Radix Capital Partners Limited
3rd Floor, ALLCO House
PC 12 Afribank Street
Victoria Island
Lagos

BLASOYE Ogunyinka
[Signature]

Union Capital Markets Limited
7 Fatai Durosinmi Etti Crescent,
Off Ligali Ayorinde Street
Victoria Island
Lagos

EGIE AKPASA
AKPASA E

Stanbic IBTC Capital Limited
I.B.T.C Place
Walter Carrington Crescent
Victoria Island
Lagos

[Signature]
Adeniji Adebayo

United Capital Plc
12th Floor, UBA House
57 Marina
Lagos

[Signature]
Toyin Sanni

Zenith Capital Limited
15th Floor, B- Wing, Civic Towers
Ozumba Mbadiwe Road
Victoria Island
Lagos

[Signature]
Jimi Anakele

Registration Member(Listings)/
Sponsor

Chapel Hill Advisory Partners Limited

[Signature]
[Signature]

Joint Solicitors to the Offer

Solola Akpana & Co.
38 Tokunbo Omisore Street
Lekki Phase 1
Lagos

[Signature]
Toyin Solola

Banwo & Ighodalo
98 Awolowo Road
South-West Ikoyi
Lagos

Akisananya
Ayotunde Ousigbe

Joint Solicitors to the Issuer


Templars Solicitors
5th Floor, The Octagon
13A, A. J. Marinho Drive
Victoria Island

[Signature]
Chitra ORANWA
for Templars

3. PARTIES TO THE OFFER


Lagos

Simmons Cooper Partners
9th Floor, Fortune Towers,
27/29, Adeyemo Alakija Street,
Victoria Island
Lagos


Funmi Olanrewaju

Joint Trustees to the State

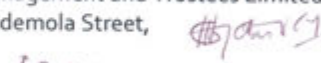
Coronation Trustees Limited
6th Floor, St Nicholas House
28A Catholic Mission Street
Marina
Lagos


BOYEDE ADEBAJO

United Capital Trustees Limited
12th Floor, UBA House
57 Marina
Lagos


Tokunbo Ajayi

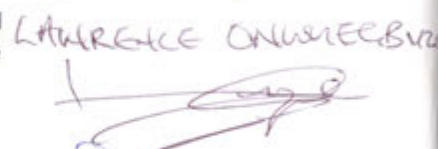
Sterling Asset Management and Trustees Limited
62 Adetokunbo Ademola Street,
Victoria Island,
Lagos


FRIDA ONATIBA

STL Trustees Limited
3rd Floor, Skye Bank Building
30 Marina
Lagos


Funmi Ekundayo

Radix Trustees Limited
3rd Floor, AllCO House
PC 12 Afribank Street
Victoria Island
Lagos


LAURICE ONUIGBO

Solicitor to the Trustees

Jackson, Etti & Edu
3-5 Sinari Daranijo Street
Off Ajose Adeogun Street
Victoria Island
Lagos

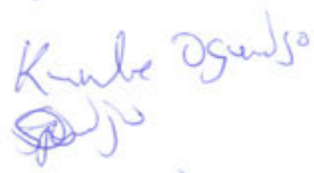

Folasade Olanrewaju

Rating Agencies

Agusto & Co
UBA House (5th Floor)
57 Marina
Lagos


Isaac Babatunde

Global Credit Ratings Co.
New Africa House (17th Floor)
31 Marina
Lagos


Kunle Ogunsola

Reporting Accountants

Price Waterhouse Coopers
Landmark Towers
5B Water Corporation Road


David Abioye

3. PARTIES TO THE OFFER

Registrars to the State	Victoria Island Lagos United Securities Limited 10 Amodu Ojikutu Street Victoria Island Lagos	 SEUN DEJOCURO
Receiving Bank	Access Bank Plc Plot 999c, Danmole Street Victoria Island Lagos	 TITILOLA OLADETO

4. THE PROGRAMME

A copy of this Shelf Prospectus and the documents specified herein has been delivered to the SEC for clearance and registration.

This Shelf Prospectus is being issued in compliance with the provisions of the ISA 2007, the Rules and Regulations of The Commission and the listing requirements of the relevant Exchanges and contains particulars in compliance with the requirements of SEC and The Exchange, for the purpose of giving information to the public with regards to the N500 Billion Debt Issuance Programme by the Lagos State Government. In the event that any issue under the programme is to be listed, an application will be made to either the Governing Council of the NSE for the admission of such Bonds to its Daily Official List or to the FMDQ-OTC Plc for the listing of the Bonds (as determined by the Issuer).

The Lagos State Government represents that it has taken all reasonable care to ensure that the information concerning the State which is contained in this Prospectus is true and accurate in all material respects as at the date of this Prospectus and that as of the date hereof there are no other material facts in relation to the State the omission of which would make misleading any statement herein.

LEAD ISSUING HOUSE/BOOK RUNNER:

CHAPEL HILL

RC 622258

ADVISORY PARTNERS LIMITED

RC 622258

JOINT ISSUING HOUSES/BOOK RUNNERS:



on behalf of

LAGOS STATE GOVERNMENT

is authorised to issue this Shelf Prospectus in respect of
N500,000,000,000 Debt Issuance Programme

This Shelf Prospectus has been registered with the SEC. The registration of this Shelf Prospectus and any subsequent Pricing Supplement shall not be taken to indicate that SEC endorses or recommends the Bonds described herein or assumes responsibility for the correctness of any statements made or opinions or reports expressed herein.

The Shelf Prospectus must be read in conjunction with the applicable Pricing Supplement to be issued by the State from time to time within the Validity Period.

This Shelf Prospectus contains:

1. on page 16, the declaration by the Issuer to the effect that it did not breach any terms and conditions in respect of borrowed monies which resulted in the occurrence of an event of default and an immediate recall of such borrowed monies during the twelve calendar months immediately preceding the date of filing an application with the SEC for the registration of this Shelf Prospectus;
2. on pages 62 and 63, the Reporting Accountant's report prepared by Price Waterhouse Coopers for incorporation in this Shelf Prospectus;
3. on pages 59 and 60, the Rating Reports prepared by Agosto & Co and Global Credit Ratings Co. for incorporation in this Shelf Prospectus;
4. on page 68, a statement on Material Adverse Change; and
5. on page 70 to 74, details of material claims and litigation commenced against the State during the twelve calendar months immediately preceding the date of filing the application with SEC for the registration of this Shelf Prospectus.

The registration of this Shelf Prospectus shall remain valid for an unlimited period and accordingly, will not lapse; except to the extent that excerpts contained herein have a validity period and will be updated on an ongoing basis by way of an amending Shelf Prospectus. This Shelf Prospectus (and any amendments thereto) can be obtained from the offices of the Commission, the Issuer (through the Debt Management Department), the Lead and Joint Issuing Houses and is also available electronically on the State's website (www.lagosstate.gov.ng) and on SEC's website (www.sec.gov.ng)

5. DECLARATION BY THE ISSUER



DECLARATION OF ISSUER - ₦500,000,000,000 BOND ISSUANCE PROGRAMME

This Shelf Prospectus has been prepared by the Issuing Houses on behalf of the Lagos State Government ("the State") for the purpose of providing a description to investors, of the relevant aspects of the State in connection with the Bond Issues under the Programme.

In that regard, and on behalf of the Lagos State Executive Council, we hereby make the following declarations:

1. The information contained in this Shelf Prospectus, to the best of our knowledge, in accordance with the material facts and contains no omission likely to affect its import nor which will render any statement herein misleading or untrue.
2. There has been no significant change in the financial condition or material adverse change in the financial prospects of the State since the date of the expiration of the ₦167.5 Billion Bond Issuance Programme; and
3. Lagos State is not in breach of any terms and conditions in respect of any borrowed funds which has resulted in the occurrence of an event of default and an immediate recall of such borrowed monies during the 12 (twelve) months preceding the date of this Shelf Prospectus.

Signed for and on behalf of
Lagos State Government of Nigeria
by its duly authorized representatives:

Mr. Akinyemi Ashade
Honourable Commissioner for
Finance

Mr. Adeniji Kazeem
Attorney-General and
Honourable Commissioner for
Justice

Mr. Akinwunmi Ambode
Governor of Lagos State



6. PARTICULARS OF THE PROGRAMME

6.1 SUMMARY OF TERMS & CONDITIONS OF THE PROGRAMME

The following summary does not purport to be complete and is extracted from, and qualified in its entirety by the additional information contained in this Prospectus and, in relation to the specific terms and conditions of any particular Tranche of Bonds, the applicable Pricing Supplement. Words and expressions defined in "Form of the Bonds" and "Terms and Conditions of the Bonds" shall have the same meaning in this summary:

Issuer:	Lagos State Government
Programme Description:	<p>A Bond Issuance Programme (the "Programme") being undertaken by Lagos State Government through which a Bond or a series of Bonds with maturities of 5 years or longer will be issued.</p> <p>Under the terms of the Programme, Senior or Subordinated and/ or Unsecured Bonds, Fixed Rate Bonds, Floating Rate Bonds, Reverse Floating Bonds, Zero Coupon Bonds and any combinations thereof may be issued, all of which shall be denominated in Naira or in such other currency as may be agreed between the Issuer and the Issuing Houses and specified in the relevant Pricing Supplement.</p> <p>The Bonds shall be constituted by the Programme Trust Deed. A Series Trust Deed will be issued in respect of each Series.</p>
Enabling Law:	Bonds, Notes and Other Securities Issuance Law 2008
Programme Amount:	Bonds with an aggregate value not exceeding ₦500,000,000,000 (Five Hundred Billion Naira Only)
Par Value:	₦1,000
Tenor:	The tenor of a particular Tranche/ Series shall be determined by the Issuer and the Joint Issuing Houses and will be specified in the applicable Pricing Supplement to be issued
Lead Issuing House/ Book Runner:	Chapel Hill Advisory Partners Limited
Joint Financial Adviser/ Issuing Houses:	Stanbic IBTC Capital Limited, Futureview Financial Services Limited, Union Capital Markets Limited, Vetiva Capital Management Limited, SFS Financial Services Limited, United Capital Plc, Radix Capital Markets Limited, Zenith Capital Limited
Dealers:	Any dealer appointed from time to time by the State and as specified in the relevant Pricing Supplement(s)
Registrar/Paying Agent:	United Securities Limited and/or such other registrar/paying agent as may be specified in the relevant Pricing Supplement (s)
Listing:	Bonds may be unlisted or listed on recognized Stock Exchanges, Such as the FMDQ-OTC, The Nigerian Stock Exchange and/or other relevant Stock Exchanges
Methods of Issue:	Bonds under this Programme may be issued by way of a Book Build, Public Offering, Private Placement and/ or any other such methods as described in the Pricing Supplement issued for each Tranche and as approved by SEC.
Use of Proceeds:	The Use of Proceeds from each Tranche/ Series issued under the Programme shall be specified in the applicable Pricing Supplement(s)

6. PARTICULARS OF THE PROGRAMME

Day Count Fraction:	Actual/365 (the actual number of days in a month and 365 days in a year). A different Day Count convention may be stipulated in the applicable Pricing Supplement(s)
Interest Rates:	Bonds may be interest-bearing or non-interest bearing instruments and interest (if any) may be at a fixed or floating rate and may vary during the lifetime of the relevant Series.
Variable Coupon Amount Bonds:	The Pricing Supplement(s) issued in respect of each issue of Variable Coupon Bonds will specify the basis for calculating the interest payable, which may be by reference to a variety of financial instruments, a currency exchange rate or any other index, benchmark or formula or as otherwise provided in the relevant Pricing Supplement (s)
Zero Coupon Bonds:	Zero Coupon Bonds may be issued at a discount to par and will not bear interest.
Other Bonds:	Terms applicable to High Interest Bonds, Low Interest Bonds, Step-up Bonds, Step-Down Bonds, Dual Currency Bonds, Reverse Dual Currency Bonds, Optional Dual Currency Bonds, Index-Linked Bonds and any other type of Bonds which the State and the Issuing Houses may agree to issue under the Programme, subject to compliance with all applicable laws, regulations and directives as will be set out in the relevant Pricing Supplement(s).
Currencies:	Bonds will be denominated in Nigerian Naira or such currency or currency units as may be agreed among the State, the relevant Dealer(s) and the Issuing Houses, subject to compliance with all applicable laws, regulations and directives as will be set out in the relevant Pricing Supplement(s).
Status of the Bonds:	<p>The programme allows for the issuance of various types of Instruments that can be classified as Senior.</p> <p>The Bonds will be issued as either Senior or Subordinated Bonds and are direct, unsecured and general obligations of the State.</p> <p>The Senior Bonds will rank <i>pari passu</i> without any preference to one above the other, by reason of priority of date of issue, currency of payment or otherwise with all other senior unsecured obligations of the State, present and future, except to the extent that any such obligations are by their terms expressed to be subordinated in right of payment in the relevant Pricing Supplement(s).</p> <p>The Bonds qualify as securities in which Trustees may invest under the Trustees Act. In addition, the Bonds are securities in which Pension Fund Administrators may invest under the Pension Reform Act and the Regulations on Investment of pension fund assets issued by PenCom.</p>
Ratings:	The Bonds issued under this Programme will be rated by one or more ratings agencies at the instance of the Issuer. The Rating Report will be set out in the relevant Pricing Supplement.
Events of Default:	The events of default under the Bonds are as specified within the Series Trust Deed(s).
Form of Bonds:	The Bonds shall be issued in registered form and shall be transferable. The issue and ownership of the Bonds will be effected and evidenced by the particulars of the Bond and the respective Bondholders being entered in the Register by the Registrar and the Bonds being electronically registered in the Central Securities Clearing System accounts of the Bondholders.

6. PARTICULARS OF THE PROGRAMME

Issuance in Series:	The Bonds will be issued in Series. The Bonds in each Series will be subject to identical terms, whether as to currency or maturity or otherwise, except that the issue date, the amount of the first payment of interest and/or the denomination thereof may be different. Each Series may comprise one or more tranches) issued on different issue dates. A Series may only be comprised of Bonds in registered form. Details applicable to each Series will be specified in the relevant Pricing Supplement.
Issue Price:	Bonds may be issued at par, at a discount or at a premium to par.
Maturity of Bonds:	The Bonds may be issued with maturities of five years or longer as may be agreed between the Issuer and the Issuing Houses and as indicated in the applicable Pricing Supplement(s), subject to such minimum or maximum maturities as may be allowed or required from time to time by the Issuer or any laws or regulations applicable to the Issuer or the relevant specified currency.
Denominations:	The Bonds will be issued in such denominations as may be agreed between the State and the relevant Issuing Houses and as specified in the relevant Pricing Supplement(s), subject to compliance with all applicable legal and regulatory requirements, and in accordance with usual market practice.
Early Redemption:	Early redemption of Bonds will be permitted as specified in the relevant Pricing Supplement(s) and subject to any all applicable laws, regulations and directives.
Redemption:	Bonds may be redeemed at par or at such other redemption amount as may be specified in the relevant Pricing Supplement(s).
Negative Pledge:	So long as any portion of the Programme remains outstanding the Issuer hereby covenants that it shall not, without the prior consent of the Trustees in writing, create or permit to subsist any pledge, lien, mortgage or charge (whether fixed or floating) on the whole or any part of its undertaking, property or assets to secure any other Indebtedness of the Issuer other than a permitted security
Waiver:	Without prejudice to the provisions of the Trust Deed, the Joint Trustees may, without the consent of the Bondholders and without prejudice to their rights in respect of any subsequent breach, from time to time and at any time, if in their opinion the interests of the Bondholders will not be materially prejudiced thereby, waive or authorise, on such terms as seem expedient to it, any breach or proposed breach by the Issuer of this Deed or determine that an Event of Default or Potential Event of Default shall not be treated as such provided that the Joint Trustees shall not do so in contravention of an express direction given by a Special Resolution. No such direction or request shall affect a previous waiver, authorisation or determination. Any such waiver, authorisation or determination shall be binding on the Bondholders and shall be notified to the Bondholders as soon as practicable.
Modification:	Without prejudice to the provisions of the Trust Deed, the Joint Trustees may agree with the Issuer, with the consent of the Bondholders but subject to the prior review and approval of the SEC, to any modification to this Deed of a formal, minor or technical nature or to correct a manifest error. The Joint Trustees may also agree to any modification to this Deed, and any waiver or authorisation of any breach or proposed breach, of any of the provisions of this Deed that is in their opinion not materially prejudicial to

6. PARTICULARS OF THE PROGRAMME

the interests of the Bondholders PROVIDED that the prior approval of the SEC is received, and that such consolidation, modification, alteration or addition does not prejudice the interests of the Bondholders and that such consolidation, modification, alteration or addition does not operate to release the Joint Trustees or the Issuer from any responsibility to the Bondholders

Governing Law:

The Bonds and all related contractual documentation will be governed by, and construed in accordance with Nigerian law.

Terms and Conditions:

The terms and conditions applicable to each Series (the "Terms and Conditions") will be agreed between the State and the relevant Issuing Houses or other purchaser at or prior to the time of issuance of such Series, and will be specified in the relevant Pricing Supplement. The Terms and Conditions applicable to each Series will therefore be those set out on pages 20 to 25 hereof as supplemented, modified or replaced by the relevant Pricing Supplement.

Pricing Supplement:

The document that will be issued in respect of a specific Series or Tranche of the Bond and which will set out the terms of issuance including the principal amount of the Bond, the price of the Bond, settlement and maturity dates, coupon, frequency of interest payments and interest payment dates.

Bond Trading & Liquidity:

The Bonds will trade Over-the-Counter on the FMDQ-OTC and any other Exchange as may be agreed by the Issuer and the Issuing Houses

Other Conditions:

Any other Terms and Conditions that may be incorporated by reference into, modified by, or supplemented by applicable Pricing Supplement(s).

6.2 TERMS & CONDITIONS OF THE BONDS

1. Form and Description

1.1. The Bonds

The Debt Issuance Programme is constituted under a Programme Trust Deed (the "**Programme Trust Deed**") between Lagos State ("the **Issuer**") and Sterling Trustees, Coronation Trustees, United Trustees, STL Trustees, and Radix Trustees (the "**Joint Trustees**").

Any Tranche of Bonds which is to be issued pursuant to the Programme Trust Deed shall be constituted by, be subject to and have the benefit of a Series Trust Deed (the "**Series Trust Deed**") between the Issuer and the Joint Trustees. The Issuer shall execute and deliver such Series Trust Deed to the Trustees containing such provision (whether or not corresponding to any of the provisions contained in the Programme Trust Deed) as the Trustees may require. Each Series Trust Deed shall set out the form of the Tranche of Bonds to be so constituted thereby and shall be accompanied by legal opinions (in form and substance satisfactory to the Trustees) or supporting authorizations/approvals as may be required by the Trustees.

The Bonds will be issued in registered form and in series (each "**a Series**"). Each Series will be the subject of a Pricing Supplement prepared by the Issuing Houses on behalf of the State and the terms set forth in the Pricing Supplement may supplement or vary any of the Conditions of the Shelf Prospectus. The issue and ownership of the Bonds will be effected and evidenced by the Particulars of the Bond and the Bondholders being entered in the Register by the Registrar and the Bonds also being electronically registered in the CSCS accounts of the Bondholders.

6. PARTICULARS OF THE PROGRAMME

A copy of each Pricing Supplement(s) will be available at the specified office of each of the Issuing Houses and the Debt Management Department. A copy of the Pricing Supplement(s) will be lodged with FMDQ-OTC or The Exchange or any other securities exchange in respect of Bonds to be listed thereon.

1.2. Description

The Bonds are denominated in Nigerian Naira (but may also be denominated in such other currency specified in the relevant Pricing Supplement/SSP), with coupons paid (if any) semi-annually in arrears or at such other intervals specified in the Pricing Supplement(s). Bonds may be issued from time to time, subject to the applicable terms of this Prospectus by way of a Book Build, Private Placement, Public Offering and/or any other method as described in the Pricing Supplement(s). Unless otherwise specified in the relevant Pricing Supplement(s), the Bonds are redeemable at face value on maturity.

2. Events of default

The events of default under the Bonds are as specified within the Programme Trust Deed.

3. Repayments

Bonds are domiciled for repayment in Nigeria and will be repaid to the Bondholder registered on the Record Date immediately prior to the Maturity Date, by crediting an account at any registered bank in Nigeria. If a bank account has not been provided, the Principal may be repaid by the issuance of a warrant; where the principal due is ₦10 Million, provided however that the Registrar shall withhold amounts above ₦10 Million until a bank account to which such sum can be remitted is specified in writing by the Bondholder. The Bondholder shall not be entitled to any further Coupon or other payment in respect of any delay in providing details of a bank account. No additional interest will be paid on any amounts in respect of which a warrant is issued.

Where Bonds are held through CSCS, principal repayments will be credited to the cash account of the Bondholder specified on the Bid/Application Form.

The Registrar will accept instructions from Bondholders prior to the Record Date, in respect of the repayment of the Bonds.

Payment will be made on the Maturity Date. However, if the Maturity Date is not a Business Day, payment will be made on the next succeeding Business Day without payment of additional interest. Bonds are not repayable prior to the Maturity Date except as otherwise stipulated in any relevant Pricing Supplement(s).

4. Status of the Bonds

The Bonds will be issued as Senior Bonds, and will be direct and unconditional obligations of the Issuer and shall rank *pari passu* among themselves and equally with all other existing obligations of the Issuer. The Bonds qualify as securities in which trustees may invest under the Trustees Investments Act Cap. T22 LFN 2004 and also qualify as securities in which Pension Fund Administrators may invest pension fund assets as provided under the Pension Reform Act 2014 and the Regulations on Investment of Pension Fund Assets issued by the National Pension Commission.

5. Security Structure

The Security Structure for the Bonds to be issued will, once determined, be specifically indicated in the relevant Pricing Supplement(s) issued for a Series or Tranche.

Where an ISPO is obtained by the State, this will be disclosed in the Pricing Supplement(s). Should an ISPO not be issued in respect of any Series or Tranche of Bonds, the principal source of repayment for the Bonds issued under the Programme will be indicated; as to whether the obligations are serviced from the Issuer's Internally Generated Revenues ("IGRs") or any other stated source.

6. PARTICULARS OF THE PROGRAMME

The Issuer will cause separate and distinct Sinking Funds to be created for each issuance. The Sinking Fund(s) will be funded either by an ISPO and/or from the CDSA or any other source as may be specified. The Sinking Fund will be managed by the Joint Trustees.

5.1. Consolidated Debt Service Account ("CDSA")

The CDSA is a dedicated account created pursuant to the Lagos State Bonds, Notes and Other Securities Issuance Law 2008 for purposes of servicing public debt repayment obligations. The Bonds Law provides for a CDSA to be created by the Lagos State Government, into which a minimum of 15% of the State's IGR will be deposited on a monthly basis. The Bonds Law further stipulates that funds accumulated within the CDSA shall be utilised to:

- (i) pay interest and principal on the State's debt obligations; and
- (ii) accumulate a reserve for the additional security of Lagos State's debt obligations.

The Management of the CDSA is the sole responsibility of independent Joint Trustees to be appointed by the State. The Joint Trustees invest all sums in the CDSA in Federal Government of Nigeria Bonds (and other instruments) as provided by the Bonds Law.

6. Bondholder's Protection

The State has appointed Sterling Asset Management & Trustees Limited, Coronation Trustees Limited, STL Trustees Limited, Radix Trustees Limited and United Capital Trustees Limited to act as Joint Trustees for the Bondholders. The relationship between the State and the Joint Trustees is governed by a trust deed, inter alia, specifying the powers, authorities and obligations of the Joint Trustees and the State. The Bondholder(s) shall, without further act or deed, be deemed to have irrevocably given their consent to the Joint Trustees or any of their agents or authorized officials to do all such acts, deeds, matters and things in respect of or relating to the Bonds as the Joint Trustees may in their absolute discretion deem necessary or require to be done in the interest of the Bondholder(s). Any payment made by the State to the Joint Trustees on behalf of the Bondholder(s) shall discharge the State *pro tanto* to the Bondholder(s). The Joint Trustees will protect the interest of the Bondholders in the event of default by the State with regard to the timely payment of interest and repayment of principal and the Joint Trustees will take necessary action at the cost of the State. The Joint Trustees shall also ensure that remittances are made in strict compliance with the respective Series Trust Deed(s).

7. Redemption

7.1. Optional Early Redemption (Put)

If the relevant Pricing Supplement(s) so specifies, the State shall, upon the exercise of the relevant option by the holder of any Bond of the relevant Series, redeem such Bond on the date or the next of the dates specified in the relevant Pricing Supplement(s) at its principal amount (or such other redemption amount as may be specified in the relevant Pricing Supplement(s), together with accrued interest (if any) thereon. In order to exercise such option, the holder must, not less than forty-five days before the date so specified (or such other period as may be specified in the relevant Pricing Supplement(s), deposit the relevant Bond (together, in the case of an interest-bearing Definitive Bond, with any unexpired coupons appertaining thereto) with the Registrar together with a duly completed redemption notice in the form which is available from the specified office of the Paying Agent(s) or, as the case may be, the Registrar.

7.2. Optional Early Redemption (Call)

If the relevant Pricing Supplement(s) so specifies, then the State may, upon the expiry of the appropriate notice and subject to such conditions as may be specified in the relevant Pricing Supplement(s), redeem all (but not, unless and to the extent that the relevant Pricing Supplement(s) specifies otherwise, some only), of the Bonds of the relevant Series on the date specified in the relevant Pricing Supplement(s).

6. PARTICULARS OF THE PROGRAMME

8. Allotment and Subscription

8.1. Allotment

The Allotment of Bonds in respect of successful bids for each maturity will be made in ascending order of yields bid. At the highest yield accepted, Bonds will, if necessary, be allotted as far as practicable on a pro-rata basis in relation to the amount available at that yield, except that successful bidders shall be allotted an amount that is an exact multiple of the Principal with the minimum allotment being the amount specified.

8.2. Oversubscription

In the event that the number of bidders at the highest acceptable yield exceeds the amount of Bonds available at that yield per tranche, the State may either increase the amount available by up to 15% of the determined size of that particular tranche so that a minimum number of Bonds can be issued on a pro-rata basis to each successful bidder at that yield, or decrease the amount available so that no allocation of Bonds is made at that yield; provided however that, where the State increases the amount available, the oversubscription shall be subject to 15% of the size of the particular tranche (or such amounts as may be permitted by the SEC).

8.3. Under-issuance

The State reserves the right to issue less than the full amount of Bonds offered or proposed to be offered in any tender where the offer is under-subscribed.

9. Registration, Settlement and Transfer

9.1. Settlement Price

The settlement price will be rounded to the nearest Naira (to $1/100^{\text{th}}$ of a Naira being rounded down and to $1/100^{\text{th}}$ of a Naira, being rounded up).

Settlements during the period from the Record Date up to, but not including, the Coupon Interest Payment Date of any Bonds offered for tender will be on an ex-coupon interest basis. All other settlements will be on a cum-coupon interest basis.

9.2. Settlement

Bidders must fully pay for the Bonds allotted to them on the Settlement Date.

For any Bonds not fully paid for by a successful bidder after the expiry of the Settlement Date:

- the State reserves the right to cancel those Bonds; or
- the Issuing Agent reserves the right to take up those Bonds.

9.3. Registration of Bonds

Bonds may be held by individual persons, with right of survivorship. Organizations or trusts which are not incorporated should complete their application in the full name(s) of the trustee(s). No notice of any trust in respect of any Bonds will be entered in the Register or receivable by the Registrar. Each Bondholder is to be regarded as the absolute beneficial owner of the Bonds registered in its name and the State and the Registrar shall not be affected by any trust or other equity affecting any Bond, whether or not it is aware of the same.

If two or more Persons apply to be registered as Bondholders (as tenants in common), the Registrar may - after receiving an application from either Person and notifying the other Person(s) of its intentions to do so - divide the Bonds into the share for which each Person is expressed to be entitled and register each Person as the holder of the Bonds representing the Person's share. If the Bonds cannot be shared - where the minimum is 10,000 and a multiple of 5,000 - the Registrar may refuse to accept the application.

6. PARTICULARS OF THE PROGRAMME

9.4. Notices of Registration/Transfer

a. Register

The Registrar shall enter the following particulars of every holder of Bonds in the Register:

- Name and address of the Bondholder;
- Principal of the Bonds held;
- Coupon Interest Rate payable on the Bonds;
- Coupon Interest Payment Dates of the Bonds;
- Maturity Date of the Bonds;
- Such other particulars as may, from time to time, be required by the State; and
- Such other particulars as may, from time to time, be considered necessary by the Registrar.

The Registrar may correct errors and remedy omissions in the Register.

b. Transfer of Bonds

The Bondholder may, by way of a form of transfer in such form as the Registrar prescribes, transfer to any other person all or any of the Bonds of which it is the holder. Transfers must be in multiples of 5,000 and no transfer may be made if, as a result thereof, the Principal of the Bonds Registered in the name of the transferor or the transferee would be less than ₦5,000,000.

No transfer will be registered in the periods falling between each relevant Record Date and the Coupon Payment Date, and the Record Date immediately prior to the Maturity Date, up to the Maturity Date.

On production to the Registrar of a duly executed form of transfer, and such other evidence as the Registrar may require to prove the authority of the persons signing the same to sign on behalf of the transferor, the Registrar will enter the name of the transferee in the Register as the registered holder of the Bonds to which the form of transfer relates.

Upon registration of a form of transfer or other assignment on the Register, the transferee will be recognized as being entitled to the Bonds.

10. Certification of Transfers (Markings)

The Registrar may, on the application of a Bondholder, certify on a form of transfer of Bonds that the person named therein as transferor is entered on the Register as the Bondholder. Any such certification may be subject to such conditions as the Registrar prescribes.

Where a form of transfer of Bonds has been certified under this section, the Registrar may refuse to record any dealing with the Bonds until the form has been produced to it and the certification thereon cancelled, or the certification has expired by virtue of its conditions, or the Bonds have matured.

The Registrar will enter in the Register particulars of every form of transfer certified under this section.

11. Method of Payments of Coupon and Principal Amount

Bonds will bear Coupon on their respective Principals at the Coupon Rate specified for each Series. Coupon Rates may be fixed, floating, variable or index-linked with respect to an interest or exchange rate. Subject to the terms of each Pricing Supplement(s) Coupon is payable semi-annually (half the annual amount being paid) in arrears on each Coupon Payment Date up to and including the Maturity Date whereupon the Coupon/the Interest will cease to accrue on the Bonds. The Principal Sum due will be paid as specified in the relevant Pricing Supplement(s), either on an amortization basis or at maturity.

Coupon and principal payments are domiciled for payment in Nigeria. Payments of the Coupon Amount and the Principal Amount will be made on behalf of the Issuer by the Registrar. The relevant amount will be paid by transfer to the bank account(s) specified on the Commitment/Application Form, in respect of amounts exceeding ₦10 million or by

6. PARTICULARS OF THE PROGRAMME

warrant despatched by post or other suitable means (in the case of amounts below ₦10 million) to the Bondholder. No additional interest will be paid on any amounts in respect of which a warrant is issued.

The first Coupon payment will be for a full semi-annual period and will be payable on the Coupon Payment Date next following the issue date as described in the relevant Pricing Supplement(s). However, if issuance is in the period from the Record Date up to, but not including, the Coupon Payment Date, the payment (which will only be for a full semi-annual period) will be made on the next succeeding Coupon Interest Payment Date.

Where the Principal Amount is to be paid on an amortization basis, the payment(s) of the relevant Principal Amount shall be made on each Coupon Payment Date; subject to such provisions on moratorium as may be stated in the Pricing Supplement(s).

The Registrar will accept instructions from Bondholders prior to the Record Date, with regard to Coupon Payments. If the Coupon Interest Payment Date is not a Business Day, the Coupon Payment will be made on the next succeeding Business Day without payment of additional interest. The Coupon will cease to accrue on the Bonds from the Maturity Date.

If Zero Coupon Bonds are to be issued, the relevant Pricing Supplement(s) will set out the applicable provisions.

12. Purchase, Cancellation and Further Issues

The State may at any time offer to purchase, beneficially, Bonds from any person. Any Bonds so purchased may be retained, sold or cancelled at the discretion of the State, subject to the Commission's approval.

The State reserves the right to issue Bonds with the same Maturity Date and Coupon Interest Rate as any other Bonds already on issue, from time to time and whether by Invitation to Tender or otherwise subject to the Programme limit.

13. Bondholders Payments for Bonds Allotted/Subscribed

Investors will be required to pay for Bonds in the currency specified in the relevant Pricing Supplement(s). Each Issuing House may, under certain terms and conditions, arrange for the conversion of the investors' currency into the specified currency to enable investors effect payment for the bonds in the specified currency. Each such conversion will be made by such Issuing House on such terms and subject to such conditions, limitations and charges as such dealer may from time to time establish in accordance with prevailing foreign exchange practices, and subject to any applicable laws and regulations. All costs of conversion will be borne by such investors. A Certificate of Capital Importation will be issued in respect of such currency conversion(s).

7. TAX CONSIDERATIONS

The Bonds issued under the Programme are exempt from taxation in Nigeria. As such, all payments made to Bondholders shall be free and clear of Withholding, State and Federal Income and Capital Gains Taxes with no deductions whatsoever being made at source. In addition, proceeds from the disposal of Bonds are exempt from taxation.

The taxation landscape in Nigeria regarding debt securities, and more particularly in respect of Bonds, changed significantly following an announcement on March 16, 2010 (by the then Acting President of Nigeria, Goodluck Jonathan). The announcement communicated the approval of a waiver of taxes on all categories of bonds and short term Federal Government securities; including taxes prescribed pursuant to the Companies Income Tax Act, Personal Income Tax Act, Value Added Tax Act and the Capital Gains Tax Act, with the aim of eliminating respective taxes payable on such investments.

The details of the tax exemptions – valid for a period of ten (10) years from December 9, 2011 – are contained in the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order 2011 and the Value Added Tax (Exemption of Proceeds of the Disposal of Government and Corporate Securities) Order 2011.

This summary of the tax regime has been provided for information purposes only. A prospective investor who is in any doubt as to his/her tax position or who is subject to taxation in any jurisdiction other than in Nigeria should consult his/her own professional advisers without delay as to the consequences of an investment in the Bonds in view of his/her own circumstances. Neither the Issuer, the Issuing Houses nor the Issuer's tax advisers shall be liable to any subscriber (in any manner whatsoever) for their having placed reliance upon the information in this section.

8. LAGOS STATE

The information in this section has been extracted from documents and publications that are publicly available and have previously been released by either the Lagos State Ministry of Information; public and private organizations including the CBN, the Economic Intelligence Unit, the World Bank, the International Monetary Fund, the National Bureau of Statistics; or other financial and economic publications. Neither the Issuer nor its advisers are able to ascertain the omission of any facts, and whether such omission would render any extracted information inaccurate or misleading.

8.1 OVERVIEW OF LAGOS STATE

History

Lagos State was created on May 27, 1967 under the State (Creation and Transitional Provisions) Decree No. 14 (1967) which restructured Nigeria's Federation into 12 (twelve) States. Prior to this, Lagos Municipality had been administered by the Federal Government with the Federal Ministry of Lagos Affairs being the regional authority; while the Lagos City Council governed the City of Lagos. The metropolitan areas (Colony Province) of Ikeja, Agege, Mushin, Ikorodu, Epe and Badagry were administered by the Western Region. The State took off as an administrative entity on 11 April 1968 with Lagos Island serving the dual roles of being the State and Federal Capital. However, in 1976, Lagos Island ceased to be the capital of the State; the capital having been moved to Ikeja. The seat of the Federal Government was relocated to Abuja on December 12, 1991 and Lagos also ceased to be Nigeria's political capital. Lagos nevertheless remains the nation's economic and commercial capital.

Location

The State is located in the South-Western part of Nigeria along the narrow coastal plain of the Bight of Benin. It lies between Longitude 20° 42'E and 3° 22'E and between Latitude 6° 22' N and 6° 42' N. It is bound in the North and East by Ogun State of Nigeria, in the West by the Republic of Benin and stretches over 180 km along the Guinea Coast of the Bight of Benin on the Atlantic Ocean. The State comprises five administrative divisions of Lagos (Eko), Ikeja, Ikorodu, Epe and Badagry and 20 Local Government Areas. Geographically, Lagos State covers an area of 358,861 hectares or 3,577 square kilometres, making it geographically the smallest state in Nigeria.

Population

Lagos State is geographically the smallest state in Nigeria covering an area of 356,861 hectares, with 21% of this area being wetlands. According to the recent census conducted by the National Population Commission ("NPC"), the State has a population of over 24.6 Million out of a national estimate of 180 million. Although Lagos State is the smallest State in Nigeria, it has the highest population which is over five percent of the national estimate. According to the 1991 national census, the State had a population of 5,725,166 out of a national estimate of 88,992,220. The 2006 census recorded the population of the State as 17,552,942 out of a national total of 148 million. The rate of population growth is about 300,000 persons per annum, with a population density of 2,594 persons per sq.kilometer. In the urban area of Metropolitan Lagos, the average density is 8,000 persons per square kilometre on average (up to 55,000 inhabitants per sq.km in the densest part of the urban area). The city of Lagos was expected to reach 25 million by the year 2015, which would make it the 3rd largest city in the world.

The Structure of Government

Executive

The affairs of the State are overseen by the Governor who is its chief executive. The Governor is elected to a four-year term of office renewable only for another four year term. He is vested with executive powers, which subject to the provisions of the Constitution and of any law made by the House of Assembly, may be exercised directly or through the Deputy Governor and Commissioners or Advisers. The Governor is empowered to appoint Commissioners and Advisers and to assign responsibilities to them, including the administration of any department of Government. An appointment to the office of Commissioner is deemed to have been made where no return has been received from the House of Assembly within (21) twenty-one working days of the House's receipt of the nomination of such a Commissioner from the Governor.

8. LAGOS STATE

Legislature

The legislative powers of a state are vested in a unicameral legislative body called the House of Assembly. The current House of Assembly, which is the 8th House of Assembly was inaugurated on June 8, 2015, and has 40 members. A state House of Assembly is required by the Constitution to consist of not less than 24 twenty-four and not more than 40 forty members who serve 4 four-year terms. The Head of the House of Assembly is called the Speaker, assisted by a Deputy Speaker, both of whom are elected by the members of the House from amongst themselves. The House is made up of representatives from all the local governments within the state and subject to the provisions of the Constitution, exercises identical functions at the state level with those of the National Assembly at the federal level.

Judiciary

The Chief Law Officer of the State is the Attorney General and Commissioner for Justice of the State. In accordance with the Constitution, judicial authority is vested mainly in the following courts: the State High Court, Sharia Court of Appeal of the State and Customary Court of Appeal of the State and such other courts as may be authorised by law to exercise jurisdiction at first instance or on appeal on matters with respect to which a House of Assembly may make laws. Presently, the state judiciary is made up of the State High Courts, the Magistrate Courts and the Customary Courts.

Local Government

There are presently 20 (twenty) local government councils and 37 local council development areas in Lagos State. Each local government area is administered under a local government council headed by a Chairman, who is the chief executive of the local government council and other elected members. The functions of local governments include the consideration and making of recommendations to the State on economic development, administrative and urban planning matters. Specific matters include collection of rates, radio and television licenses, establishment and maintenance of cemeteries and homes for the destitute or infirm, naming of roads and streets, numbering of houses and such other functions as may be conferred on a local government council from time to time by the State House of Assembly.

Judicial Administration

The Lagos State Judiciary is the oldest Judiciary in Nigeria, having been in existence since the period of the cession of Lagos to the British Government when it was established and known as the Colony Province Judiciary. The Magistrates' Court was the first Court to be established. Thereafter, the High Court was established and was called the Supreme Court although its jurisdiction was limited to Lagos. On attainment of self-government, the Federal Territory of Lagos inherited the two systems of Courts - the Magistrates' Courts and the Supreme Court.

Following the creation of the Federal Supreme Court, the Lagos Supreme Court became the High Court of the Federal Territory, Lagos. Upon the creation of Lagos State, the High Court and the Magistrate Court of the Federal Territory were merged with the High Court and Magistrate Court of the former Western Region then at Ikeja. This became the Lagos State Judiciary.

There are four (4) Judicial Divisions in Lagos State namely Ikeja, Lagos, Epe and Ikorodu Judicial Divisions - and seven (7) Magisterial Districts. The Magisterial Districts are Ikeja, Lagos Island, Yaba, Apapa, Ikorodu, Badagry and Epe. The Ikeja Judicial Division serves as the headquarters of the Lagos State Judiciary.

8.2 ECONOMIC REVIEW

Lagos is Nigeria's economic focal point, generating a significant portion of the Country's GDP. Most commercial and financial business is carried out in the central business district situated on the Island. Lagos has one of the highest standards of living in Nigeria and in Africa.

The Port of Lagos is Nigeria's leading port and one of the largest and busiest in Africa. It is administered by the Nigerian Ports Authority and it is split into three main sections: Lagos Port, in the main channel next to Lagos Island, Apapa Port (Site of the container terminal) and Tin Can Port, both located in Badagry Creek, which flows into Lagos Harbour from the west. The Port has seen growing amounts of crude oil exported, with export figures rising between 1997 and 2000. Oil and petroleum products provide 14% of GDP and 90% of foreign exchange earnings in Nigeria as a whole.

Economic growth in Lagos State is mainly driven by increased domestic activity. This is coupled with the high concentration of industrial and commercial activities in the State as demonstrated by the following indices:

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- About 2,600 settlements;
- Africa's fastest growing market (ranked 6th largest global city in 1999) – UNCHS²
- Annual population growth estimated at 600,000 people;
- Over 65% of Nigeria's total industries;
- Over 10,000 of Nigeria's commercial concerns;
- Over 250 financial institutions;
 - Headquarters of most Nigerian Banks;
 - Headquarters of the Nigerian Stock Exchange;
 - Headquarters of most Insurance Companies.
- Location of local and foreign conglomerates and headquarters of trans-national corporations, media hub, gangway of national telecommunications and energy systems;
- Mineral resources including; clay, silica sand, and bitumen; and
- Abundant Fishery resources.

Challenges

Concentration of the country's industrial and commercial activities in Lagos has led to massive migration into the State, which has led to a serious urban crisis characterised by dilapidating infrastructure, widespread unemployment, poverty, security threats, emergence of slums and environmental degradation. There is also the menace of coastal erosion which has been a constant threat to the lives and property of its citizens.

The State Government realises that the security of lives and property is germane to creating a 24-hour Lagos to help drive the socio-economic activities of the people and attain the vision of making Lagos State an investors' haven.

Investment Needs

The challenges of the state as indicated above can be improved upon via substantial investments in socio-economic and physical infrastructure, development and a repositioning of the State through the active collaboration of all stakeholders to achieve accelerated economic growth and sustainable urban development.

8.3 GOVERNANCE AND BEST PRACTICES

The successful implementation of any economic program is a function of the provision of an enabling environment by the State. This is provided through efforts to institutionalise good governance and best practice by the Lagos State Government. This is evidenced by the efforts to:

- Integrate Community Development Associations (CDAs) and Community Development Committees (CDCs) into the participatory network of service delivery and budgetary cycle of government at the State and Local Government levels.
- Implement Local Government reforms to improve on their roles, functions and relationship with their communities.
- Ensure a civil service that is responsive and efficient
- Place emphasis on service delivery through the implementation of e-governance in all operations and promote capacity building within the public service.

The Lagos State Government continues to make impressive strides including the introduction of far reaching reforms targeted at reducing the cost of governance in order to channel more funds to providing infrastructure. The State is committed to making Lagos work for everyone by focusing on the following: Security, Economy, Infrastructure, Healthcare, Social Welfare and Good Governance. Some of the major projects concluded by the State since May 2015 include:

1. Roads

- Construction/maintenance of 18 major roads. The roads include: Bale Yehwenu Street, Badagry, Akinrinlo Street, Adenuja Kajero Street, and Ilara Palace Road all in Somolu LGA. Others are Babatunde Bakare Street, Palace Road, Oligbe Road, Shrine Road, Mosque Raod, Back of Palace Raod, and Eluku Road all in Epe LGA.



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- Construction works are on-going in 167 other road projects, notable amongst them are, Lagos – Badagry, Ipaja-Ayobo roads, while a total of 131 roads were rehabilitated by patching, sectional resurfacing and overlay of roads spread across the State to stem road degradation, and the attendant traffic gridlock resulting in man-hour waste.

2. Health

- Procurement of 26 new Ambulances for 25 General Hospitals and LASUTH;
- Creation of 14 additional LASAMBUS operational points in Agege, Ajeromi, Apapa, Eti-Osa, Epe, Ibeju Lekki, Ikorodu, Kosofe, Lagos- Island, Mushin, Ojo, Somolu, Surulere and Badagry West LCDA.
- Installation of X-ray machine at Ijede and Amuwo-Odofin General Hospital Accident & Emergency Centre and Agbala Paediatric Health Centre, Ikorodu.

3. Transportation

- Reorganization of the leadership of the Lagos State Traffic Management Authority (LASTMA)
- 2,500 traffic signs produced and installed at various parts of Lagos Metropolis to educate road users
- Routine maintenance of existing 114 Traffic Signal Light installations have been carried out while standardization of Traffic Signal Light installations is ongoing.



4. Education

- 4 new secondary schools in: Offin-Ile Community Senior Secondary School, Offin-Ile, Ikorodu; Adesowon Senior High School, Illara-Epe; Odo Ayandelu-Onosa Community Junior Secondary School, Tomaro Island, Amuwo-Odofin.
- 1,150 double bunk beds and 2,300 mattresses supplied to 28 public boarding secondary schools in the State
- 5,710 sets of furniture supplied to primary and secondary schools in the State

5. Security

- Equipment worth ₦4.765bn handed over to the Lagos State Police Command.

6. Job Creation

- Establishment of an Employment Trust Fund with a commitment of ₦25 Billion in four years by the Government. ₦1 Billion to be accessed by each of the five divisions in the State for the next four years – Ikorodu, Badagry, Ikeja, Lagos and Epe Divisions.

8.4 MEDIUM TERM STRATEGY OF THE STATE

Lagos State, being the hub of the nation's industrial and commercial activities, continues to witness a massive influx of people from other parts of the country on an annual basis. This has led to a surge in its population with the attendant strain on its social and physical infrastructure, the rapid emergence of slums, conurbations and consequently, severe environmental degradation. The effect of this growth is also felt in neighbouring States of Ogun and Oyo.

In order to combat these challenges and boost economic development, the Lagos State Government has developed a Medium-Term Budget Framework ("MTBF")/ Fiscal Strategy Paper ("FSP") that seeks to increase investment in socio-economic infrastructure that will achieve significant economic growth and sustainable urban renewal and development of the State through collaboration with stakeholders.

The vision of the Lagos State Government is that by 2025 Lagos will be Africa's model megacity and global economic and financial hub that is safe, secure, functional and productive; achieved through poverty eradication and sustainable economic growth through infrastructure renewal and development. The investment in PATH (Power, Agriculture, Transportation and Housing) over the last four years was geared toward the attainment of the four pillars of the State Development Plan.

Macroeconomic objectives for the medium term (2016-2018), includes maintaining the real economic growth at an annual rate of 7% up to 2018; reducing the rate of inflation to less than 9% by 2018; adhering to prudent limits for expenditure to ensure low fiscal deficits and sustainable levels of public debt; creating a framework in which public funds are allocated optimally and cost-effectively to meet Government's policy aims, thus ensuring improvement of key performance indicators in Lagos State; adoption of accurate revenue estimates and the continued, sustained growth in tax revenue from LSIRS and

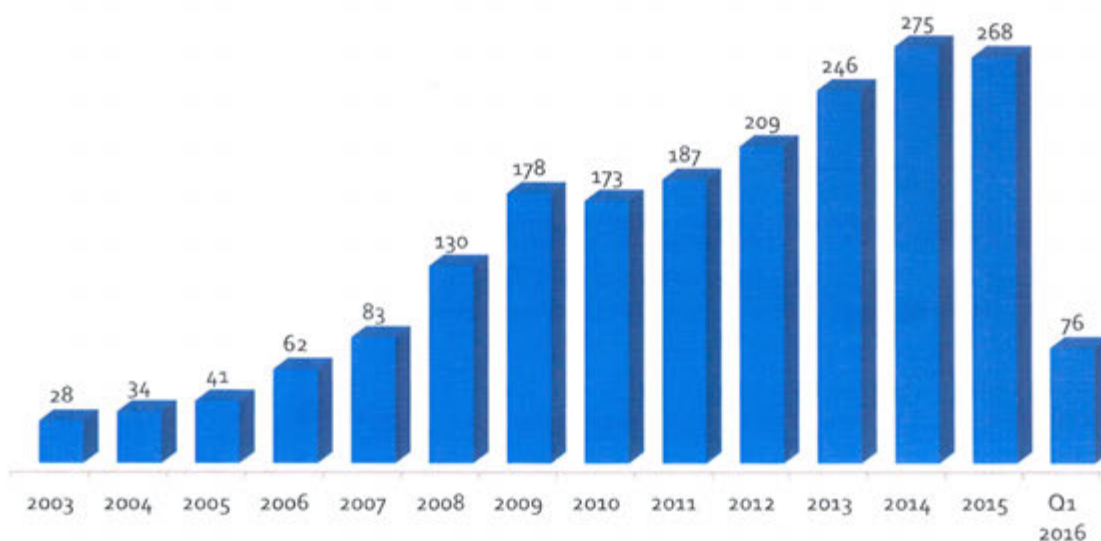
8. LAGOS STATE

non tax revenue from other revenue generating agencies in Lagos State; creating an enabling environment for private sector development through Public Private Partnership (PPP) initiatives; and improving governance and developing well functioning public financial management system.

8.5 FINANCES OF LAGOS STATE

The dynamic nature of Lagos State's finances is demonstrated by the growth in the state's Internally Generated Revenue ("IGR") and the increase in budgetary provisions/executions, particularly the capital sector programmes over the years.

Figure 1: Internally Generated Revenue 2003 – Q1 2016 (N' Billions)



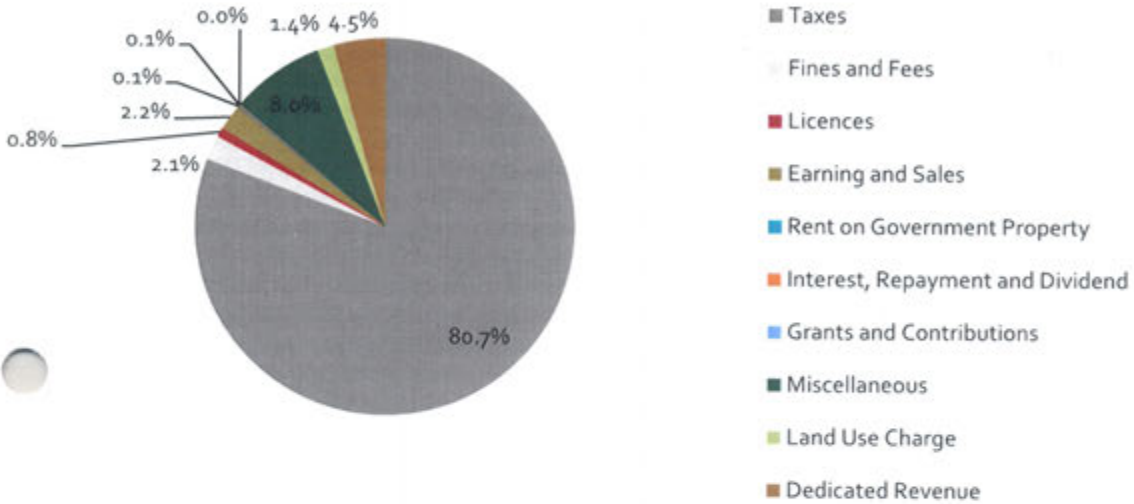
Source: Lagos State

Between 2003 and Q1 2016 there was an increase of over 72.5% in the IGR of the Lagos State Government. IGR is estimated to be N268 Billion for the year 2015. The State's annual budget has grown significantly over the same period. Current efforts of the State Government, particularly in the execution of the Government's agenda to make Lagos work, embedded in the Capital Expenditure Programme indicate a geometrical progression in the overall growth of the Lagos State Economy.

The State's income profile in 2015 indicates that Taxes were the main source of IGR at c.80%, with dedicated revenue contributing c.4.5%. Infrastructure renewal and respective public-private sector partnerships are creating and providing a more conducive living environment for Lagosians, prompting greater tax responsibility amongst residents in the State.

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Figure 2: Internally Generated Revenue – Q1 2016



Source: Lagos State

The Lagos State Government generated a total revenue of N101.69bn in the first quarter of 2016 compared to N97.28bn in the first quarter of 2015. This is attributed to the implementation of multiple revenue collection channels and broadening of the revenue base, which will continue to improve the income of the state throughout the year. During the first quarter of 2016, the state expended a total of N48.88bn on capital projects, with a ratio of capital expenditures to recurrent expenditures closing at 50:50, compared to a ratio of 21:79 in the first quarter of 2015.

8.6 CONCLUSION

Lagos State is on its way to becoming a mega city state as has been projected. It is expected that as the State continues to aggressively pursue the execution of its agenda to make Lagos work for all, there will be a substantial increase in the socio-economic and overall development of the State. Although the State generates most of its revenue from IGR and is less susceptible to oil revenue shocks, there is still a need to grow its IGR consistently.

9. REPRESENTATIVES OF THE LAGOS STATE EXECUTIVE COUNCIL

Lagos State has an Executive Council ("ExCo"), which comprises the Governor, the Deputy Governor, the Secretary to the State Government, the Commissioners, the Special Advisers, the Head of Service, Chief of Staff and the Deputy Chief of Staff. The Special Assistants are occasionally in attendance at the ExCo meetings

The profiles of some key representatives of the State Executive Council are provided below:

Lagos State has an Executive Council, which comprises of the State Governor, the Deputy Governor, the Secretary to the State Government, Commissioners, Special Advisers, the Head of Service, Chief of Staff and the Deputy Chief of Staff. Special Assistants are also occasionally in attendance at the meetings of the Council.

The profiles of some representatives of the State Executive Council are set out below:



His Excellency, Mr. Akinwunmi Ambode is the Governor of Lagos State and the Chairman of the Lagos State Executive Council. He holds both a B.Sc. (1984) and M.Sc. (1987) in Accounting from University of Lagos and qualified as a Chartered Accountant in 1987. He is a Fellow of the Institute of Chartered Accountants of Nigeria and a member of the Nigerian Institute of Management. He was awarded the Fulbright Scholarship for the Hubert Humphries Fellowship programme in Boston University Massachusetts (1998) and spent the Fellowship Year studying Public Leadership with emphasis on Finance and Accounting. During the programme, he undertook professional internships at The Federal Reserve Bank (Boston), the Cabinet Office of Administration and Finance (Governor's Office), City of Boston Treasury Office as well as with the World Bank and International Monetary Fund. He has also completed the Advanced Management Programme at Wharton Business School at Harvard Kennedy School of Government, Boston, United States of America. Governor Ambode commenced his career at the Lagos State Waste Disposal Board (now LAWMA) as Accountant Grade II in 1986 and over a 10 (ten) year period, worked in various capacities in local government councils including Assistant Treasurer, Badagry Local Government (1988 to 1991); Auditor, Shomolu Local Government (1991) Council Treasurer, Alimosho Local Government; Council Treasurer, Shomolu Local Government; Council Treasurer, Mushin Local Government. He became the acting Auditor-General for Local Government in 2001, a position that was confirmed by the State House of Assembly later that year. He was appointed Permanent Secretary in the Ministry of Finance in January 2005 and between 2006 and 2012, was the Accountant-General for Lagos State. He retired from the Lagos State Civil Service in August 2012 and founded Brandsmiths Consulting Limited, a firm that provides Public Finance and Management Consulting services. On May 29 2015, he was sworn in as the Governor of Lagos State.



Her Excellency Dr. Idiat Oluranti Adebule is the Deputy Governor of Lagos State. She holds a B.A.(Ed) in Islamic Studies (1992), M. Ed (1997) in Curriculum Studies and Ph.D. in Curriculum Studies (2012) from Lagos State University. She also holds a Certificate in Early Childhood Development Curriculum and School Administration and Assessment from the Nigeria Institute of International Education Association (2006). Dr. Adebule began work as a lecturer in the Department of Religious Studies, Lagos State College of Primary Education, Epe; and transferred to the Lagos State University where she served as a lecturer in the Departments of Curriculum Studies and Language Arts and Social Studies in the Faculty of Education. She served as Commissioner 1, Lagos State Post Primary Teaching Service Commission (TESCOM) now Teachers' Establishment and Pensions Office) (October 2000 to February 2005) and a Board Member of the Lagos State Scholarship Board (February 2005 to November 2005). In July 2011, Dr. Adebule was appointed as the Secretary to the Lagos State Government and on May 29, 2015 she was sworn in as the Deputy Governor of Lagos.



Mr. Tunji Bello is Secretary to the State Government.

He holds a B.Sc. in Political Science from University of Ibadan (1984); a Masters degree (ML.D) in International Law & Diplomacy (1987) and LL.B from University of Lagos (2000) and was called to the Nigerian Bar in 2001. He commenced his career at First Bank of Nigeria Limited (1978 - 1980). At various times, he was the Editor, National Concord (1999 - 2000); the Editor, Sunday Concord (1995 - 1999) and Chairman of the Editorial Board, ThisDay Newspapers (2001 - 2003). He served as Commissioner for the Environment (2003 to 2007 and 2011 to 2015) and the Managing Director/Chief Executive Officer of Lagos State Signage and Advertisement Agency (LASSAA) (2007 to 2011) prior to being appointed the Secretary to the State Government in May 2015.

9. REPRESENTATIVES OF THE LAGOS STATE EXECUTIVE COUNCIL



Mr. Adeniji Kazeem is the Honourable Commissioner for Justice and Attorney-General. He holds a B.Sc. (Political Science) (1986) and LL.B (1990) from the University of Lagos. Thereafter, he obtained a B.L (1991) from the Nigerian Law School and an LL.M (Information Technology and Telecommunications Law) from the University of Strathclyde (2004). Mr Kazeem commenced his career as a Research Assistant on International Affairs at the Nigerian Institute of International Affairs (1986 to 1987); and was a Senior, Tax and Business Regulatory Services at Arthur Andersen (now KPMG Professional Services) (1991 to 1996). Prior to his appointment as Honourable Commissioner for Justice and Attorney-General in October 2015, he was Managing Partner at Adeniji Kazeem & Co (1996 to 2015).



Mr. Akinyemi Ashade is the Honourable Commissioner for Finance and Acting Commissioner for Budget and Planning. He holds a B.Sc. (Biology) (1997) from the University of Lagos, qualified as a Chartered Accountant in 2004; and is a Fellow of the Institute of Chartered Accountants of Nigeria (2015). Mr. Ashade started his career at Arthur Andersen, Nigeria (now KPMG Professional Services) in 1999 as a Staff Assistant and was appointed a Partner in the firm in October 2013. He was appointed Commissioner for Economic Planning and Budget in October 2015 and subsequently appointed as a Commissioner for Finance in November 2016 while still remaining Acting Commissioner for Economic Planning and Budget.



Mr. Oluwatoyin Suarau is the Honourable Commissioner for Agriculture. He holds a National Diploma in Business Administration (2000) from Centre for Management and Information technology, Ibadan, a B.Sc. (Business Administration) (2003) from Ambrose Alli University, Ekpoma. He started his career with the Badagry Local Government (1978 to 1987) and later joined the Nigerian Immigration Service (1987 to 2002). He was Executive Secretary, Iba Local Council Development Authority (2004 -2007) and became Executive Chairman, Iba Local Council (2007 to 2009). Prior to his appointment as the Commissioner for Agriculture in October 2015, he served as a member of the Federal House of Representatives (2009 to 2015).



Prince. Gbolahan Lawal is the Honourable Commissioner for Housing. He holds a B.Sc (Botany) from the University of Port Harcourt (1992) and M.Sc. (Violence, Conflicts and Development) from the School of Oriental and African Studies, University of London (2008). Prince Lawal also attended the Nigeria Police Academy (1998) and was commissioned as an Assistant Superintendent of Police. He started his working career as a Scientific Officer/Deputy Liaison Officer, Raw Materials Research and Development Council (1994 to 1996); was a Traffic Officer, Kebbi State Police Command (May to December 1998) and Divisional Crime Office, Birnin Kebbi (Divisional Headquarters) (January to May 1999). He served as Escort/Guard Commander, Governor of Lagos State (1999 to 2001); Aide de Camp (ADC), Governor of Lagos State (2001 to 2007) and Senior Special Assistant (Special Projects), Governor of Lagos State (2008 to 2011). He was Honourable Commissioner, Agriculture & Co-operatives (2011 to 2015), prior to being appointed as Commissioner for Housing in October 2015.

9. REPRESENTATIVES OF THE LAGOS STATE EXECUTIVE COUNCIL



Dr. Jide Idris is the Honourable Commissioner for Health. He holds an MBBS from College of Medicine, University of Lagos (1980) and a Masters in Public Health (MPH) from Yale University (1985). He worked in a senior management position in a private health consulting firm, Health Aids Limited (1985 to 1988), was Managing Partner of Jols & Associates Limited, Lagos, a private healthcare consulting firm (1992 to 1995) and was also Medical Doctor-in-Charge at DYS Trocca Valsessia & Co. Ltd, Lagos, a company staff clinic (1993 to 1995). He returned to the United States in 1995 and served clinical clerkships with First Care Medical Clinic, Charlotte, North Carolina; Metrolina Nephrology Associates, P.A and Mid Carolina Cardiology (1995 to 1997) and became a Post-Doctoral Research Fellow, Blood Pressure Research Unit, Irvin Center for Clinical Research, Columbia University, Div. of Cardiology, New York (1998). Dr. Idris was appointed Permanent Secretary, Lagos State Ministry of Health in June 1999 and has served as Commissioner for Health since July 2007.



Prince. Rotimi Ogunleye is the Honourable Commissioner for Commerce, Industry and Cooperatives. He holds a B.A (Hons) in English Language and Literature from University of Ife (now Obafemi Awolowo University) (1983), LL.B from Lagos State University (1998) and B.L (2000). He also attended the Nigerian Institute of Journalism (1990) and obtained a PGD in Journalism. He was Business Editor, Daily Times (1996 - 1998); and Editor, Business Times (1999 to 2001). He was Principal Counsel at Rotimi Ogunleye & Associates (2003 to 2015), until his appointment as Commissioner for Commerce, Industry and Cooperatives.



Engr. Ganiyu Johnson is the Honourable Commissioner for Works and Infrastructure. He holds a B.Sc (Civil Engineering) (1976) and MSc. (Civil/Structural Engineering) (1981) from the University of Southern California. He started his career with the Bechtel Power Corporation, Norwalk, USA (1980 to 1983) as Structural Engineer. Thereafter, he gained employment with the Federal Ministry of Works and Housing as Engineer Grade I (1984 to 1985) before transferring his services to the Lagos State Government. He was appointed as General Manager, New Towns Development Authority (NTDA) (1998 to 1999) and thereafter seconded to the Lagos State Public Works Bureau also as General Manager (1999 to 2000). Engr. Johnson was then appointed the Permanent Secretary in the Bureau (2000 to 2003) and subsequently, the Permanent Secretary in the Office of Infrastructure (2003 to 2007). He served as Special Adviser (Works and Infrastructure) to the Governor (2007 to 2015) and was appointed as Commissioner for Works and Infrastructure in October 2015.



Mr. Olawale Oluwo is the Honourable Commissioner for Energy and Mineral Resources. Mr. Oluwo holds a B.Sc. (Economics) (1989) from University of Lagos and qualified as a Chartered Accountant in 1997. He has had extensive experience in banking, commencing with Prime Merchant Bank (now defunct) (1990 to 1992) and then FSB International Bank Plc (now Fidelity Bank) (1992 to 1995), First City Monument Bank Plc (1995 to 1997) and Intercontinental Bank Plc (now Access Bank Plc) (1997 to 2002). He joined Eurodollar Investment Limited (2003) before moving to Head, Corporate Banking & Finance at Continental Trust Bank Limited (now UBA Plc) (2003 to 2004). He moved to Prudent Bank Plc (now Skye Bank) (2004) prior to joining BGL Group (2004 to 2013). In December 2013, he was appointed Executive Director (Operations) at Trustfund Pensions 2013 and served in that capacity until he became Honourable Commissioner for Energy and Mineral Resources in October 2015.

9. REPRESENTATIVES OF THE LAGOS STATE EXECUTIVE COUNCIL



Dr. Babatunde Samuel Adejare is the Honourable Commissioner for Environment. He holds an MBBS (1988) from the University of Ilorin and a Masters in Public Health (MPH) (2010) from Lagos State University. (2010). Dr. Adejare was Medical Officer at Mbiaya Uruan Comprehensive Health Centre, Akwa Ibom State (1990 to 1991) and thereafter, Senior Medical Officer, Betta Hospitals, Lagos (1991 to 1993) and Medical Director, Graces' Medical Centre, Lagos (1993 to 2002). He was elected to the Lagos State House of Assembly (2003 to 2007), representing Agege II Constituency; re-elected in 2007 and served as Chairman, House Committee on Health Services. In 2011, he was elected to the House of Representative - representing Agege Federal Constituency – and served in this capacity until his appointment as Commissioner for Environment.



Dr. Benson Akintola is the Honourable Commissioner for Establishment, Training and Pensions. He holds a B.Sc (Hons) (Political Science) (1990) and M.Sc. Political Science (1992) both from University of Lagos. He obtained an LL.B (2000) from Lagos State University and thereafter a Ph.D. (Political Science) (2011) from University of Lagos. He started his working career as Public Relations, Research and Publications Manager at Samak Investments Ltd (1992 to 1993). He served as Senior Special Assistant (Political Affairs) to the Governor of Lagos State (1992 to 1993); Senior Special Assistant (Media Relations) (1999 to 2007); Senior Special Assistant (Information & Strategy) (2007 to 2011). Until his appointment as Commissioner for Establishment, Training & Pensions, he was Senior Special Assistant (Policy, Politics & Law) (2011 to 2015) to Asiwaju Bola Tinubu, the National Leader of the All Progressives Congress (APC).



Mr. Seye Oladejo is the Honourable Commissioner for Special Duties and Intergovernmental Relations. He holds a B.A. (Hons) (English Studies) from the Obafemi Awolowo University (1987). Mr. Oladejo started his career as Mobilization Officer, Directorate of Mass Mobilization (Ibadan) (1988), following which he was at the Daily Times as Promotions Officer (1989 to 1990); and General Manager, Gold Link Media (1990 to 1999). He then became Secretary to Mushin Local Government (1999-2003) and was thereafter appointed the First Executive Chairman, Mushin Local Government (2004 to 2007). He served as Special Adviser (Commerce & Industry) to the then Governor (2011 to 2015), until he was appointed as Commissioner for Special Duties and Intergovernmental Relations on October 2015.



Dr. Abdul-Hakeem Abdul-Lateef is the Honourable Commissioner for Home Affairs. He holds LLB (1990), LLM (2002), MBA (2012), Ph.D (2015). He was a member of Lagos House of Assembly (2003 – 2007) representing Oshodi-Isolo Constituency. He was first, the House Committee Chairman on Education before he was made the Chairman, House Committee on Judiciary/Human Rights Committee. He was Special Adviser (Political and Legislative Powers) to the Governor of Lagos State (2007-2011).



Mr. Steve Ayorinde is the Honourable Commissioner for Information and Strategy. He holds a Certificate in Music (1990), Obafemi Awolowo University; Certificate in Mass Communication and Speech Writing, University of Lagos (1996) and an M.A in Globalisation and Communications, University of Leicester (2006). His career started at The Guardian newspapers, where he was a Correspondent (1992 to 1999); thereafter he was Arts Editor at The Comet newspaper (now The Nation) (1999 to 2003). He then became Editor of The Punch newspaper (2007 to 2010), before working at the National Mirror as Managing Director/Editor-in-Chief (2010 to 2013). Prior to his appointment as Commissioner for Information and Strategy, he was Executive Consultant (Media and Communications) at Resort International Limited.



Mr. Musiliu Folami is the Honourable Commissioner for Local Government and Community Affairs. Mr. Musiliu Olohuntele Folami worked as the Head of Directorate of Finance & Supply, Lagos State Audit Department (1988 – 1989). He later worked as Special Adviser on Political & Legislative Matters, Lagos State and then Chairman, Lekki Free Trade Community Relations Committee. He is a fellow of the Nigerian Institute of Management, the Institute of Entrepreneurs Nigeria and the Chartered Institute of Administration.



Mr. Wasiu Anifowoshe is the Honourable Commissioner for Physical Planning and Urban Development. He holds B.Sc. (1979) and M.Sc. (1980) (Architecture) degrees and M.Sc. (City and Regional Planning) (1982) from Howard University, Washington DC, USA. He began his career as a Town Planning Officer, Lagos State Lands and Physical Planning department (1984 to 1985). Between 1985 and 2012, Arch Anifowoshe worked as General Manager with the Lagos State Urban Renewal Authority under the Ministry of Physical Planning and Urban Development (1990 to 1996); Assistant Director, Amuwo-Odofin District Area Office of the Lagos State Ministry of Physical Planning & Urban Development (1997 to 1998); District Officer, Planning Research and Statistics Department (1999 to 2000); and Deputy Director, Development Control Department, Ministry of Physical Planning and Urban Development Ministry (2000 to 2002); Director, Physical Planning Department of Lagos State Urban Renewal Authority (LASURA) (2003 to 2006); Head of Department, Development Matters Department (2006 to 2007); Head, Physical Development Audit Department (2009 to 2011). He was General Manager, LASURA (2011 to 2012) before starting his own practice, Contemporary Consult Group. He was Managing Partner, Contemporary Consultant Group (2012 to 2015), until his appointment as Commissioner for Physical Planning and Urban Development in October 2015.



Mr. Olufemi Odubiyi is the Honourable Commissioner for Science and Technology. He holds a B.A. (Hons) Accounting and Finance (1986) from London Metropolitan University and an M.Sc. Information Systems Engineering, from London South Bank University. He began as a Trainee Accountant with Richard Dumbar Associates (1986 – 1989) and then worked with Beta Consultants as a Project Consultant (1995-2000). He has worked as a Senior IT Consultant, Titan System Corp., Virginia, USA (2000 to 2002). Mr. Odubiyi left the USA to join V-Mobile Nigeria as Systems Support Manager (2002-2004), rising to the position of Head of IT Systems (2004-2005). He was Head of IN & Prepaid Services at Zain (now Airtel) (2006); and Director of Billing and Value Added Services (2007 to 2008). He then moved to Dangote Industries Ltd. as IT Director (2009 to 2015) until his appointment as Commissioner for Science and Technology in October 2015.



Engr. Adebowale Akinsanya is the Honourable Commissioner for Waterfront Infrastructure Development. He holds a B.Sc. (Mining Engineering) (1975 - 1977) and M.Sc. (Civil Engineering) (1978 - 1979) both from the University of Missouri-Rolla. Prior to being appointed as Commissioner for Waterfront Infrastructure Development in October 2015, he worked as a Supervising Bridge Engineer in California, U.S.A.



Mr. Babatunde Durosinmi-Etti is the Honourable Commissioner for Wealth Creation and Employment. He holds a B.Sc. (Political Science) (1979) and MPA (Public Policy/Personnel Management) (1982), both from the University of Lagos; and a Masters in International Public Policy (2012) from Johns Hopkins University. He started his working career as an Accounting Trainee with Arthur Young Osindero & Co. (1979 to 1980) and thereafter worked with the Nigerian Television Authority (NTA) as an Administrative Officer (1980 to 1981). He joined the Administration/Personnel Division of the Nigerian National Petroleum Corporation as an Officer and left as a Senior Officer (1981 to 1988). Mr. Durosinmi-Etti joined Centre Point Merchant Bank Limited as a Manager and rose to the position of Senior Manager (1988 to 1992) before joining Equatorial Trust Bank Limited as a Principal Manager (Management Services Division) (1992 to 1993) and rose to the position of Deputy General Manager (Private Banking Division) (1994). He started his own business, Support & Management Services Limited (1996 to 2006) before being appointed as Group Managing Director, Ibile Holdings Limited and Senior Special Assistant to the Governor of Lagos State on Revenue and Investment (2006 to 2011). He was an independent consultant (2011 to 2013) prior to serving as Special Adviser on Economic Policy to the National Assembly (2013 to 2015) and his appointment as Commissioner in October 2015.



Mrs. Lola Akande is the Honourable Commissioner for Women Affairs and Poverty Alleviation. She holds a B.Sc (Botany) (1983) from the University of Ife (now Obafemi Awolowo University); a Post Graduate Diploma in Education (PGDE) and a Masters Degree in Public Administration (MPA) both from the University of Lagos (UNILAG). She was elected into the Lagos State House of Assembly, representing Ikeja Constituency II (2007 to 2011) and served as Deputy Chief Whip in the Legislature; and she was re-elected to the State House of Assembly (2011 to 2015), where she was the Deputy Majority Leader of the House prior to being appointed Commissioner for Women Affairs and Poverty Alleviation in October 2015.



Mrs. Uzamat Akinbile-Yusuf is the Honourable Commissioner for Youth and Social Development. She is a graduate of Pharmacy from the University of Lagos (1998-2006) and owner of pharmaceutical company, Musarog Pharmaceuticals.

10. USE OF PROCEEDS

The particular purpose of each issuance will be specifically stated in the Pricing Supplement issued for each Series. The costs and expenses of the issue are payable by the State and will be deducted from the gross issue proceeds.

11. RISK FACTORS

An investment in the Bonds involves a high degree of risk. Accordingly, prospective investors should carefully consider the following risk factors included in this Prospectus before purchasing the Bonds. The risks below are not the only risks facing the State. Additional risks and uncertainties not currently known to us or that we currently consider immaterial may also materially and adversely affect the State. Any of the following risks could result in a material adverse effect on the State's financial condition, results of operations and ability to service debt, including the Bonds. These risks may also have a material adverse effect on the revenue, costs and other estimates and assumptions made for purposes of the financial model shown in this Prospectus, causing actual operating results to be materially lower than those reflected in the financial model.

Investors should consider carefully whether this investment is suitable for them in the light of the information in this Prospectus. If they are in any doubt, they should consult with an independent financial adviser. This Prospectus is based upon current legislation and tax practice and any changes in the legislation or in the levels and bases of, and reliefs from, taxation may affect the value of the investment.

11.1 GENERAL BOND RELATED RISKS

Trading Market for the Bonds

There may not be very active two-way quote trading in the Bonds once issued, however, the listing of the bonds on the FMDQ-OTC increases the possibility of trading activity.

The liquidity of the Bonds is also somewhat limited and investors may not be able to trade the Bonds actively; although there are a number of initiatives aimed at developing and deepening the debt capital market and creating liquidity and a vibrant, tradable bond market, the impact of these initiatives on the trading Bonds cannot be assessed immediately.

Bonds may be subject to optional redemption by the Issuer

An optional redemption feature in the Bonds may negatively affect their market value. During any period when the Issuer may elect to redeem Bonds, the market value of those Bonds generally will not rise substantially above the price at which it can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Bonds when its cost of borrowing is lower than the interest rate on the Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds being redeemed and may only be able to do so at a lower rate.

Referencing to an index may subject the Bonds to additional risk

The Issuer may issue Bonds with Principal repayment or Interest payments determined by reference to an index (or formula), to changes in the prices of the securities or commodities or other relevant factors.

Potential investors should be aware that:

- they may receive no interest;
- they may lose all or a substantial portion (50%) of their principal;
- a relevant factor may be subject to significant fluctuations that may not correlate with changes in interest rates or other indices; and
- timing of changes in a relevant factor may affect the actual yield to investors, even if the actual level is consistent with their expectations; i.e., in general, the earlier the change in the relevant factor, the greater the effect on yield.

11. RISK FACTORS

Credit Risk

Bonds issued under the Programme will be general obligation bonds backed by the full faith and credit of the Issuer. If a prospective investor purchases Bonds, it is relying solely on the creditworthiness of the Issuer. In addition, an investment in the Bonds involves the risk that subsequent changes in the actual or perceived creditworthiness of the Issuer may adversely affect the market value of the Bonds.

Legal Investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Bonds are a legal investment for it, (ii) Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

Credit Ratings may not reflect all the potential risks associated with the Bond

The Bonds will be assigned a rating by two Ratings Agencies, Global Credit Ratings Co. and Agosto & Co. The ratings is not a recommendation to prospective investors to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time; the ratings may also not reflect all the risks that a potential investor may be seeking clarity on. A credit rating is not a recommendation.

11.2 MACROECONOMIC RISK

Impact of oil price volatility

Oil prices are unpredictable over the medium to long term and are determined by various factors outside the control of the State. The impact of volatile oil prices on the Nigerian economy is evident in dwindling external revenues, which has directly affected the distribution of statutory allocations to State governments through the Federal Account Allocation Committee. Each State in Nigeria receives monthly statutory allocations from federally accrued revenue in accordance with the Financial (Control and Management) Act Cap. F26 LFN 2004.

Lagos State also receives allocations through FAAC, although the State's Internally Generated Revenues represent 69.2% of the State's total revenue, which reflects less dependency on FAAC Allocations. Oil price volatility may have an impact on the State's projected revenue in terms of FAAC distributions.

Emerging Market Risk

Lagos, being located in a middle income country with typical emerging market challenges such as imperfect market conditions, lack of economic diversification and high cost of doing business, may be perceived to be a riskier investment destination.

Failure to adequately address actual and perceived risks of corruption may adversely affect Nigeria's economy and ability to attract foreign direct investment

Nigeria, under the new Administration of President Muhammadu Buhari, has implemented and is pursuing major initiatives to prevent and fight corruption and unlawful enrichment, however, corruption remains a significant issue in Nigeria as it is in many other emerging markets. Nigeria is ranked 136 out of 175 countries in Transparency International's 2014 Corruption Perceptions Index and placed 169 out of 189 in the World Bank's Doing Business 2015 report, which covers the period from June 2014 to June 2015. Since 2000, Nigeria has implemented various measures to prevent and fight corruption and unlawful enrichment. In particular, Nigeria created the Independent Corrupt Practices Commission in 2000 to receive complaints, investigate and prosecute offenders. In 2002, Nigeria also created the EFCC, which is mandated to combat economic and financial crimes (including powers of investigation and prosecution) and to enforce the provisions of certain laws and regulations relating to economic and financial crimes.

11. RISK FACTORS

Despite various reform efforts, corruption continues to be a serious problem impacting Nigeria. Failure to address these issues, continued corruption in the public sector and any future allegations of or perceived risk of corruption in Nigeria could have an adverse effect on the Nigerian economy and may have a negative effect on Nigeria's ability to attract foreign investment and, as a result, may have a material adverse effect on the State's business, results of operations, financial condition, cash flows and/or liquidity.

11.3 SPECIFIC RISK

Internally Generated Revenues

The State's IGR may not attain the projected growth rate and thus impact the State's ability to redeem the Bonds as and when due.

Interest Rate Risk

The Bonds may, in the event of a change in market conditions which result in an adverse change in interest rates, be unattractive to investors; with the prevailing rates being more attractive than the coupon on the issued Bonds.

11.4 ENVIRONMENTAL RISK

Natural disasters may have an impact on the expected revenue streams or destroy some of the projects being constructed. This might have a negative impact on the projected cash flows expected to be generated by the State. There may also be negative environmental impacts of respective projects proposed by the Lagos State Government.

11.5 SECURITY RISK

Sectarian conflicts in the Middle Belt and Northern Nigeria continue to pose a threat to Nigeria's political stability. The insurgence of the Boko Haram group has also been identified as major contributors to the regions' policy stasis; the activities of this group may have a material adverse effect on public safety and productivity nationally, even though the Federal Government of Nigeria has continued to tighten security to prevent the expansion of the group's activities. In addition, Militants from the Niger Delta region of the Country have attacked various pipelines in the oil producing Delta region. However, the Presidency has planned a dialogue with the militants in a bid to end pipeline vandalism.

12. THE N167.5 BILLION DEBT ISSUANCE PROGRAMME

The Lagos State Government established its 2nd Debt Issuance Programme on November 22, 2012 ("the 2nd Programme"). Under the 2nd Programme, the State was empowered to issue Bonds, Notes and Other Securities with an aggregate value of N167.5 Billion. Pursuant to the N167.5 Billion Programme, the State successfully completed the following issuances:

Tranche 1 – N80 Billion Bond

On November 22 2012, the State raised an N80 Billion 7-year Fixed Rate 14.5% Bond. The Bonds were offered by way of a Book Build. The Tranche 1 Bonds are secured by an Irrevocable Standing Payment Order (ISPO) on the State's Statutory Allocation. The State's semi-annual interest obligations under the Tranche 1 Bonds are funded from the Sinking Fund; with accumulations to the Sinking Fund being made from the ISPO as well as inflows from the CDSA. The CDSA is a savings account which is fully funded from 15% of the State's monthly IGR, for the purpose of servicing debt obligations. The Bond will be redeemed by 2019.

Tranche 2 – N87.5 Billion Bond

Lagos State issued the Series II bonds on November 27, 2013, the Series II issuance marked the largest ever issuance by a sub-national in Nigeria. The transaction was executed with an incisive and well-timed strategy, on the back of then volatile market conditions; as equity markets were unsettled. The deal was priced narrowly at 13.5%, c.95 bps above the benchmark FGN. The book build was concluded on November 19, 2013 with a robust order book that was 140.3% oversubscribed. The State's semi-annual interest obligations are serviced from the Sinking Fund with accumulations from the ISPO as well as inflows from the CDSA.

13. MACRO – ECONOMIC OUTLOOK

The information in this section has been extracted from documents and other publications released by various officials and other public and private sources, such as the CBN, the International Monetary Fund ("IMF") the Nigerian Debt Management Office ("DMO"), the National Bureau of Statistics ("NBS"), the Nigerian Federal Ministry of Finance ("FMF") and the Organization of Petroleum Exporting Countries ("OPEC"), as indicated herein. There is not necessarily any uniformity of views among such sources as to such information provided. We have not independently verified the information included in this section. The information in this section has been derived substantially from publicly available information, such as annual reports, official data published by the Nigerian government or regional agencies or other third party sources as indicated in the text.

13.1 INTRODUCTION

Nigeria is the largest economy in Africa by GDP. In 2015, Nigeria's nominal GDP was US\$481.1 billion, GDP per capita was US\$3,269 and real GDP growth was 2.69%. Nigeria ranks 21 out of 228 countries in terms of GDP on purchasing power parity (PPP) basis[†].

With an estimate of over 170 million people, Nigeria is the most populous country in Africa and the 8th most populous country in the world. The country's population is forecast to grow at an average of 2.8%[‡] annually with its total population expected to reach 200 million by 2020. The CIA World Factbook also estimates a labour force of 54.97 million with an average life expectancy of 53.02 years.

The country has the 10th largest crude reserves and 9th largest natural gas reserves in the world^{**}. According to OPEC, Nigeria is the thirteenth largest oil producing country globally^{††}.

13.2 ECONOMY

In April 2014, Nigeria rebased its nominal GDP from the 1990 base year to 2010. As a result of the rebasing, Nigeria became the largest economy in Africa (surpassing South Africa) and the 26th largest economy in the world, with a nominal GDP of US\$568.5 billion in 2014. In addition, real GDP growth post-rebasing was 6.3% in 2014.

The economy has enjoyed sustained economic growth for a decade, with annual real GDP growth averaging about 5.9% between 2005 and 2015. The non-oil sector was the major driver of growth. In 2014, services contributed about 52%; while manufacturing and agriculture, respectively contributed about 9% and 23% to GDP.

Despite the decline in oil output as a result of oil theft and pipeline vandalism, Nigeria recorded steady growth in GDP in the last decade due to the strong performance of the non-oil sector; proof that the economy is diversifying and is becoming more services-oriented, in particular through retail and wholesale trade, real estate, information and communication. However, over the last two quarters, our economy has contracted and has been expressed as going into a recession. Nigeria is also a significant exporter of cocoa, rubber and cassava, in addition to other significant natural resources.

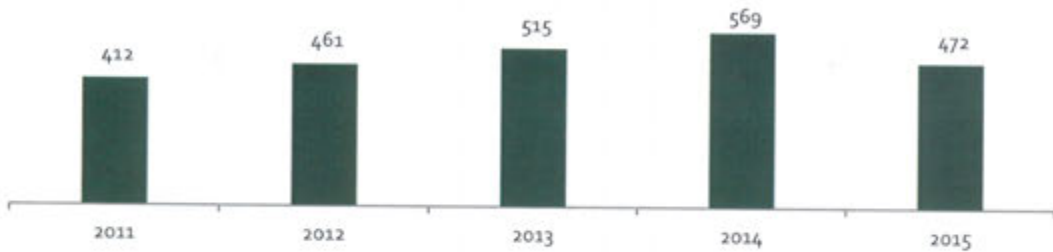
[†] CIA World Factbook

[‡] United Nations country data

^{**} OPEC Annual Statistical Bulletin, 2014

^{††} OPEC Annual Statistical Bulletin, 2014

Figure 3: Nigeria GDP (US\$ Billions)



However, the annual GDP growth expectation for 2015 is moderate, estimated at 5% due to vulnerability given slow global economic recovery, oil-price volatility and global financial developments. Nigeria witnessed a decline in fiscal revenues in 2015 brought on by the low oil prices which in turn was due to the excess global supply of crude oil vis a vis the available demand for crude oil.

In response to the drop in oil prices and the subsequent pressure on the Naira, the CBN implemented a two-time Naira devaluation within the space of four (4) months; 2.3% in November 2014 and 17.9% in February 2015), slightly impeding output growth in the process.

Real GDP growth slowed to a staggering 3.96% and further to 2.35% in the first and second quarters of 2015 compared to 6.21% and 6.54% in the corresponding quarters of 2014. This was due largely to tempered activities in the manufacturing sector as the effect of the devaluation of the Naira kicked in with inflated operating costs resulting from expensive import. This took its toll on inflation. Difficulty in accessing foreign exchange (FX) also contributed to declining output in the sector, as the Central Bank of Nigeria (CBN) barred many importers from accessing foreign exchange at the official rate making it difficult to obtain inputs/raw materials for production.

The CBN policy barring certain importers from accessing foreign exchange and classifying their goods as 'not valid for FX' was among certain currency control measures introduced by the Apex Bank particularly aimed at curbing "speculative activities". Other measures include restrictions on foreign currency cash deposits into domiciliary accounts and restrictions on foreign currency loans granted to firms earning local currency revenue.

Real GDP however picked up marginally in Q3 2015 at 2.84%. Real GDP growth for the manufacturing sector declined for three consecutive quarters (-0.70%, -3.82% and -1.75% year-on-year in the first, second and third quarters respectively from 15.41%, 14.01% and 16.00% in the corresponding quarters of 2014. In Q4 2015, real GDP growth of the manufacturing sector slowed by 13.09% to 0.38% (year-on-year) from 13.47% growth in Q4 2014. A fallout of these activities were varying-market shaping events that included the JP Morgan phase out of Nigeria's sovereign bonds from its emerging market bond index, difficulty in accessing foreign exchange by investors who tracked its GBI-EM series and an equity market dip of about 17.36% through the year, as foreign portfolio investors stalled in returning to the Nigerian Capital Market even after the peaceful outcome of the May general elections, one of many reasons why they initially pulled out.

It is expected that the non-oil sector will remain the main driver of growth over the medium term. Furthermore, in the light of the recent macroeconomic challenges, the Federal Government has adopted an adjustment strategy that hinges on tightening government spending and shoring-up non-oil revenues to compensate for dwindling oil revenues. Dealing with the Boko Haram insurgency which has plagued Nigeria over the last four (4) years is a major hurdle for the Government. Although commendable steps have been taken, such as the movement of the military command centre

13. MACRO – ECONOMIC OUTLOOK

into the heart of the crisis and the reclamation of most of the towns earlier captured by the terrorists, the crisis remains unabated.

There is also the rising threat of secession with some groups in the South East of Nigeria clamouring for a breakout from the country to form their own nation called 'Biafra'. These groups are the 'Movement for the Actualization of the Sovereign State of Biafra' (MASSOB) and the 'Indigenous People of Biafra' (IPOB). The recent clash between Nigeria's Army troops and Shiite Muslims in the Zaria area of Northern Kaduna also highlights some security risks.

Overcoming geographical and socio-economic barriers is central to achieving inclusive growth and sustainable development. Addressing rural-urban differences to ensure more balanced development through job creation and societal transformation will be critical for Nigeria's future. This will need to be done within all the six geo-political zones, in addition to addressing inequalities across these zones. Though, there have been several policy initiatives aimed at territorial development in Nigeria, limited success has been achieved in addressing the fundamental causes of unevenness. The problem often lies with a structure of governance that gives room for developmental policy implementation at the federal, state and local levels of governance but not at the regional level.

March/April 2015 Elections

In January 2014 INEC announced that the Presidential and National Assembly elections in Nigeria would be held on February 14, 2015 and the governorship and state assemblies elections on February 28, 2015. The elections were subsequently postponed to commence on March 28, 2015 and held successfully. Following the March and April 2014 polls, a former military ruler - Muhammadu Buhari - who had contested under the banner of the All Peoples Congress was declared the winner of the presidential election and was sworn in on May 29, 2015.

13.2.1 NIGERIA – KEY MACROECONOMIC INDICATORS

Table 1: Macro Economic Data

Economic Indicators	2015	2016F	2017F	2018F	2019F	2020F
GDP at market exchange rates (US\$ billions)	472	470	503	558	621	693
Nominal GDP growth (%)	-12.8%	-1.2%	7.0%	11.0%	11.3%	11.5%
GDP per capita (US\$ market exchange rates)	2,612	2,514	2,621	2,836	3,078	3,349
Average Consumer Price Index (CPI) (%)	9.0%	11.3%	11.0%	8.8%	8.5%	8.2%
Monetary policy rate (%)	11%	13%	11%	10%	10%	10%
Current account/GDP (%)	-3.2%	-2.8%	-2.5%	-1.2%	-1.2%	-0.1%
Population (million)	182.2	187.0	191.8	196.8	201.7	206.8
Total external debt (US\$ billions)*	10.7	11.0	11.7	12.3	13.1	13.9
Total external debt (% of GDP)	2.1%	2.3%	2.3%	2.2%	2.1%	2.0%
Exchange rate US\$/N (average)	199.0	214.7	235.0	245.0	255.0	265.0

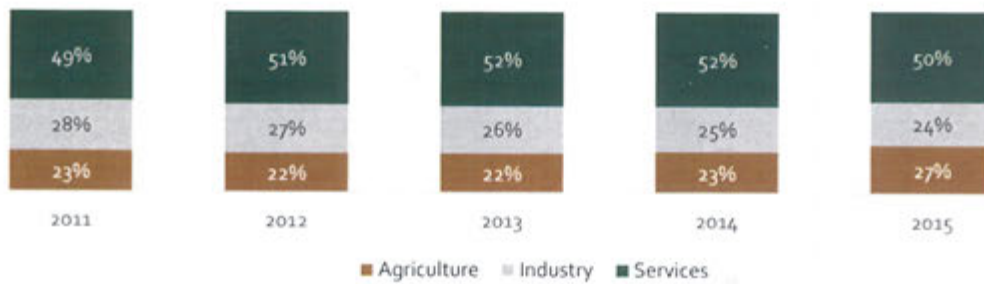
Source: Business Monitor International, World Bank

13.2.2 2015 GDP BY SECTOR CONTRIBUTION

According to NBS, the Services sector contributed largest percentage to the Nigeria GDP as at Q4 2015. The contribution of Finance and Insurance to real GDP totalled 3.14%, greater than the contributions recorded both in Q4 of 2014 and Q4 of the same year, which stood at 2.88%, but less than the contribution recorded as at Q3 2015 of the same year, which stood at 3.18%. A breakdown of GDP contribution by sector is given below

13. MACRO – ECONOMIC OUTLOOK

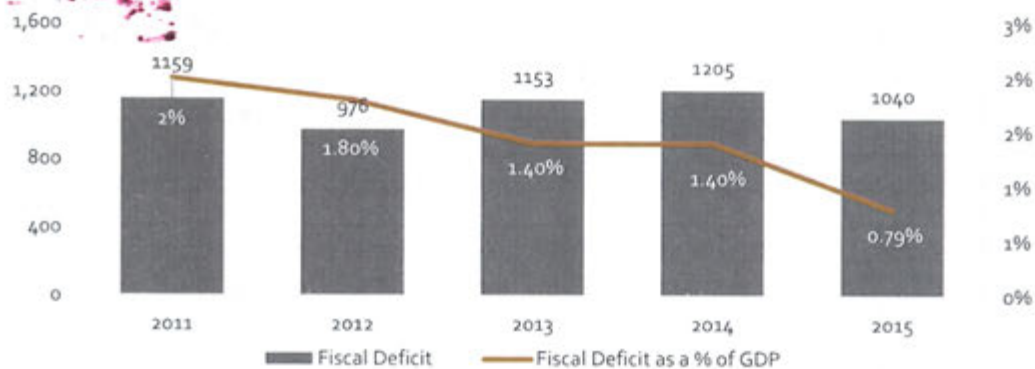
Figure 4: Sectoral Contributions to GDP



13.2.3 FISCAL DEFICIT

Nigeria's fiscal deficit declined from ₦1,159 billion (1.8% of GDP) in 2011 to ₦976 billion (1.4% of GDP) in 2012⁴⁴. The deficit increased to ₦1,205 billion (1.8% of GDP) in 2014 from ₦1,153 billion in 2013 as a result of production shortfalls and increases in recurrent expenditure. The Federal government estimated fiscal deficit of ₦755 billion (0.79% of GDP) in its 2015 annual budget as a result of declining oil prices and currency fluctuations. The fiscal deficit in respect of the 2016 annual budget is estimated at ₦2.22 trillion (c.2.16% of GDP).

Figure 5: Nigeria Fiscal Deficit



13.2.4 PUBLIC DEBT

As at December 2015, Nigeria's total public debt was US\$65.43 billion (18.27% of GDP)⁴⁵; and of this amount, the external debt was US\$10.7 billion, having decreased from US\$20.5 billion in 2005 following repayment of the Paris

⁴⁴ World Bank

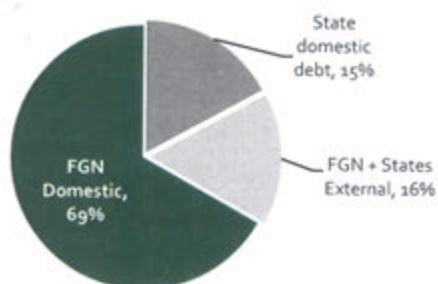
⁴⁵ Nigeria Debt Management Office, 2015

13. MACRO – ECONOMIC OUTLOOK

Club debts and the subsequent cancellation of the Paris Club debt. The domestic debt also stood at US\$54.71 billion (₦10.5 trillion), having increased from US\$11.8 billion (₦1.5 trillion) in 2005³. The increasing balance of the country's total public debt is attributable to the domestic debt of State governments totalling US\$9.85 billion. The Federal Government estimated domestic borrowing at ₦984 billion in the 2016 budget.

Nigeria's domestic debt is mainly short-term, with treasury bills accounting for 31.4%. The management of domestic public debt has been improved by lengthening maturities. This, in addition to other macro-economic management practices adopted by the CBN, has resulted in a stable growth outlook for the country. Nigeria's domestic debt reflects the significant increase in borrowings through Government bonds in the domestic market.

Figure 6: Public Debt Profile as at December 31, 2015



13.2.5 CAPITAL MARKETS

The Nigerian All Share Index (ASI) gained 35% in 2012, making it the third best performing index in the world. The ASI continued its strong performance in 2013, returning 47%. The performance in 2014 and 2015 was however, relatively flat with a market capitalisation of ₦11.478 trillion, ₦10.501 trillion and ASI of 34,657.15, 30,879.75 respectively. This has been attributable in part to reduced foreign investment since the US Federal Reserve tapering of its assets purchase programme, as well as, increased macro-political uncertainty resulting from the recent depreciation of the Naira.

The NSE ASI closed at a 17.36% low for the full year 2015 on the back of weakened macroeconomic conditions and declining foreign and local investor confidence in the Nigerian stock market. The NSE ASI is currently 28,726.20 with market capitalisation of ₦9.865 trillion \$34.80 billion as at July 14, 2016. Furthermore, outstanding bonds as at May 2016 stood at ₦6.41 trillion***.

13.2.6 FOREIGN RESERVES

As at May 2016, Nigeria's foreign reserves stood at US\$27.1 billion compared to US\$29.13 billion at the beginning of the year, representing a 7.49% decline in its foreign reserve. The reserves currently stand at US\$26.8 billion as at

*** Nigeria Stock Exchange, 2015

13. MACRO – ECONOMIC OUTLOOK

May 2016^{***}. The decline has been largely due to CBN's need to utilise the stock of foreign currency reserves in defending the Naira as well as increased disruptions to the oil production facilities in the Niger-Delta region.

13.2.7 FOREIGN EXCHANGE

At the interbank market, the USD/NGN depreciated by about 4.2% to 282.5 as at the end of June 2016 from 199.8 in May 2016, when the CBN eventually lifted capital controls and introduced a floating exchange rate regime. The CBN also introduced a new non-deliverable FX forward system aimed at curbing speculation on the Naira. In 2015, the USD/NGN moved in the 178.76 – 205.45 range vs. 158.70 – 187.15 range in 2014. At the parallel market, the USD/NGN depreciated by about c.40% to about 325.00 in 2015 to 2016, driven by speculative demand and the tight liquidity at this end of the FX market. FX reserves fell by 9.03% to US\$26.5bn in May 2016 from US\$29.13 in Dec 2015 and 15.5% to US\$29.13bn in 2015 from US\$34.47bn in 2014. This represents about 6.2 months import cover relative to the 7.3 months import cover at the end of 2014. The depletion of reserves was driven by lower oil prices amid sustained FX sales by the CBN.

13.2.8 INFLATION

The consumer price index rose to 17.13% in July 2016, 0.63% higher from rates recorded in June (16.60%). Notably, inflation has risen consistently for the past three months, reflecting the impact of the prior period shortage of petroleum products, removal of petrol subsidy and persistent illiquidity in the FX market.

The core index increased by 12.20% from 11.00% in February. The expansion of the core index was driven by price rises in electricity, furniture, and furnishings, passenger transport by road, spare parts as well as liquid fuels. Imported items amongst other domestic shocks resulted in ripple effects across several divisions that contribute to the Core.

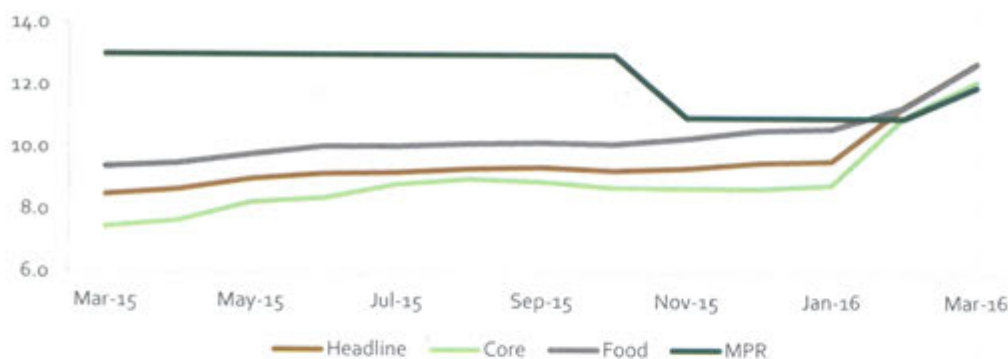
The Food index increased by 14.9% Year on year in June from 13.2% year on year in April 12.70%, up by 2.2% points from rates recorded in April. The highest price increases were recorded in the fish, vegetables and bread and cereals groups for the third consecutive month. Imported food items as well as other necessary inputs to producing key local staples such as bread continue to drive the food index higher.

For 2015, Nigeria's inflation averaged 9.10% compared to 8.10% in 2014. IMF's forecast also suggests that inflation will maintain an uptick in 2016 and average 9.70% by the end of the year.

^{***} Central Bank of Nigeria, 2016

13. MACRO – ECONOMIC OUTLOOK

Figure 7: Inflation trend



13.2.0 INTEREST RATES

The CBN's monetary policy stance has been tight for the major part of 2016 and broadly growth restrictive. At the MPC meeting held on 25th and 26th July 2016, the committee reiterated a tightening of the monetary policy stance by raising the MPR rate to 14% from the previous 12%. The Cash Reserve Ratio was retained at 22.5% while also retaining a liquidity ratio of 30%. The asymmetric corridor around the MPR was maintained at +200 and -500 basis points. The CBN stated that the hike is in line with its recently introduced flexible FX market regime as it expects USD inflows to improve via foreign portfolio investment (FPI). In particular, the CBN believes the manufacturers that import raw materials for production will benefit from this decision.

13.3 REFORMS

Nigeria is in the process of adopting and implementing a number of reforms with the objective of Nigeria being one of the 20 largest economies in the world by 2020. The reforms are aimed at a number of key areas, primarily diversifying the economy away from dependence on oil, reducing import dependency and lowering the cost of doing business. The Government expects to achieve this by addressing infrastructure and related deficiencies thereby creating a more favourable environment for continued growth of the non-oil sectors of the economy. A summary of some of these key reform agendas include:

13.3.1 VISION 20:2020

Vision 20:2020 is the Government's long-term plan to become one of the world's 20 largest economies by 2020, and the Government has adopted the First National Implementation Plan ("NIP") as its medium-term plan to implement the first stage of Vision 20:2020. The First NIP focuses on the following 6 main areas:

- physical infrastructure – power, transport and housing;
- productive sector – the key sources of economic growth such as agriculture, oil & gas and manufacturing;
- human capital and social development – the social sectors of the economy including education, health, labour, employment and productivity;
- building a knowledge-based economy – building a knowledgeable workforce and ensuring widespread access to information, internet and communication technology;

13. MACRO – ECONOMIC OUTLOOK

- governance and general administration – election reform and combating corruption; and
- regional geo-political zone development – fostering accelerated, sustainable social and economic development in a competitive and friendly manner.

13.3.2 POWER SECTOR

Nigeria suffers from a shortage of stable power supply. Although, the country has an installed electricity power generation capacity of approximately 8,664MW, optimal generation capacity has not been achieved due to inadequate investment in gas infrastructure, disruptions of gas supplies to thermal plants, low water levels at the hydro power stations and mismanagement. Under-investment in transmission and distribution infrastructure has also contributed to the worsening power supply, resulting in significant load shedding across the country. The Government estimates that in order to meet the target of 40,000MW of generating capacity by 2020, an annual investment in the power sector of US\$10 billion will be required through 2020, most of which it aims to achieve by incentivising the private sector investment community.

In 2013, as part of the privatization process, the Bureau of Public Enterprises (“BPE”) sold a maximum of 60% stake in each of the 6 generation and 11 distribution companies. The privatization of the Egbin, Omotosho I and Olorunsogo I gas plants was also concluded simultaneously, along with the privatization process. The privatization of the 10 generation assets of the NIPP is still ongoing due to the huge losses being recorded by the privatized power plants.

Other significant milestones include the reforms to the Multi Year Tariff Option (MYTO) and the establishment of a bulk electricity purchaser (NBET). The MYTO provides for periodic review of the cost parameters through the minor (annual) and major (five-yearly) review windows. The annual review of the framework takes into cognizance changes in gas price, inflation and exchange rates while the major review considers holistic changes in major parameters.

13.3.3 OIL AND GAS SECTOR

The 6th Republic sought to transform the petroleum industry through the Petroleum Industry Bill. The PIB is a major legislative proposal with structural initiatives that would represent the most comprehensive overhaul of the oil and gas industry in Nigeria since commercial oil production began in the 1960s. It has been widely reported that the current Administration of President Buhari seeks to replace the PIB with a new Bill titled “Petroleum Industry Governance and Institutional Framework Bill 2015” which aims to create “commercially oriented and profit driven petroleum entities” and close loopholes that bred corruption. This new Bill is expected to be debated by the National Assembly this year.

13.3.4 ECONOMIC REFORM INITIATIVES

The present administration, led by President Muhammadu Buhari, is committed to creating a liberal, market-oriented economy driven mainly by the private sector, while focusing on the need to alleviate poverty and advance local production as well as eradicating corruption in the country. Nigeria’s reform initiatives will be primarily centered on the following:

- *Economic Stability* – Exchange control restrictions, reducing fiscal deficit and the overall size of governance, as well as industrial value-addition and the promotion of small scale enterprises.

13. MACRO – ECONOMIC OUTLOOK

- *Oil and Gas / Extractive Minerals Sector Reform* – Steps taken include removal of subsidy on Kerosene, splitting of the NNPC into two entities – independent regulator and investment vehicle – to ensure efficient management and curb corruption, as well as the planned removal of subsidy on Premium Motor Spirit.
- *Social Welfare and Poverty Alleviation* – Implementation of a social intervention scheme that will entail cash payments to unemployed individuals and free meals for primary school children.
- *Accelerated Infrastructural Development* – The Government has committed to an ambitious investment programme to address needs in critical areas such as power, transportation, and telecommunications through private/public partnerships initiatives. To this end, the Federal Government plans to set up a \$25 billion (₦4.9 trillion) infrastructure fund from both local and international sources to directly invest in the transport and energy sectors.
- *Tax Reforms* – Establishment of an effective and disciplined tax management regime to support the government's drive for improved internal revenue creation. The Government, through the Federal Inland Revenue Service, has intensified awareness campaign to sensitize a renewed aggressive tax drive.
- *National Treasury Reform* – Introduction of Treasury Single Account system wherein all revenues due to the Federal Government or any of its agencies must be paid into the Treasury Single Account (TSA) or designated accounts maintained and operated in the Central Bank of Nigeria.

13.4 REGULATORY AND LEGISLATIVE ENVIRONMENT

The law governing the formation and regulation of companies in Nigeria is set out in CAMA. Where a company intends to undertake a public offering of its securities, such offering will be regulated by the provisions of the ISA and the rules and regulations of the Nigerian SEC. All companies, both local and foreign, intending to carry on business in Nigeria must be registered with the Corporate Affairs Commission, which is the body responsible for the registration and regulation of companies. The principal laws regulating foreign investment in Nigeria are the Nigerian Investment Promotion Commission Act 1995, Cap N117, Laws of the Federation 2004 ("NIPC") and the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act 1995, Cap F34 LFN 2004 ("Nigerian Forex Act").

Ⓜ Nigerian Forex Act establishes an Autonomous Foreign Exchange Market and provides for the monitoring and supervision of the transactions conducted in the market. Transactions in foreign exchange are therefore expected to be conducted in accordance with the provisions of this act. The Nigerian Forex Act allows any person to invest in any enterprise or security, with foreign currency or capital imported into Nigeria through an authorised dealer (i.e. a bank licensed by the Central Bank of Nigeria to deal in foreign currencies) either by telegraphic transfer, cheques or other negotiable instruments and converted into Naira in the market in accordance with the provisions of the Nigerian Forex Act. The Nigerian Forex Act guarantees unconditional transferability of funds that have been imported into Nigeria.

The transferability, which does not require any further approval, could be by way of dividends or profits attributable to the investment; payment in respect of loan servicing where a foreign loan has been obtained; and the remittance of proceeds and other obligations in the event of sale or liquidation of the enterprise or any interest attributable to the investment under section 15(4). NIPC provides that any enterprise in which there is foreign participation must be registered with NIPC. NIPC permits foreign participation in any business enterprise with the exception of enterprises on the "negative list" of the act. The negative list includes enterprises involved in the production of and dealing in arms, ammunition, narcotic drugs and psychotropic substances.

13. MACRO – ECONOMIC OUTLOOK

The combined effect of NIPC and The Nigerian Forex Act is to guarantee the unconditional transferability of dividends from equity investments and interest on foreign loans as well as capital repatriation in the event of liquidation or divestiture, or repayment of foreign loans. However, this is subject to complying with applicable foreign exchange regulations, specifically obtaining a Certificate of Capital Importation ("CCI") - from the Bank through which the investment amount was remitted to Nigeria - as evidence of capital inflow into the country. A CCI will form the basis for eventual repatriation upon divestment. NIPC gives every foreign investor whose shares are registered under the Act access to arbitration at the International Centre for Settlement of Investment Disputes ("ICSID").

13.5 OUTLOOK

The interplay of monetary and fiscal policies is expected to shape the economic outlook for 2016. Federal Government initiatives are likely to be targeted at huge capital and infrastructure investments as well as social investments. To this end, the Federal Government plans to set up a \$25 billion (₦7.09 trillion) infrastructure fund from both local and international sources to directly invest in the transport and energy sectors. The Government has also provisioned ₦500 billion (\$1.76 billion) in its 2016 budget framework for a pilot social intervention scheme that will entail cash payments to unemployed individuals and free meals for primary school children.

The official exchange rate of the US Dollar against the Naira currently stands at ₦311/\$ as at August 9, 2016. There has however, been a slight recovery in the price of oil to about \$50.00 per barrel (the country's major source of foreign exchange receipts), very limited foreign participation in the country's financial markets, and more importantly, with import cover currently at 5.6 months..

Given the now elapsed December 2015 deadline which the President had given the military to quell the Boko Haram insurgency, it is expected that the Federal Government will commit to a sustained focus on the war against insurgency. Other social interventions are also expected to be used.

Although the Federal Government will need to check the activities of the Shiite Muslims group especially given the complaints by residents of Zaria and neighbouring environs, it is not expected that this will escalate into a major crisis for the country given that the group has been in existence since the 1980s and have only operated within the boundaries of Zaria. Also, with no major uprising after a similar clash with Nigeria's troops in 2014, the potential for a crisis is minimal.

In spite of its challenges, Nigeria still presents one of the most compelling frontier/emerging market opportunities in the world due to the following factors:

- *Strong underlying demographics:* The country's huge population, favourable demographics (64% of people below the age of 25) and a rapidly growing middle class provide wealth generating capacity for the foreseeable future.
- *Stable political environment:* Nigeria has had relative political stability since 1999, ending the country's preceding 16 year run under military rule. The country has also witnessed 3 successful civilian to civilian transitions since 1999, providing further evidence of the country's commitment to maintaining democracy.
- *Commitment to reforms:* The pace and steady progress of reforms in Nigeria in the last decade is testament to the commitment of successive governments to developing the country. The reforms have also resulted in a fundamental shift in the public's perception of the government's fiscal responsibility. It is envisaged that the reforms will continue to be the catalyst for improvement in Nigeria's social and economic infrastructure and provide a favourable framework for investment and real growth opportunities across sectors.

13. MACRO – ECONOMIC OUTLOOK

- *Improved purchasing power:* Nigeria's purchasing power was presumed to be understated due to the significant size of the informal sector. However, this is an area that has seen some recent improvement with the help of the CBN and government. Following the recent rebasing of the economy which featured significant estimates of the informal sector, GDP per capita is estimated at US\$2,994. One positive evidence of the rising purchasing power is the gradual return of retail investors to the capital market which has shown positive traction in recent times thereby indicating improvement in consumer sentiments.
- *Wealth of natural resources:* With its large reserves of human and natural resources, Nigeria has the potential to build a highly prosperous economy, reduce poverty significantly and provide the infrastructure, health and education its population badly needs.
- *External debt management:* Nigeria has successfully reined in on its external debt over the past decade, thereby allowing for an effective management of public finances and promotion of investment.
- *Significant investment opportunities in infrastructure:* It is estimated that Nigeria requires an investment of US\$100 billion (₦15 trillion) in infrastructure – power, rail transportation, roads and oil & gas – to sustain double digit economic growth rate and make Nigeria one of the 20 largest economies in the world by 2020. The current budget earmarks ₦1.82 trillion (30% of total budget) towards capital expenditure, thus reinforcing the Government's focus on infrastructure development as well as its drive towards stimulating growth and employment especially through infrastructure investments.


In conclusion, the on-going Government reform and fights against corruption and insurgency, continuous positive CBN intervention, and underlying strong fundamentals, will continue to present a compelling case for investments in all sectors of the economy.

14. STATUTORY AND GENERAL INFORMATION

The Third Lagos State Debt Issuance Programme - Authorization and Purpose

The Third Debt Issuance Programme is authorized pursuant to the provisions of the Bonds Law, which empowers the State's Debt Office to manage, conduct and implement such Programme for purposes of financing the State's Capital Budget, public investment projects and commitments; or restructuring existing debts.

The State's 2016 Capital Budget was approved by the Lagos State House of Assembly – and passed into law on January 14, 2016. The Budget highlights the State's focus on:


1. delivering a more secure and security-enhanced Lagos through the provision, rehabilitation and maintenance of street lighting facilities; including the deployment of solar power; and strengthening and motivating the Nigerian Police Force;
2. furthering economic development through road construction and rehabilitation including advancing the work on the Lagos-Badagry Expressway (which includes the Blue Rail Line), grid-lock resolution, the development of waterways transportation through the construction and rehabilitation of jetties and terminus buildings;
3. enhancing the provision of clean water through improved pipelines, the rehabilitation of mini waterworks  advancement of Adiyin Waterworks (Phase II)
4. improvement of healthcare delivery through the implementation of the Medical Health Insurance Scheme and e-Health Programme

This Third Programme provides a framework through which the State will, from time to time, issue Bonds or a series of Bonds bearing its sole, full faith and credit, to public and private capital markets to finance the Capital Budget. The Bonds issued shall be subject to the terms and conditions of the Programme and any Pricing Supplement(s) issued in connection with any specific Tranche or Series. The Pricing Supplement(s) shall document the financial, structural and operational details of each issue as well as details of any material information on the particular issuance.

The applicable terms of any Bond shall be as agreed between the State and investors prior to issuance, and shall include the Terms and Conditions of the Programme as incorporated by reference to, modified by, or supplemented by an applicable Pricing Supplement(s). Furthermore, the Bonds issued by the State shall be denominated in Naira (unless otherwise specifically indicated in a Pricing Supplement) and shall have such minimum or maximum maturities as permitted from time to time by SEC, FMDQ-OTC and/or The Exchange and any other relevant statutory or regulatory authority.

A summary of the Terms and Conditions of the Programme and the Bonds appear on pages 17 to 20 of this Shelf Prospectus.

The Lagos State Bonds, Notes and Other Securities Issuance Law 2008

The Bonds Law was enacted on August 19, 2008 and provides for the State to borrow through the issuance of bonds,  and other securities. The Bonds Law authorises the Debt Office – created by virtue of the Lagos State Debt Office (Establishment) Law 2009 - to issue instruments or other forms of debt securities and to raise and borrow any sums of money required to finance the capital budget of the State or refinance the obligations of the State in respect of its public investments projects. The Debt Office is obligated to obtain the prior approval of the Executive Council of the State, in the discharge of its powers under the Debt Office Law.

Furthermore, the Bond Law establishes the CDSA into which 15% of the State's monthly IGR shall be paid. The CDSA shall be used solely for all the State's public debt repayment obligations.

The following are extracts from the Bonds Law:

- Section 1**
- (1) A Consolidated Debt Service Account which is a saving account to be fully funded from the 15% appropriated in sub-section (2) below is established for the purpose of servicing debt obligations of the Government under this Law.
 - (2) The House of Assembly appropriates fifteen percent (15%) of the monthly Internally Generated Revenue (IGR) of the Government to the Consolidated Debt Service Account.

- (3) The sum appropriated under subsection (2) shall be deposited into the Consolidated Debt Service Account exclusively for all Government's public debt repayment purposes.
- (4) The House of Assembly may at the request of the Governor upwardly revise the proportion of revenue to be set aside for the government's debt repayment purposes.
- (5) Money in the Consolidated Debt Service Account shall be used:
 - (a) to pay interest and principal when they become due on Government's public debt obligations; and
 - (b) to accumulate a reserve for further security of Government's public debt obligations.
- (6) The House of Assembly shall from time to time ensure that sub-sections (3) and (5) of this Section are complied with.

Section 9

- (1) The Office with the approval of the Executive Council and subject to the provisions of this Law is authorised to do the following:
 - (a) issue any instrument or any other form of debt securities with such fixed, floating or zero coupon rates, and upon such other terms including the tenor thereof;
 - (b) issue the instruments or other debt securities in required tranches, sequence and currency; and
 - (c) raise and borrow any sums of money required to finance the capital budget of the Government or to refinance the obligations of the Government in respect of its public investment projects.
- (5) The specific or aggregate amount that the Office may raise or borrow through any instrument referred to in subsection (1) of this Section, shall be determined taking into consideration the following:
 - (a) the total revenue of the Government for the year preceding the year in which the instruments are to be issued;
 - (b) the current revenue of the Government and the projected revenue for the succeeding years;
 - (c) the average economic growth rate for the three years preceding the year of any issue;
 - (d) the existing public debt portfolio;
 - (e) the gross domestic product of the Government for the year preceding any issue; and
 - (f) the subsisting credit balances in the Consolidated Debt Service Account.
- (6) The issuance of any instrument made pursuant to sub-section (2) of this Section shall be published by Legal Notice in the Official Gazette by the Commissioner after such Instrument has been issued in Nigeria and or abroad, and same has been announced to the general public.
- (7) Any Legal Notice published pursuant to sub-section (6) of this Section shall contain detailed and specific information and terms of the issue, including:
 - (a) the sum of money to be raised by the issue;
 - (b) the mode or modes of effecting the issue;
 - (c) the rate of interest payable on the loan raised from the issued instruments;
 - (d) the dates in each year on which the interest on the loan shall be payable;
 - (e) the date of redemption of the registered instrument issued;
 - (f) the purpose of raising the loan;
 - (g) the market and the currency of issue; and
 - (h) any other information relating to the issue which is deemed necessary to effectively raise the required sums, and or provide preliminary information to subscribers, or as required by any other relevant law relating thereto.

- (8) Any Instrument issued under this Law may or may not be listed on any Stock Exchange or any equivalent trading floor in any jurisdiction.

Section 10 The date for the redemption of any instruments issued pursuant to this Section shall not be later than twenty-five (25) years from the date of issuance of the instruments.

- Section 11** (1) The instruments to be issued pursuant to Section 9 of this Law shall be issued by the Office by means of:
- (a) public offers;
 - (d) auctions;
 - (e) syndications;
 - (f) private placements;
 - (g) reverse enquiries; and
 - (h) such other transaction or issuance mode as may be determined by the Commissioner.

- Section 18** (1) The instruments issued under this Law shall be transferable in the manner specified in the Legal Notice published in respect of their issuance.
- (2) The title of the holder of any instrument shall not be deemed to be transferred to any other person save upon the execution of an approved instrument of transfer or in accordance with the transfer process of any stock exchange and upon the registration of the transferee as the holder, in the Register.
- (3) Interests which has fallen due in respect of any instrument but which has not been paid to the holder for the time being, shall not be payable to a transferee of that instrument unless the instrument of transfer expressly provides for the payment of such interest to that transferee and the transferee's name has been registered in the Register.

Section 21 Save as otherwise provided in or under this Law, no notice of any trust in respect of any registered instruments shall be receivable by the Office or the Commissioner.

Section 22 No person shall be entitled to inspect or to receive information derived from any Register, book or other document kept or maintained by or on behalf of the Government in relation to registered instruments, save on the payment of such fee and under such circumstances, terms and conditions as may be prescribed.

Section 23 (1) The Commissioner may make regulations for the purpose of giving effect to the provisions of this Law subject to the approval of the House of Assembly.

Section 24 The Lagos State Development Bonds Law Cap. L18 Laws of Lagos State 2003 is repealed.

Official Listing on Stock Exchanges

Bonds may be unlisted or listed on recognized Stock Exchanges such as the FMDQ-OTC, The Exchange and/or other relevant Stock Exchanges. Each tranche of Bonds may be admitted to the Daily Official List and to daily trading by The Exchange separately, as and when issued, subject to the approval of the SEC and The Exchange and to the issue of the global Bond representing the Bonds of that tranche. As set out herein, this Prospectus and any supplement thereto will only be valid for the admission of the Bonds to the Daily Official List (and to trading on The Exchange and/or any relevant stock exchange) in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Bonds previously or simultaneously issued under this Programme, does not exceed N500 Billion or its equivalent in other currencies.

Clearing System

The Bonds will be cleared through the CSCS. Transactions will normally be effected for settlement not earlier than 3 working days after the date of the transaction.

Criteria for determining the price and volume of the Bonds

The Price of a bond is reflective of the prevailing yield environment, with current Bond interest rates serving as a basis for extrapolating the yield and the price for a newly issued bond. The sovereign benchmark, in this instance the interest rate(s) on Federal Government bonds, also serve as the reference rate for the determination of the interest rate on newly issued Bond; with the interest rate of new non-sovereign bonds being at a discount, at par or at a premium to the sovereign. Other factors that impact the determination of the price of a Bond are the Tenor, Credit Rating and Market Liquidity.

Consequently, at the conclusion of the Book Build, the Bookrunners collate the submitted Commitment Forms which contain the respective Bids of the prospective investors. The Lead Book Runner and the Issuer thereafter determine the volume of bids that fall within the coupon/yield range advised by the Issuer at the commencement of the Book Build; and with reference to the Issuer's stated coupon/yield for the issue. Subsequent to the Issuer communicating the coupon/yield at which the Bond is to be issued, the Lead Bookrunner aggregates the bids that clear the market; that is, the volume of bids that fall within the stated price.

In the event of an oversubscription, the Issuer may - at its discretion and subject to the Rules and Regulations of the SEC - opt to issue additional bonds.

Trustee's Investment Principles

The Trustee's Investment Principles will be as stated in the Series Trust Deed executed between the Issuer and the Trustee(s). The Investment Principles for the Lagos State Bond are specifically indicated in the Bonds Law. Accordingly, the provisions of the Bonds Laws state that the Sinking Fund should be invested in Federal Government Bonds and Stocks; Lagos State Government securities; and any other instrument listed on any Stock Exchange; subject to the approval of the Governor. Furthermore, the dividends, interest, bonus and other profits of any investment of any part of the Sinking Fund shall also be invested by the Trustees so as to form part of that Sinking Fund; as monies appropriated as contributions to the Sinking Fund.

The following information is an extract from the Rating Report prepared by Agosto & Co:

Lagos State Government of Nigeria

Issuer Rating:

A+

Good quality debt issue with low to moderate credit risk; strong capacity to pay coupon and principal on local currency debt in a timely manner.

Outlook: Stable
Issue Date: 16 August 2016
Expiry Date: 28 February 2017

The issue rating is valid throughout the life of the instrument but will be subject to annual monitoring and review on the anniversary of the issue.

Previous rating: A+

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RATING RATIONALE

Agusto & Co. affirms the "A+" rating assigned to the Lagos State Government ("the Issuer", "LASG" or "the State"). The assigned rating reflects the Issuer's strong internally generated revenue (IGR) profile and strong capacity to pay coupon and principal on the Bond in a timely manner from its IGR.

Unlike many states in the Country, Lagos is not overly dependent on centrally collectible revenue, as the substantial decline in crude oil prices in the international market by more than 70% over the 18 months period ended 31 December 2015, did not significantly impair the State's overall revenue profile. Thus, the State recorded a total revenue (excluding grants) of ₦394.4 billion in 2015, which represented, only a 5% decline from prior year.

LASG's revenue profile was bolstered by a robust IGR which contributed 69% of total revenue in 2015 (2014: 67%), while value added tax and statutory allocation accounted for 19% and 11% respectively. The nucleus of LASG's revenue is pay as you earn (PAYE) personal income tax, which accounted for 54% of total revenue in 2015 (2014: 52%). Going forward, we estimate that Lagos State's IGR will contribute about 72% to revenue in 2016, mainly boosted by the efficient PAYE system.

In 2015, LASG's personnel cost rose by 26% to ₦96.6 billion from prior year and is projected to further increase by 30% in line the 2016 approved budget, from 2015 actual figures. This is all in a bid to provide more employment opportunities through the ministries, departments and agencies (MDAs) for its citizenry. Nevertheless, the three year weighted average (2014 – 2016) personnel cost to revenue ratio of 24% is within our benchmark for State Governments in Nigeria. The State is one of the few in the Country that did not access the CBN bailout funds to meet outstanding workers salary in 2015.

As at 31 May 2016, LASG's total debt stood at ₦565 billion, which consisted of outstanding balances on the State's external loan (52.83%), internal loans (22.96%), net value of bonds in issue (20.92%), contractor arrears (5.01%) and judgement debt (0.28%). The State's stock of external debt has maturities in

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The following information is an extract from the Rating Report prepared by Global Credit Ratings Co:



Lagos State Government of Nigeria

Nigeria Local Authority Analysis

August 2016

Security class	Rating scale	Rating	Rating outlook	Expiry date
Issuer rating	National	A+ ₍₂₀₁₆₎		
Programme 1 - Series 2: N57.5bn Fixed Rate Bond	National	A+ ₍₂₀₁₆₎	Stable	July 2017
Programme 2 - Series 1: N80bn Fixed Rate Bond	National	AA ₍₂₀₁₆₎		
Programme 2 - Series 2: N87.5bn Fixed Rate Bond	National	AA ₍₂₀₁₆₎		

Summary of bond programme:

Total programme value:
N275,000,000,000 (Programme 1 issued, 2010)
N167,500,000,000 (Programme 2 - issued, 2014)
Instruments: Various - Bonds were issued at different fixed coupon rates.
Coupon rate: Series specific.
Maturity: Series specific.
Status of bonds: Bonds are direct, unsecured & general obligations of the State i.e. ranking pari passu with other senior unsecured obligations.

Key transaction counterparties:

Issuer: Lagos State Government of Nigeria
Joint Trustees: FBN Trustees Ltd, STI Trustees Ltd, United Capital Trustees Ltd, Union Trustees Ltd, CSI Trustees Ltd, Sterling Trustees Ltd, Radix Trustees Ltd.
Registrars: First Registrars & Investors Services Limited

Rating methodologies/research:

Criteria for rating Public Entities, February 2016
Lagos State Government ("Lagos State", "Lagos", "the State") rating reports 2011-2015.
Glossary of Terms/Ratios (February 2015)

Rating history:

Initial Rating (September 2011)

Issuer Rating: A₍₂₀₁₁₎
Programme 1 - Series 1: A₍₂₀₁₁₎
Programme 1 - Series 2: A₍₂₀₁₁₎
Rating outlook: Stable
Last Rating (July 2015)
Issuer Rating: A+₍₂₀₁₅₎
Programme 1 - Series 2: A+₍₂₀₁₅₎
Programme 2 - Series 1: AA₍₂₀₁₅₎
Programme 2 - Series 2: AA₍₂₀₁₅₎
Rating outlook: Negative

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+23 41 462-2545

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<http://www.globalratings.com.ng>

Summary rating rationale

- Lagos is the economic hub of Nigeria, housing a significant number of commercial establishments and manufacturing companies. The economy is the most diversified in the country, and continues to expand, with significant capital injection helping to deliver needed infrastructure, and providing opportunities for job creation.
- Resulting from the combined declines to both statutory receipts and Internally Generated Revenue ("IGR"), total revenue declined for the first time over the five-year review period by 6% to N384.4bn in F15 (82% of budget). While the N14.6bn decrease in statutory receipts to a six-year low of N43.8bn was attributed directly to the sustained fall in the global oil price, IGR (inclusive of VAT receipts) also dipped to N340.6bn (F14: N349.7bn) attributed to the slowing of the economy.
- After accounting for slightly lower expenditure of N240.3bn, and with debt service charges falling by 12% to N49.7bn, the State reported an operating surplus before debt service charge of N193.5bn, which covered debt service charges by an unchanged 3.9x. Following these changes, the operating surplus of N143.8bn equated to a reduced 37.4% operating margin (F14: 40.5%).
- Although, capex spend remained high in F15, it fell to a six-year low of N174bn, attributed to lower than expected surplus, which was further exacerbated by disbursement constraints, following the change in government.
- Capex has been facilitated by a large component of borrowings. Specifically, Lagos State reported a N38.2bn rise in debt to a new high of N619.3bn at FYE15. As a consequence, gross and net debt to total revenue increased further to 161% and 124% respectively.
- Nevertheless, Global Credit Rating Company Limited ("GCR") takes note of the funds being transferred to the Sinking Fund [via the Consolidated Debt Service Account ("CDSA") and Irrevocable Standing Payment Order ("ISPO")] to ensure sufficient funding for the repayment of principal and interest on the existing bonds. Accordingly, gross debt is moderated by the N120.5bn in cash in the debt service account at FYE15, maintained to meet interest and principal repayment on the bonds as they fall due.
- With Cash holdings peaking at N144.1bn at FYE15 (FYE14: N128.4bn), days cash on hand rose to 219 days (F14: 193 days). However, if funds in the Sinking Fund Account were stripped out of cash holdings, days cash on hand would significantly decline to 36 days, well below GCR's 90-day benchmark.
- The finances of many States (excluding Lagos) have been severely impacted by the decline in statutory receipts, worsened by their low levels of IGR and high expense ratio. In order to reduce the current strain on those States, the Federal government established a new N90bn credit facility to be accessed upon meeting 22 stringent conditions.

Factor: that could trigger a rating action may include

Positive change: An upgrade is unlikely in the short term given the generally challenging economic environment and especially the reduced capacity of the federal government to support States in need.

Negative change: Revenue underperformance combined with higher than expected debt could place pressure on the State's ratings.

OPINION OF THE AUDITOR GENERAL OF THE STATE ON THE 2015 AUDITED ACCOUNTS



LAGOS STATE GOVERNMENT

REPORT OF THE STATE AUDITOR-GENERAL

TO THE MEMBERS OF THE LAGOS STATE HOUSE OF ASSEMBLY

The Financial Statements of the Lagos State Government for the period ended 31st December, 2015 set out on pages 6 to 84 of this report, which have been prepared on the basis of accounting policies set up on pages 4 and 5 have been audited under my supervision, as required by Section 125 of the 1999 Constitution of the Federal Republic of Nigeria.

ACCOUNTANT-GENERAL'S RESPONSIBILITIES

The Accountant-General is responsible for the preparation and presentation of the Financial Statements based on Section 125 (5) of the 1999 Constitution of the Federal Republic of Nigeria. She is to ensure that there are no material misstatements in the Financial Statements.

AUDITOR GENERAL'S RESPONSIBILITIES

It is my statutory responsibility to form an independent opinion based on my audit of the Financial Statements and to report my opinion thereon.


BASIS OF OPINION

The audit was conducted in accordance with Nigerian Standards on Auditing as applicable to the public sector and the provisions of Section 125 of the Constitution of the Federal Republic of Nigeria. It includes examination on a test basis, of evidence relevant to the figures disclosed in the Financial Statements.

The Audit was planned and performed to obtain all information and explanations considered necessary for reasonable assurance, that the Financial Statements are free from material misstatements. I have obtained all the information and explanations that I required.

OPINION

In my opinion, the Financial Statements of Lagos State for the period ended 31st December, 2015 drawn up in conformity with International Public Sector Accounting Standards [Cash basis] as adopted in Nigeria, show a true and fair view of the State's financial affairs, the financial position and the cash flow for the period ended on that date, subject to the observations in this report.


H.M. Dele [Mrs]
State Auditor-General

20th June 2016

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OFFICE OF THE STATE AUDITOR-GENERAL

Block 1, 6th Floor, The Secretariat, Alausa, Ikeja. P. O. Box 3180, Ikeja
E-mail: lasaudit@lagosstate.gov.ng Website: www.lagosstate.gov.ng



Independent assurance report to:

The Executive Council
Lagos State Government of Nigeria
Alausa, Ikeja
Lagos.

and

The Directors
Chapel Hill Advisory Partners Limited
1st Floor
45 Saka Tinubu
Victoria Island
Lagos

Dear Sirs

We have reviewed the accompanying financial information of Lagos State Government of Nigeria ("the State") which comprise the statements of assets and liabilities for the five years ended 31 December 2011, 2012, 2013, 2014 and 2015, the statements of consolidated revenue fund, statements of capital development fund and cash flow statements for the years then ended and a statement of significant accounting policies and other explanatory notes (together, "the financial information"). The financial information is based on the audited financial statements of the State.

Executive Council's Responsibility

The State Executive Council is responsible for the preparation and fair presentation of the financial statements on which the financial information is based, in accordance with the basis of preparation described in the financial information and for such internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The State Executive Council is also responsible for the contents of the prospectus in which this report is included.

Our Responsibility

Our responsibility is to express a conclusion on the accompanying financial information. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised) which requires us to conclude whether anything has come to our attention that causes us to believe that the financial information is not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial information in accordance with ISRE 2400(Revised) is a limited assurance engagement. The review primarily consists of making inquiries of management and others as appropriate, applying analytical procedures and evaluating the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance

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Landmark Towers, 5B Water Corporation Road, Victoria Island, Lagos, Nigeria
T: +234 1 271 1700, www.pwc.com/ng*



with International Standards on Auditing. Accordingly, we do not express an audit opinion on this financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information does not present fairly, in all material respects the state of the financial affair of the State as at the dates stated and of its revenue and expenditure and cash flows for the years then ended, in accordance with the accounting policies stated in the financial information.

Yours faithfully


For PricewaterhouseCoopers
Chartered Accountants
Lagos, Nigeria

17 August 2016

Engagement Partner: Patrick Obianwa
FRC/2013/ICAN/0000000880

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies, adopted by the State Government in preparation of its financial statements:

1 Basis of Accounting

The financial statements prepared under the cash basis of accounting are in accordance with the generally accepted Public Sector Accounting Standards and is consistent with the budget estimates for the financial year. No adjustments have been made to reflect the impact of specific changes in the general price level on the financial statements.

2 Presentation of the financial Statements

Details of general and specific funds are disclosed by the way of notes in the financial statements of the State Government.

3 Depreciation

In line with the cash basis of accounting, fixed assets are not capitalised but written-off in the year of acquisition.

4  Stocks

Stocks are expensed in the year of purchase in line with the cash basis of accounting.

5 Investments

Investments are stated at cost and income from investments is credited on receipt of cash.

6 Foreign Currencies

Transactions in foreign currencies are converted into Naira at the approximate rates of exchange ruling at the time they arise. Balances in the foreign currencies are translated at the exchange rates ruling at the statement of assets and liabilities date.

7 Exchange Rates

The following rates are applicable at the year-end December 31, 2015: USD @ N196.50, GBP @ N291.1934, Euro @ N214.1064



16. FINANCIAL SUMMARY

16.2 STATEMENT OF ASSETS AND LIABILITIES

	2015	2014	2013	2012	2011
	N'm	N'm	N'm	N'm	N'm
ASSETS					
Liquid Assets					
Treasury Banks	16,302	24,837	23,664	26,406	23,502
Cash in MDAs	2,240	2,364	1,552	2,351	2,716
Special Deposits with Banks	3,703	14,065	3,371	5,964	11,310
Debt Repayment Trust Fund	120,470	82,264	98,604	63,927	0
Deposit in J.C.F	42	38	37	36	36
Personal Advances Fund	309	311	312	313	460
	<u>143,066</u>	<u>123,915</u>	<u>127,540</u>	<u>98,997</u>	<u>38,024</u>
Investments and Other Non-cash Assets					
Stocks, Shares and Others	28,592	14,864	7,192	6,253	3,098
TOTAL ASSETS	171,658	138,779	134,732	105,250	41,122
LIABILITIES					
Public Fund					
Consolidated Revenue Fund	107,050	119,827	120,307	39,645	33,766
Capital Development Fund	35,805	3,981	7,331	59,333	4,075
	<u>142,855</u>	<u>123,808</u>	<u>127,438</u>	<u>98,758</u>	<u>37,841</u>
Other Funds					
Scholarship Fund	57	61	51	162	120
Special Funds					
	28,746	14,910	7,243	6,330	3,161
	<u>28,803</u>	<u>14,971</u>	<u>7,294</u>	<u>6,492</u>	<u>3,281</u>
TOTAL LIABILITIES	171,658	138,779	134,732	105,250	41,122

16. FINANCIAL SUMMARY

16.3 STATEMENT OF CONSOLIDATED REVENUE FUND

	2015 N'm	2014 N'm	2013 N'm	2012 N'm	2011 N'm
Opening Balance	119,827	120,307	39,645	33,766	10,208
Add:					
Statutory Transfers	116,833	131,001	140,134	126,773	125,328
Internally Generated Revenue	271,030	276,435	233,674	218,338	199,952
Total Revenue	387,863	407,416	373,808	345,111	325,280
Total Available Fund	507,690	527,723	413,453	378,877	335,488
LESS:					
Personnel Cost	86,375	76,836	75,597	57,470	66,376
Pensions and Gratuity	4,643	1,981	2,891	4,950	3,628
Consolidated Revenue Fund Charges	197	253	166	121	159
Overhead Charges	65,644	73,516	36,359	76,711	46,963
Grants and Contributions	2,802	3,088	2,611	3,523	3,217
Subvention to Parastatals	31,246	30,621	39,310	28,226	19,570
Loan Charges	19,756	22,955	16,206	20,552	1,891
Bond Charges	29,977	33,646	24,506	12,679	12,418
Total Charges/Expenditure	240,640	242,896	197,646	204,232	154,222
Operating Balance	267,050	284,827	215,807	174,645	181,266
Appropriations/ Transfers					
Transfer to Capital Development Fund	160,000	165,000	95,500	135,000	147,500
Closing Balance	107,050	119,827	120,307	39,645	33,766

16. FINANCIAL SUMMARY

16.4 STATEMENT OF CAPITAL DEVELOPMENT FUND

	2015	2014	2013	2012	2011
	N'm	N'm	N'm	N'm	N'm
Opening Balance	3,981	7,131	59,113	4,075	3,492
ADD:					
Transfer from Consolidated Revenue Fund	160,000	165,000	95,500	135,000	147,500
Capital Receipts	<u>179,865</u>	<u>134,041</u>	<u>192,258</u>	<u>150,753</u>	<u>83,923</u>
Total Receipts	339,865	299,041	287,758	285,753	231,423
Total Available Fund	343,846	306,172	346,871	289,828	234,915
LESS:					
Facility Repayment	134,053	89,051	65,103	33,543	53,347
Purchase and Construction of Assets	<u>173,988</u>	<u>213,140</u>	<u>274,637</u>	<u>197,172</u>	<u>177,493</u>
Total Capital Expenditure	308,041	302,191	339,740	230,715	230,840
Closing Balance	35,805	3,981	7,131	59,113	4,075

17. MATERIAL ADVERSE CHANGE STATEMENT



November 24, 2016

The Managing Partner
Chapel Hill Advisory Partners Limited
45 Saka Tinubu Street
Victoria Island
Lagos

**SUBMISSION OF MATERIAL ADVERSE CHANGE STATEMENT ON LAGOS STATE
UP TO ₦60 BILLION BOND ISSUANCE**

Except as disclosed in this Pricing Supplement, there has been no material adverse change in the financial position or prospects of the Issuer and no significant change in the financial or trading position of the Issuer.

In addition, during the twelve calendar months immediately preceding the date of filing an application with the Securities & Exchange Commission for the registration of this Pricing Supplement, Lagos State did not breach any terms and conditions in respect of borrowed monies which resulted in the occurrence of an event of default and an immediate recall of such borrowed monies.

The Issuer accepts responsibility for the information contained in this Pricing Supplement which, contains all information that is material in the context of the issue of the Bond.

SIGNED for and on behalf of the Issuer, the Lagos State Government:

A handwritten signature in blue ink, appearing to read 'A. Ashade'.

Mr. Akinyemi Ashade, FCA
Honourable Commissioner,
Ministry of Finance

18. OTHER GENERAL INFORMATION

18.1 STATEMENT OF INDEBTEDNESS

Save as disclosed herein, as at the date on which this Shelf Prospectus is issued, the State had no outstanding debentures, mortgages, loan capital, overdrafts, short term loans, charges or similar indebtedness or material contingent liabilities other than those arising from the ordinary course of activities. As at the date of the audited financial statement for the year ended December 31, 2015, the aggregate net debt position of the State amounted to N244,755,825,520.67. This consists of the State's internal loans (naira denominated borrowings), external loans (long term foreign currency borrowings), and the principal amounts of the Bonds – Programme I, Series II and Programme II, Series I & II Bonds - under the N107.5 Billion Bond Programme and the N167.5 Billion Bond Programme, respectively. The State has accumulated a balance of N56,874,722,000.00 as at July, 2016; for the P2T1 and P2T2 Bonds which stands to the credit of the Sinking Funds managed by the Joint Trustees.

18.2 CRITERIA FOR DETERMINING THE PRICE AND VOLUME OF BOND TO BE ISSUED

The price and volume of each Bond issued by the State pursuant to this Programme shall be determined as specifically indicated in the relevant Pricing Supplement(s) based on the particular method of issuance, the prevailing economic and market conditions including the then current interest rate(s), the level of investor demand, the benchmark and the premium or discount to the benchmark that is agreed by investors.

18.3 JOINT TRUSTEES' INVESTMENT PRINCIPLES

The Trustees' Investment Principles will be as stated in the Series Trust Deed executed between the Issuer and the Trustee(s), and in accordance with Section 4 of the Lagos State Bonds Law.

18.4 USE OF PROCEEDS

The use of proceeds for each tranche will be as indicated in the respective Pricing Supplement.

SIMMONSCOOPER PARTNERS

TEMPLARS

August 9, 2016.

Chapel Hill Advisory Partners Limited,
45 Saka Tinubu (1st Floor),
Victoria Island,
Lagos.

Gentlemen,

**RE: SUMMARY OF REPORT ON THE LEGAL DUE DILIGENCE CONDUCTED IN RESPECT OF THE
N60 BILLION BOND ISSUANCE PROGRAMME BY LAGOS STATE GOVERNMENT ("THE
PROGRAMME")**

INTRODUCTION

The Lagos State Government ("LASG") in furtherance of its objective to continually build, develop and maintain various infrastructure in Lagos State proposes to issue N60 billion worth of debt instruments in the first tranche of its Bond Issuance Programme ("the Programme") from the capital market.

In furtherance of this objective, the LASG appointed the Law Offices of SimmonsCooper Partners and Templars as Joint Solicitors to the Issuer in connection with the Programme. As part of the instructions, the Solicitors have conducted legal due diligence regarding the material contracts, and litigation and claims portfolio of the LASG. This exercise was carried out with the objective of ascertaining any contingent liabilities that could possibly impact the Programme.

Pursuant to the statutory requirement to disclose all relevant information in connection with a capital raising transaction, the LASG provided information on its material contracts and litigation portfolio above the N100,000,000 (One Hundred Million Naira) threshold. We have reviewed the information provided by the LASG as of August 09, 2016. In connection with our role as Joint-Solicitors to the Issuer, we advise as follows:

QUALIFICATION

This opinion is based primarily on our extensive review of claims and litigation instituted by and against the LASG as well as contracts entered in to by the LASG. The details of these were made available to us by the State's Debt Management Office, client Ministries and Agencies. This opinion is also based on the assumption that the information and contents of the documents, contracts and details made available to us by the Debt Management Office, client Ministries and Agencies, are complete and accurate. We therefore reject any liability that may be attributable to the

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On The Secretariat

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incompleteness or inaccuracy of any document, contracts and details originating from the LASG, which we have relied upon in this opinion or the State's omission (advertent or inadvertent) to provide any material information or documentation relating to the contracts agreements that we reviewed or should have reviewed.

MATERIAL CONTRACTS

The LASG is currently involved in contracts for the execution of certain projects which are material within the context of the Programme.

We understand that a portion of the proceeds of the Programme will be used to discharge payment obligations under some of the material contracts in respect of on-going projects. Accordingly, the said material contracts must be disclosed by the LASG and also made available for inspection, during the subsistence of the Programme.

We received details of 338 material contracts from 32 client Ministries and Agencies of the LASG. The contracts reviewed are typically related to development and redevelopment projects such as the construction, renovation and rehabilitation of schools, health care facilities and roads. They also include the development of infrastructure of existing government ministries and agencies. Some of the contracts reviewed are being executed by independent contractors while others are in the nature of public – private partnerships between the LASG and certain private sector proponents.

18. OTHER GENERAL INFORMATION

As at August 9, 2016, the aggregate outstanding monetary obligation on the 338 material contracts reviewed is approximately **N172,835,694,992** (One Hundred and Seventy-Two Billion, Eight Hundred and Thirty-Five Million, Six Hundred and Ninety-Four Thousand, Nine Hundred and Ninety-Two Hundred Naira) and **\$2,435,000** (Two Million, Four Hundred and Thirty-Five Thousand US Dollars)¹. Out of the 338 material contracts, 200 are still on-going and at various stages of completion, while 138 have since been completed. The aggregate potential liability of the LASG on the 200 on-going material contracts is **154,832,010,218.59** (One Hundred and Fifty-Four Billion, Eight Hundred and Thirty-Two Million, Ten Thousand, Two Hundred and Eighteen Naira, Fifty-Nine Kobo) and **\$2,400,000** (Two Million, Four Hundred Thousand US Dollars) respectively. The aggregate amount due and payable as at the date of this Report under the 138 completed material contracts stands at **N18,003,684,773.41** (Eighteen Billion, Three Million, Six Hundred and Eighty-Four Thousand, Seven Hundred and Seventy-Three Naira, Forty-One Kobo) and **\$35,000** (Thirty-Five Thousand US Dollars).

From a monetary and materiality standpoint, none of the material contracts made available to us has the potential of impacting the Programme negatively. The vast majority of the contracts are self-funding and utilise several variants of private-public partnerships, have been substantially paid up and the projects have either been completed or have reached advanced stages of completion.

¹ A summary of the relevant agreements is attached herewith.

On the whole, the contractual obligations of LASG are such that create adequate safeguards and sufficient comfort measures with regards to contingent financial obligations. There are no marked issues of contingent liability that would materially impact LASG or the Programme. In our opinion, under the contracts reviewed, the LASG has no liability (contingent or otherwise) of an onerous or unusual nature.

18. OTHER GENERAL INFORMATION

We are not aware of any terms in the material contracts that prohibit the proposed Programme, affect the validity of the Programme or any action of the LASG taken by the LASG in respect of the Programme or that affect the validity of the pledge or application of any moneys or security provided for the payment of the debt instrument or require that the LASG should first obtain a counterparty's consent.

CLAIMS AND LITIGATION

The LASG is currently involved as a party in different capacities in numerous court cases. We were provided with information on 352 (Three Hundred and Fifty Two) such cases in which it is currently involved. 60 of the 352 cases meet the ₦100,000,000 (One Hundred Million Naira) materiality threshold set for the purposes of our review and this opinion. As at the date of this Report we had access to only 41 out of the 60 case files. These actions are at various stages before various courts. As at the date of this Report, in terms of value, significance, potential and probable merit, and other factors, LASG's ability to meet its obligations under this Programme, in our view, is not adversely affected.

Majority of the causes of action in the suits are based predominantly on negligence, fundamental rights enforcement, possessionary claims and land ownership. The major reliefs claimed include general damages and compensatory claims, with few claims for special damages and liquidated sums. The aggregate claim for general damages and compensation against the LASG in the material litigation case files reviewed is ₦28,548,005,000 (Twenty Eight Billion, Five Hundred and Forty-Eight Million, Five Thousand Naira) while the aggregate claims for special damages and liquidated sums against the LASG is ₦1,857,390,104 (One Billion, Eight Hundred and Fifty-Seven Million, Three Hundred and Ninety Thousand, One Hundred and Four Naira). The LASG vigorously defends all these cases from the institution of the actions to the Supreme Court. Also worthy of note is the fact that the LASG is sued as a nominal party in a number of these cases and as a result some of the reliefs sought are not directly against it. For other matters, the LASG ensures to explore amicable settlements which leave no onerous terms on parties.

In our opinion, it is unlikely that the entire claims for general damages and compensatory reliefs in these cases will be successful. In contrast to special damages or liquidated money demands which a court may award in full if the burden of proof is successfully discharged by the claimant(s), the courts tend to apply a ceiling on the award of general damages. Characteristically, for the very large claims that are either in multiples of hundreds of millions or in billions (in Naira), the total sums awarded in general damages do not generally exceed Twelve Million Naira (₦12,000,000.00). Consequently, further to the review that has been conducted, we are of the view that the State's Contingent Liabilities arising from the respective claims should not exceed approximately ₦2,500,000,000 (Two billion, five hundred million naira) for both special and general damages.

18. OTHER GENERAL INFORMATION

Since time is of the essence to the Programme, it is important that a projection of the ultimate conclusion of these cases is contextualised. Typically, it takes anywhere between six (6) to twelve (12) years, or more, to finalise the adjudicatory process from trial court to Supreme Court. In effect, from a time standpoint, any probable contingencies from the cases against LASG are not likely to

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C/o The Secretariat

9th Floor, Forbes Towers, 27/29, Adenuga Akiba Street, Victoria Island, Lagos. Tel: 234-1-4614017, 7259948 Email: info@sup-law.com Website: www.sup-law.com

impact the Government or the Programme adversely. This however does not diminish or preclude the ability of these courts to grant preservative or coercive injunctive orders pending an ultimate outcome of litigation.

Based on our review of the progress of the cases and the nature of the actions, it is very unlikely that the actions instituted against the LASG will succeed or impact the Programme adversely. In some instances, the parties are considering a possible amicable resolution. The residue of the cases is such that the success of any individual case would not materially affect LASG's obligations under the Programme. Although, it has to be said that collectively, the sum total of the individual cases, if successful, may create some potential financial obligations for LASG. As identified earlier, this is however unlikely considering a combination of the dynamics of the current judicial attitude to the award of general damages, the nature of the cases, and the time component in litigation.

In our opinion therefore, there is no material litigation pending (with service having been accomplished) against LASG, or to the knowledge of its officials, threatened, that:

- i. Adversely affects LASG's ability to observe its duties under the Programme;
- ii. Restrains or enjoins the issuance or the sale of the bonds under the Programme; or
- iii. Which in any way contests, challenges or affects the validity of the Programme or any proceedings or actions of LASG with respect to the issuance of the bonds under this Programme;
- iv. Affects the validity of the pledge or application of any moneys or security provided for the payment of the bonds under this Programme.

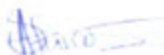
CONCLUSION

We have summarised in the preceding paragraphs the key issues we identified in the course of our due diligence exercise. The full details of the information provided by the LASG are annexed to this Report.

In our opinion, under existing statutes, rules, regulations and case law, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in some of the reviewed material, the LASG's legal position to undertake and implement the terms of the Programme is not adversely affected.

We advise accordingly.

Yours faithfully,



DAFO AKINOSUN



CHIKE OBIANWU

18. OTHER GENERAL INFORMATION

18.6 COSTS & EXPENSES

The costs, charges and other expenses incidental to the Programme including the fees payable to the regulatory authorities, professional parties, brokerage commission, printing, distribution, publicity and advertising expenses will be determined at each issuance and will not exceed the maximum amount stipulated by the regulatory authorities and are payable by the State.

18.7 DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection throughout the life of the Programme at the principal offices of the Joint Issuing Houses as indicated on pages 11-12, the Lagos State Debt Management Office, the Lagos State Ministry of Finance and the Lagos State Ministry of Finance, Alausa, Lagos:

- The Bonds Law (incorporating the Programme Trust Deed);
- The State's most recently published annual public accounts (including its annual Statement of revenue and expenditure);
- The State's most recent annual budget as presented to the Legislative Assembly of Lagos State;
- Letter from the Joint Solicitors on the outstanding claims, litigations and material contracts involving the State;
- The Shelf Prospectus issued in respect of the Programme;
- any Pricing Supplement/SSP(s) for issues of Bonds pursuant to this Prospectus;
- any Series Trust Deed issued further to this Prospectus;
- the Vending Agreement; and other material contracts (as applicable)
- the Resolution of the State Executive Council approving the Programme
- the Resolution of the Lagos State House of Assembly approving the Programme
- the SEC approval letter for the Shelf Prospectus

18.8 RELATIONSHIP BETWEEN THE STATE & ADVISERS

There is no relationship between the State and any of its Advisers.

18.9 EXTRACTS FROM THE PROGRAMME TRUST DEED

3. APPOINTMENT OF TRUSTEES AND CREATION OF SECURITY INTEREST

- 3.1 The Trustees are hereby appointed as representatives of the Bondholders and will hold the benefit of the covenants for the Bondholders, in accordance with the terms of this Deed.
- 3.2 Pursuant to the provisions of this Deed, and in furtherance thereof, the Issuer hereby creates a Security Interest in the Pledged Revenues and hereby grants and conveys the said Security Interest unto the Trustees for the benefit of all the Bondholders.
- 3.3 The provisions of this Trust Deed shall be binding on the Trustees and the Bondholders and all persons claiming through the Trustees or Bondholders respectively, as if such Bondholders and the persons claiming through them or through the Trustees are parties to this Deed.
- 3.4 The Security Interest created above shall be a continuing security and shall be of full force and effect until the satisfaction, performance and discharge of all of the Issuer's obligations stated herein. The term "obligations" as used herein, means all of the indebtedness, obligations and liabilities of the Issuer to the Bondholders, individually or collectively, whether direct or indirect, joint or several, absolute or contingent, due or to become due or hereafter arising under or in respect of the Issue.

18. OTHER GENERAL INFORMATION

4. ACCEPTANCE OF TRUST

- 4.1 By execution hereof, each Trustee has accepted and agreed to be bound by the powers, duties and obligations of the Trustees specifically set forth herein.
- 4.2 The Trustees shall have no duty, responsibility or obligation for the issuance of Debt Securities or for the validity or exactness thereof, or of the Issue Documents.
- 4.3 The Trustees shall have no duty, responsibility or obligation for the payment of Debt Securities except in accordance with the terms and provisions hereof or any Series Trust Deed or any agreement to which it is a party, and only to the extent, of the Pledged Revenues held in trust by the Trustees for the purpose of such payment.
- 4.4 Prior to an Event of Default and after the curing or waiving of any Event of Default which may have occurred, the Trustees shall not be liable except for the performance of such duties as specifically set down herein.
- 4.5 The Trustees shall have no liability for any act or omission to act hereunder, or under any other instrument or document executed pursuant hereto except for the Trustees' negligence and misconduct.
- 4.6 The duties and obligations of the Trustees shall be determined solely by the express provisions hereof, and no implied powers, duties or obligations of the Trustees save as mandated by the ISA shall be construed into this Deed or the applicable Series Trust Deed.
- 4.7 Upon the occurrence of an Event of Default, the Trustees shall exercise such rights and utilise such powers vested in them under this Deed and by Enabling Law, and shall use the required degree of care and skill in the exercise of their duties.
- 4.8 No Trustee shall be required to expend or risk its own funds or otherwise incur any liability in the performance of its duties or in the exercise of its rights or powers as Trustee, except as may result from its negligence and misconduct.
- 4.9 Notwithstanding any other provisions hereof, no Trustee shall have any liability for (a) an error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the said Trustee was grossly negligent in ascertaining the pertinent facts or (b) action taken or omitted to be taken by it in good faith in accordance with a resolution passed at a meeting of the Bondholders of not less than a simple majority in principal amount of Debt Securities then outstanding.

7. CREATION OF SINKING FUND

- (a) Pursuant to the provisions of Section 3 of the Enabling Law, there is hereby established the Sinking Funds, to be held by the Trustees separately for each Series and shall be credited from time to time with the Pledged Revenues described in Clause 7 (b) and (c) below.
- (b) The Issuer undertakes to credit in the Sinking Fund on a monthly basis such amounts from the CDSA as determined by the Office, as being required to repay the principal and coupon including other monies (if any) due and payable by the Issuer in respect of the Bonds.
- (c) In addition to such amount to be credited from the CDSA to the Sinking Fund in (b) above, the Issuer may procure an ISPO issued by the office of the AGS, as a first line fixed charge upon and payable out of the monthly statutory allocations due to the State from the Federation Account, to enable the AGF deduct the amount specified in the ISPO and pay the deducted amounts into the Sinking Fund to be utilized towards the payment of the principal, coupon and other monies (if any) due and payable on the Bonds.

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- (d) Amounts standing to the credit of the Sinking Fund from time to time shall be applied to meet the obligations of the Issuer as follows:
- (i) Coupon payments;
 - (ii) Principal repayment or early redemption specified in the relevant Series Trust Deed (as the case may be);
 - (iii) Trustees' fees and Expenses; and
 - (iv) Any excess left over at the end of the Programme and after due discharge of all the Issuer's obligations aforesaid shall be paid over to the Issuer.

9. OBLIGATIONS OF THE ISSUER

The Issuer covenants and agrees that:

- 9.1 it will ensure that the Pledged Revenues are deposited into the applicable Sinking Fund in accordance with the terms of the relevant Series Trust Deed.
- 9.2 it shall ensure that in the event of a reduction in the monthly statutory allocations accruing to the State from the Federation Account, resulting in shortfall of the deductions due under the ISPO which in the opinion of the Trustee would occasion an event of default in the payment of coupon due on any Series of Bond on any Coupon Payment Date, the Sinking Fund shall be funded from the CDSA with an amount equal to the shortfall and if the amount in the CDSA is insufficient, the outstanding balance shall be paid from the State Consolidated Revenue Fund and assets of the State with the approval of the House of Assembly.
- 9.3 without limiting the generality of the granting clauses set forth in Clause 3.2 above and as security for the payment of the principal, coupon and other payments due with respect to the Bonds, it hereby grants the Trustees a pledge of and lien on the Pledged Revenues. Such pledge and lien shall be valid and binding from and after the date hereof and all Pledged Revenues shall immediately be subject to the pledge and lien as and when received by the Issuer, without any physical delivery thereof or further act.
- 9.4 save for the Security Interest referred to in Clause 3.2 and 9.3 above in favour of the Trustees, it will not create any pledge, lien or encumbrance upon, or permit any pledge, lien or encumbrance to be created on the Pledged Revenues in favour of a third party.
- 9.5 it will do, execute, acknowledge and deliver or cause to be done, executed and delivered, such instruments supplemental hereto and such further acts, instruments and transfers as the Trustees may reasonably require for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Trustees the Issuer's interest in and to the Pledged Revenues and all other property that is conveyed, pledged or assigned to secure or provide for the payment of the principal, coupon and other payments due in respect of each Bond issued in the manner and to the extent contemplated herein or therein.
- 9.6 it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions on its part to be performed as provided herein, in the Prospectus and in any Issue Document for each and every issue of Bonds executed and delivered hereunder and in all proceedings of the Issuer pertaining thereto.
- 9.7 it shall pay the Trustees such fees as may be agreed between the Parties, and reimburse the Trustees, all reasonable and proper out-of-pocket costs and expenses as it may incur in connection with the performance of its duties under this Deed including the costs for convening and holding meetings of the Holders; provided that, for any additional costs which will cause the costs to exceed an aggregate sum of ₦10,000,000.00 (Ten Million Naira) in any one calendar year, the Trustees shall seek and obtain the prior written consent of the Commissioner to incur such costs and expenses, unless such expense is incurred for the purpose of enforcing the provisions of this Deed against the Issuer upon the occurrence of an Event of Default in which case such consent shall not be required.

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- 9.8 it shall make available to the Trustees, any monies necessary to perform or discharge any contractual commitment, indemnity or other obligation entered into by or binding upon the Trustees in the exercise of its powers under this Deed, and all liabilities in respect thereof shall be a charge upon the Sinking Fund.

11. POWERS, RIGHTS, DUTIES AND RELIEFS OF THE TRUSTEES

- 11.1 Subject to the provisions of the Enabling Law and this Deed, the Trustees shall enjoy all powers, reliefs, and indemnities of trustees preserved under the Trustees Act and all other applicable laws for the time being in force.

- 11.2 The Trustees shall have the power to:

- 11.2.1 effectively manage any Sinking Fund in accordance with ISA, the Enabling Law and this Deed, for the purpose of making principal and coupon payments on the Debt Securities issued under the Programme;
- 11.2.2 enforce any agreement or covenant made to secure the interest of the Bondholders, and resort to such remedies as may be appropriate, including instituting or defending proceedings in connection with the management of any Sinking Fund;
- 11.2.3 do any act in accordance with the Enabling Law, the ISA, and any applicable law which shall be for the benefit of the Bondholders.

- 11.3 The Trustees shall have the following duties and responsibilities:

- 11.3.1 To act in accordance with the provisions of the Enabling Law, the ISA, and any applicable law and safeguard the security for the Issuer's debt obligations, provided by the Pledged Revenues and any Sinking Fund;
- 11.3.2 To receive, manage and administer all of the Pledged Revenues for the benefit of the Bondholders, and to hold and apply the Pledged Revenues received in accordance with the ISA, the Enabling Law and this Deed;
- 11.3.3 To retain control over any Sinking Fund and keep the money and assets derived from the management of any Sinking Fund separate from all other monies and assets within its control, in its ordinary course of business;
- 11.3.4 To advise the Issuer when contributions to the Sinking Fund will be sufficient with or without further accumulations of coupon, but without further payments of contributions, to enable the Issuer to redeem the Bonds, at the time of their maturity; and also to inform the Issuer when to recommence contributions into the Sinking Fund;
- 11.3.5 To summon, as and when necessary, meetings of Bondholders of a Series whereat a statement of affairs on the management of the applicable Sinking Fund shall be presented, and or any other necessary business and or matter shall be presented and determined. A meeting shall be convened by the giving of at least twenty-eight (28) clear days' written notice to all Bondholders (specifying the agenda at the meeting), and the said notice shall also be published in at least two (2) national newspapers. The procedure and or regulations governing such meetings shall be in accordance with Schedule 2 to this Deed;
- 11.3.6 Not to enter into contracts or other arrangements that would amount to a conflict of interest in the performance of its obligations under the ISA, the Enabling Law or this Deed, or any other customary obligations of a trustee;
- 11.3.7 To prepare and deliver to the Commissioner, quarterly reports and financial statements in respect of the management of the Sinking Fund in a format determined by the Commissioner; and

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- 11.3.8 To prepare and deliver to the SEC, quarterly returns in respect of the management of all the Sinking Fund.
- 11.4 It is hereby expressly agreed and declared as follows:
- 11.4.1 The Trustees, acting reasonably and in good faith, may in relation to this Deed, act on the opinion or advice of, or any information from any solicitor, valuer, surveyor, broker, auctioneer, accountant, or other expert, whether obtained by the State or by the Trustees, and shall not be responsible for any loss occasioned by its reliance on such opinion, advice or information; and any such advice, opinion or information may be obtained or sent by letter, facsimile or, electronic mail;
- 11.4.2 The Trustees shall not be responsible for the monies paid by applicants for the Debt Securities or be bound to see to and or monitor the application thereof;
- 11.4.3 Save as herein otherwise provided the Trustees shall not be bound to take any steps to ascertain whether any event has happened upon the occurrence of which the Bonds may be declared immediately repayable;
- 11.4.4 The Trustees shall not be responsible for having acted upon any resolution passed at a duly convened, properly constituted meeting of the Bondholders in respect whereof minutes have been made and signed, even though it may subsequently be found that there was some defect in the constitution of the meeting or the passing of the resolution with the effect that the resolution was not valid or binding upon Bondholders;
- 11.4.5 Without prejudice to the right of indemnity by law given to trustees, the Trustees and every attorney, manager, agent or other person appointed by it hereunder shall be entitled to be indemnified by the Issuer in respect of all liabilities and expenses incurred by them or him in the execution of the powers and trusts hereof or of any powers, authorities or discretions vested in them or him pursuant to this Deed provided that the Trustees has not acted grossly negligently or in default of its powers;
- 11.4.6 Without prejudice to the jurisdiction of any competent court, the Trustees shall have the full powers to determine all questions and doubts arising in relation to any of the provisions hereof, (whether or not the same shall relate in whole or in part to acts or proceedings of the Trustees hereunder);
- 11.4.7 The Trustees shall not be liable for any act pursuant to or under this Deed save only for any breach of trust committed by it, provided that nothing contained in this clause shall exempt the Trustees from or indemnify it against any liability for breach of trust where the Trustees fail to show the degree of care and diligence required of it having regard to the provisions hereof conferring on it any powers, authorities or discretions;
- 11.4.8 Subject to Clause 9.7 above, the Trustees may employ and pay an agent whether a solicitor or other person from the amount standing to the credit of the Sinking Fund, to transact or concur in doing all acts required to be done by the Trustees, including the receipt and payment of money, and any such person shall be entitled to charge and be paid all usual professional fees and other charges. Provided that the Trustees must obtain the prior written consent of the Issuer of such delegation of its powers and or duties to any agent, whether a solicitor or other person;
- 11.4.9 The Trustee shall ensure that an amount equal to the coupon amount net of all transaction costs, is transferred to the Registrar for payment to the Bondholders before the subsequent Coupon Payment Date. Any payment made by the Trustee to the Registrar pursuant to the foregoing shall be deemed valid and shall satisfy and discharge the Issuer from any obligation to make payment on the Bonds to the extent of the amount paid. Provided that no such payment made to the Registrar shall be deemed to have been irrevocably paid (until receipt by the Bondholders) if such payment or credit of such amount is capable of being avoided or reduced because of any laws on bankruptcy, insolvency,

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liquidation or any similar laws;

- 11.4.10 The Issuer shall indemnify the Trustees in so far as may be lawful in respect of all costs and expenses incurred by the Trustees in relation to or arising out of any application made to any court by the Trustees or any of the Bondholders for an order that the trust hereof may be carried out under the direction of the court or for an order or declaration relating to the administration of the trust hereof or the enforcement of the rights hereunder of the Trustees or the construction of this Deed;
- 11.4.11 In the absence of bad faith and negligence on the part of the Trustees, the Trustees may conclusively rely upon and shall be protected in acting or refraining from acting upon any document, including but not limited to any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order or other paper or document reasonably believed by it to be genuine and to have been signed or presented by proper officials of the Issuer relating to any matter primarily within the knowledge of the Issuer, the Bondholders or agents or attorneys of the Bondholders, as sufficient evidence thereof, provided, in the case of any such document specifically required to be furnished to the Trustees hereby, the Trustees shall be under a duty to examine the same to determine whether it conforms to the requirements thereof. The Trustees shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, or other paper or document submitted to the Trustees; provided, however, the Trustees, in its discretion, may make such further inquiry or investigation into such facts or matters as it may deem prudent;
- 11.4.12 Except as herein otherwise expressly provided, the Trustees shall be entitled to assume without enquiry, in the absence of knowledge by or express notice to them to the contrary, that the Issuer is duly performing and observing all the covenants and provisions herein contained and it shall be in the discretion of the Trustees whether to take any action or proceedings or to enforce the performance thereof, and the Trustees shall not be bound to declare any Series of the Debt Securities immediately repayable or to take any steps to enforce payment thereof or any of the provisions of this Deed unless and until in any of such cases the Trustees is required to do so in writing by the registered Bondholders of at least three quarters (¾) of the nominal value of the Debt Securities or by a Special Resolution passed at a duly convened meeting of Bondholders. Provided that the Trustees shall in any case inform the Bondholders of the happening of any Event of Default that comes within its knowledge;
- 11.4.13 The Trustees in the exercise of the powers and discretions vested in it pursuant to this Deed shall comply with the provisions of the ISA, and any other applicable law.

14. REMEDIES AND ENFORCEMENT OF REMEDIES

- 14.1 Subject to the provisions of Clause 12 hereof, upon the occurrence and continuance of any of the Event of Default specified in Clause 12.3 and 12.4 with respect to a Series of Bonds, the Trustees may, or upon the written request of Holders of not less than 10% of the principal amount of the Bonds of such Series, together with the due indemnification of the Trustees to its satisfaction, proceed forthwith to protect and enforce its rights and the rights of the Bondholders hereunder, under the ISA and under the Enabling Law and such Bonds by such suits, actions or proceedings, as the Trustees, being advised by counsel, shall deem expedient.
- 14.2 The Trustees shall also file a notice of any default and remedies being pursued with the SEC within five (5) Business Days of the occurrence of the breach.
- 14.3 No Bondholder shall in any circumstance be entitled to any remedy (whether by way of action, petition, arbitration or otherwise howsoever) for the recovery of any payment of principal or coupon on Bonds unless the Trustees, having become bound to take proceedings in accordance with this Deed, notifies the Bondholders in writing of its refusal to do so, in which case the Bondholders may:

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14.3.1 take such proceeding in a representative capacity on behalf of himself and, where authorised, other Bondholders of not less than ten percent (10%) of the principal amount of the Bonds of such Series, for the recovery of the payments due on the Debt Securities; or

14.3.2 take such proceedings in his name for the recovery of his own portion of the Debt Securities only.

15. REPRESENTATIONS AND WARRANTIES OF THE TRUSTEES

Each Trustee hereby warrants to the Issuer that:

15.1 it is a Company within the meaning of the CAMA;

15.2 it is duly registered and authorised by the SEC to provide corporate trust services in Nigeria;

15.3 it has the resources, capacity and expertise to act on behalf of the Bondholders with regard to every issuance of Debt Securities under the Enabling Law and it shall comply with the provisions of the Enabling Law, the ISA and the Issue Documents in the performance of its obligations;

15.4 it shall provide any information that the SEC, or the Commissioner may require in connection with its obligation to act on behalf of Bondholders;

15.5 it shall not allow any conflicts to occur between its obligations in connection with and under the Programme, and its commercial interests;

15.6 it does not have any subsisting fiduciary relationship with the State; and

15.7 it shall, at all times, adhere to the terms and conditions specified in this Deed and the applicable Series Trust Deed.

16. REPRESENTATIONS AND WARRANTIES OF THE ISSUER

16.1 The Issuer hereby warrants to the Trustees that it shall do all acts and things within its powers which are necessary to give effect to its obligations under this Deed;

16.2 Neither the execution of this Deed nor the creation of the Security Interest hereunder contravenes the provisions of any laws of the State and ISA;

16.3 Each of the Issue Documents has been duly executed and delivered by the Issuer and constitutes its legal, valid and binding obligations enforceable against it in accordance with their terms;

16.4 All the information in the Issue Documents that has been made or will subsequently be made available by the Issuer in connection with the issue of the Bonds is true and correct in all material respects and does not contain any fact necessary to make the statements contained therein misleading in the light of the circumstances under which such statements were made.

16.5 It shall give full effect to the Debt Securities, when issued as provided under the Enabling Law;

16.6 It shall establish the Debt Securities as a valid, binding and legal obligation of the Issuer according to the meaning and intent thereof;

16.7 It shall constitute a valid assignment and pledge of the Pledged Revenues to the payment of the principal and coupon on the Debt Securities;

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- 16.8 It shall grant valid Security Interests in the Pledged Revenues as contemplated in clauses 3.2 and 9.3 and in the proceeds thereof;
- 16.9 It shall pay the Trustees such fees as would be agreed between the Parties and reimburse the Trustees all reasonable and proper out-of-pocket costs and expenses incurred in connection with the performance of their duties under this Deed;
- 16.10 It shall create, execute and deliver this Deed, which shall also be deemed to be a security agreement; and
- 16.11 It shall create, execute and issue the Debt Securities, subject to the terms hereto.
- 16.12 No Event of Default or potential Event of Default has occurred or is continuing

17. RESIGNATION AND REMOVAL OF TRUSTEE

- 17.1 Any or all of the Trustees may resign as trustee at any time, by giving not less than sixty (60) days prior written notice to that effect to the Commissioner and the SEC.
Provided that:
 - (a) Where all the Trustees or the sole remaining Trustee resign, such resignation shall not be effective until a successor(s) is appointed in accordance with this Deed; and the Trustee(s) shall continue to hold the rights conferred and perform the obligations imposed on them by this Deed until the resignation is effective.
 - (b) Where only one Trustee resigns, the surviving Trustee(s) shall continue to hold the rights conferred and perform the obligations imposed on the Trustees by this Deed until a successor trustee is appointed in place of the resigning trustee.
- 17.2 In addition, where any Series Trust Deed so provides, a Trustee may be removed by the Issuer but only for the reasons stated in the Series Trust Deed and only so long as (a) no Event of Default shall have occurred and be continuing and (b) the removal of such Trustee shall not have any adverse effect upon the rights and interests of the Bondholders.
- 17.3 Where a Joint Trustee gives notice of its resignation as trustee pursuant to Clause 17.1 herein or in the event the Joint Trustee is dissolved or otherwise becomes incapable to act as trustee or a binding court order is made for its winding up, or it is removed as Joint Trustee pursuant to Clauses 17.2 or 17.3 herein, the Commissioner shall upon a resolution passed by a majority of the Bondholders in accordance with section 248 of the ISA and the approval of the Executive Council immediately appoint a successor Trustee. In such event, the successor Trustee shall cause notice of its appointment to be issued to the Bondholders of all Bonds then outstanding. If any Joint Trustee resigns, the resigning Joint Trustee shall bear the costs of giving such notice. If a Joint Trustee is removed, is dissolved, or otherwise becomes incapable of acting as trustee, the Issuer shall bear the costs of giving such notice.
- 17.4 Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Trustee appointed by the Commissioner shall be a company, authorised to carry on corporate trust business in Nigeria and duly registered with the SEC to provide corporate trust services.
- 17.5 Every successor Trustee shall execute, acknowledge and deliver to its predecessor and also to the Issuer an instrument in writing, accepting such appointment hereunder, and thereupon such successor Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of such predecessor. The predecessor Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Trustee. The predecessor Trustee promptly shall deliver all records relating to the trust and

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copies thereof and communicate all material information it may have obtained concerning the trust to the successor Trustee and shall duly provide the successor Trustee with a full and updated statement of affairs and accounts of the trust in respect of each Series of Bonds.

23. UNDESIRABLE SITUATIONS AND PRACTICES

- 23.1 For the purpose of this Deed, an "undesirable situation or practice" is a situation or practice which threatens or may threaten fair, orderly and transparent management of any Sinking Fund, implementation of its investment objectives and which may prejudice the interests of the Bondholders. These may include:
- 23.1.1 action or proposed action by a government or any of its agencies including industry regulators, or any exceptional or unforeseen circumstance, which is at variance with or which threatens or may threaten the objective of the trust;
 - 23.1.2 an order by a court of competent jurisdiction or a company resolution passed for the dissolution of or appointment of an administrator for a Trustee (otherwise than in the course of reorganization or restructuring of the Trustee);
 - 23.1.3 where any person takes any step, and it is not withdrawn or discharged within ninety (90) days, to appoint a liquidator manager, receiver, administrator, administrative receiver or other similar officer in respect of any assets of the Trustee;
 - 23.1.4 where the Trustee convenes a meeting of its creditors or makes or proposes any arrangement or compromise with, or any assignment for the benefit of its creditors.
- 23.2 If in the opinion of the Commissioner, an undesirable situation or practice has developed or is developing regarding the activities of any of the Trustees and/or the management of the Sinking Fund, the Commissioner may take any steps to correct the situation or practice, including:
- 23.2.1 notifying the SEC within five (5) days of such practice coming to the attention of the Commissioner;
 - 23.2.2 giving directions to the Trustees to act in such a manner as will correct or assist in overcoming the undesirable situation or practice;
 - 23.2.3 with the approval of the Governor and by a simple majority decision of all the Bondholders present at a meeting duly called for that purpose, suspend the Trustee and appoint another Trustee to act in place of the suspended Trustee during the period of suspension;
 - 23.2.4 with the approval of the Governor, and a majority decision of all the Bondholders, terminate the appointment of a Trustee and immediately appoint a new Trustee; or
 - 23.2.5 taking any other action it considers necessary to ensure the proper and efficient management of the Sinking Fund, maintain its integrity and avoid any adverse effect of the situation or practice, on the interest of the Bondholders.
- 23.3 If the Commissioner determines that the undesirable situation or practice has sufficiently abated to allow for the proper management of the Sinking Fund, the Commissioner shall order the removal of any restrictions which may have been imposed or placed, and he may make such additional orders as he may deem necessary or appropriate.

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27. TERMINATION AND DURATION

- 27.1 The term of this Deed shall be 7 years, or until the obligations secured by any Sinking Fund are fully discharged (whichever is the later), commencing on the date first above written.
- 27.2 Notwithstanding Clause 27.1 above, this Deed may be terminated in the event that:
- 27.2.1 there is a material breach by the Issuer of its obligations under this Deed and the Trustees have given the Issuer three (3) months notice in writing of its intention to terminate the Deed;
 - 27.2.2 the appointment of the Trustees is terminated in accordance with the provisions of this Deed;
 - 27.2.3 the opinion of the SEC, any of the circumstances specified in Clause 26 above makes the fulfillment of the Trustees' obligations under this Deed impracticable;
 - 27.2.4 the Commissioner receives a special resolution passed by Bondholders requesting that the appointment of a Trustee be terminated;
 - 27.2.5 a binding court order is made for the winding up of one of the Trustees.
- 27.3 In the event of a termination of this Deed, the Trustees shall immediately account for and deliver up all of the Assets and sums in the Sinking Fund to its appointed successor or successors. A Trustee shall continue in Office until a successor or successors have been duly appointed to take over its obligations herein.

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Schedule 2 - PROVISIONS FOR MEETINGS OF THE HOLDERS

1. Who may Convene Meetings

- 1.1 The Issuer or the Trustees respectively may at any time at their discretion and the Trustees shall on the requisition in writing of the Bondholders holding not less than fifty-one percent (51%) of the aggregate nominal amount of the Debt Securities for the time being outstanding, and upon being indemnified to its satisfaction against all costs and expenses to be thereby incurred, convene a meeting or meetings of the Bondholders in accordance with the provisions of this schedule to discuss and determine any matter affecting their interest. Any such meeting shall be held at such place as the Trustees shall determine or approve.
- 1.2 Bondholders holding at least 10% of the nominal value of the Bonds for the time being outstanding shall be entitled to convene a meeting at which a resolution to compel the Trustees to take steps against the Issuer may be passed, upon the occurrence of an Event of Default.

2. Notice of Meetings

- 2.1 A meeting of the Bondholders may be called by giving not less than twenty-eight (28) days' notice in writing.
- 2.2 A meeting may be called after giving shorter notice than that specified in paragraph 2.1 above if consent is accorded thereto by Bondholders holding not less than seventy-five per cent (75%) of the nominal amount of the Debt Securities for the time being outstanding.

3. Content and manner of service of notice

- 3.1 Every notice of a meeting shall specify the place, the day and hour of the meeting and shall contain a statement of the business to be transacted and the terms of every resolution to be proposed thereat.
- 3.2 Notice of every meeting shall be given to:
 - 3.2.1 every Bondholder;
 - 3.2.2 the person entitled to a Debt Security in consequence of the death, insolvency, winding-up or dissolution of a Bondholder by sending it through the post in a prepaid letter addressed to him by name or by the title of the representative of the deceased or assignee of the insolvent or by any like description at the address (if any) supplied for the purpose by the person claiming to be so entitled, or until such an address has been so supplied by giving the notice in any manner in which it might have been given if the death, insolvency, winding-up or dissolution had not occurred
 - 3.2.3 to the Registrar;
 - 3.2.4 to the Trustees when the meeting is convened by the Issuer; and
 - 3.2.5 the Commissioner.
- 3.3 Any notice shall be served by personally delivering the same by hand to the registered office or to the address of the person to be served, or by sending the same by a reputable courier service to such address or by dispatching the same by legible facsimile transmission or other means of communication in permanent written form, and due service shall be deemed to have been made at the time of actual receipt, save that in the case of any facsimile

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transmission sent after 4.30pm, it shall be deemed to have been at 9.00am on the next business day.

- 3.4 The accidental omission to give notice to or the non-receipt of notice by any Bondholder or other person to whom it should be given shall not invalidate the proceedings of the meeting.

4. Quorum for Meeting

- 4.1 Any two or more persons holding or representing by proxy at least one-quarter ($\frac{1}{4}$) of the nominal amount of the Debt Securities for the time being outstanding shall be a quorum for the conduct of business at a meeting of the Bondholders unless the business of the meeting includes the consideration of a Special Resolution, in which event the necessary quorum shall be two (2) or more persons holding or representing by proxy a simple majority of the nominal amount of the Debt Securities for the time being outstanding and no business shall be transacted at any meeting unless the requisite quorum be present when the meeting proceeds to business, Provided that at any meeting the business of which includes any of the following matter (each of which shall only be capable of being effected after having been approved by Special Resolution):

- a. to amend the dates of maturity or redemption of the Bonds, any instalment date or any date for payment of coupon on the Bonds;
- b. to reduce or cancel the nominal amount of, or any instalment amount of, or any premium payable on redemption of, the Bonds;
- c. to reduce the rate or rates of coupon in respect of the Bonds or to vary the method or basis of calculating the rate or rates or amount of coupon or the basis for calculating any coupon in respect of the Bonds;
- d. if a minimum and/or a maximum rate of coupon, installment amount or redemption amount is specified in respect of the Bonds, to reduce any such minimum and/or maximum;
- e. to vary any method of, or basis for, calculating the prepayment fee payable upon early redemption of the Bonds; to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass the Special Resolution,

in which case the necessary quorum shall be two or more persons holding or representing not less than 51%, or at any adjourned meeting not less than 25%, in nominal amount of the Bonds for the time being outstanding.

- 4.2 If within an hour from the time appointed for the holding of the meeting a quorum is not present for the meeting, if called upon the requisition of Bondholders, shall stand dissolved. In any other case the meeting shall stand adjourned to such day and time not being less than seven (7) days thereafter and to such place as the Chairman may determine.

- 4.3 At least three (3) days' notice of any adjourned meeting shall be given in the same manner as for an original meeting, but it shall not be necessary to specify in such notice the business to be transacted at the adjourned meeting. Any two (2) or more persons being Bondholders or holding proxies for Bondholders whatever the amount of Debt securities held by them, shall be a quorum for all purposes including the passing of Special Resolutions and to decide upon all matters which could properly have been disposed of at the meeting from which the adjournment took place.

5. Chairman of Meeting

- 5.1 The Trustees or such other person nominated by the Trustees shall be entitled to take the chair at every meeting and if no such nomination is made or if at any meeting the Trustees or the person nominated shall not be present within thirty (30) minutes after the time appointed for holding the meeting the Bondholders personally present shall on a show of hands elect one of themselves to be the Chairman thereof.

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- 5.2 If a poll is demanded on the election of the Chairman it shall be taken forthwith and the Chairman elected on a show of hands shall exercise all the powers of the Chairman until the result of such poll is declared.
- 5.3 If some other person is elected Chairman as a result of the poll he shall be the Chairman for the rest of the meeting.

6. Persons entitled to attend meeting

In addition to the Bondholders, the Trustees, its solicitors, the Commissioner and any authorised officer of the State and any other person authorised in that behalf by the Trustees may attend any meeting but shall not be entitled to vote thereat.

7. Evidence of Passing of Resolution

At any meeting a resolution or any question put to the vote the meeting shall be decided on a show of hands unless a poll is demanded in the manner hereinafter mentioned, and unless a poll is so demanded a declaration by the Chairman that on a show of hands the resolution has been carried either unanimously or by a particular majority or lost or not carried either unanimously or by a particular majority, and an entry to that effect in the books containing the minutes of the proceedings of the meeting, shall be conclusive evidence of that fact without proof of the number or proportion of the votes cast in favour of, or against such resolution.

8. Demand for Poll

- 8.1 Before or on the declaration of the result of the voting on any point or question on a show of hands, a poll may be ordered to be taken by the Chairman of the meeting on his own motion, and shall be ordered to be taken by him on demand made in that behalf by at least five (5) Bondholders having the right to vote on the resolution and present in person or by proxy or by the Bondholders of not less than one-quarter (1/4) in nominal amount of the Debt Securities for the time being outstanding.
- 8.2 The demand for a poll may be withdrawn at any time by any person or persons who made the demand.

9. Time of taking Poll

- 9.1 A poll demanded on a question of adjournment shall be taken forthwith.
- 9.2 A poll demanded on any other question (not being a question relating to the election of a Chairman as provided for in Paragraph 6 hereof) shall be taken in such manner and at such time not being later than thirty (30) days from the time when the demand was made as the Chairman may direct.

10. Votes

On a show of hands, every Holder who (being an individual) is present in person or by proxy or (being a body corporate) is present by its duly authorised representative shall have one (1) vote, and on a poll every Bondholder who is present in person or by proxy shall have one (1) vote in respect of every unit of the Debt Security of which he is the holder.

11. Representatives of Bodies Corporate

Any body corporate which is a Bondholder may by writing under the hand of a duly authorised officer authorise such person as it thinks fit to act as its representative at any meeting of the Bondholders and the person so authorised shall be entitled to exercise the same powers on behalf of the body corporate which he represents as that body corporate could exercise if it were an individual Bondholder.

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12. Proxies

- 12.1 The registered Bondholder or in case of joint holders any one of them shall be entitled to vote in respect thereof either in person or by proxy and in the latter case, as if such joint holders were solely entitled to such Debt Securities. A registered Bondholder shall be entitled to appoint another person (whether a Bondholder or not) as his proxy to attend and vote instead of himself.
- 12.2 In every notice calling a meeting of the Bondholders there shall appear with reasonable prominence a statement that a Bondholder entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and that a proxy need not be a Bondholder.
- 12.3 The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarized copy of the power of authority, shall be deposited at such place as may be specified in the notice convening the meeting or in some document accompanying the same or if no place is so specified then at the office of the Registrars for the time being, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or in the case of a poll not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.
- 12.4 The instrument appointing a proxy shall:
- 12.4.1 be in writing in the usual common form or such other form as the Trustees may approve; and
 - 12.4.2 be signed by the Bondholder so appointing or his attorney duly authorised in writing or if the Bondholder so appointing is a body corporate be under its seal or be signed by an officer or any attorney duly authorised by it.
- 12.5 No instrument appointing a proxy shall be valid after the expiration of twelve (12) months from the date named in it as the date of execution. An instrument appointing a proxy shall be deemed to confer authority to demand or to join in a demand for a poll.
- 12.6 Every Bondholder entitled to vote at a meeting of the Bondholders or on any resolution to be moved thereat shall be entitled during the period beginning twenty-four (24) hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting to inspect by himself or through a duly authorised person the proxies lodged at any time during the business hours of the Registrar, provided that not less than three (3) days' notice in writing of the intention so to inspect is given to the Registrar.
- 12.7 A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Trustees at their respective registered offices before the commencement of the meeting or adjourned meeting at which the proxy is used.

13. Entitlement of Bondholder to vote differently

On a poll taken at a meeting of the Bondholders a Bondholder entitled to more than one vote, or his proxy or other person entitled to vote for him as the case may be need not, if he votes, use all his votes or cast all his votes in the same way.

14. Scrutineers at Poll

- 14.1 Where a poll is to be taken the Chairman of the meeting shall appoint two (2) scrutineers to scrutinize the votes given on the poll and to report thereon to him.

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- 14.2 The Chairman shall have power at any time before the result of the poll is declared to remove a scrutineer from office and to fill vacancies in the office of scrutineer arising from such removal or for any other cause.
- 14.3 Of the two (2) scrutineers appointed under this clause one shall always be a Bondholder present at the meeting, provided that such a Bondholder is available and willing to be appointed.
15. **Manner of Poll and result thereof**
- The Chairman of the meeting shall have power to regulate the manner in which a poll shall be taken.
16. **Voting in the case of joint holding**
- In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of other joint first holder, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Debt Securities.
17. **Power to adjourn meeting**
- The Chairman may with the consent of the meeting of the Bondholders at which a quorum is present (and shall if directed by any such meeting), adjourn the same from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
18. **Casting Vote**
- In the case of equality of votes whether on a show of hands or a poll the Chairman of the meeting of Bondholders at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote in addition to the votes to which he may be entitled as or on behalf of a Bondholder.
19. **Proceedings and Demand for Poll**
- The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.
20. **Chairman to be sole judge**
- The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting, and the Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.
21. **Power of General Meeting**
- A meeting of the Bondholders shall *inter alia* have the following powers exercisable by Special Resolution:
- (a) to sanction the release of the Issuer from all or any part of the principal monies and coupon owing upon the Debt Securities;
 - (b) to sanction any modification or compromise or any agreements in respect of the rights of the first Bondholders against the Issuer whether such rights shall arise under this Deed or a Bond Certificate or otherwise;
 - (c) to assent to any modification of the provisions contained in this Deed proposed or agreed by the Issuer;

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- (d) to give any sanction, direction or request which under any of the provisions of this Deed is required to be given by Special Resolution;
- (e) to authorise and empower the Trustees to concur in and execute and do all such deeds, instruments, acts and things as may be necessary to carry out and give effect to any Special Resolution;
- (f) to give any release to the Trustees in respect of anything done or omitted to be done by the Trustees hereunder before the giving of the release;
- (g) to approve the appointment or removal of a Trustee;
- (h) to appoint any person (whether a Bondholder or not) as a committee or committees to represent the interest of the Bondholders and to confer upon such committee or committees any powers or discretions which the Bondholders could themselves exercise by Special Resolution;
- (i) to sanction any scheme or proposal for the exchange of part or all of the Bonds for or the conversion of the Bonds into or cancellation of the Bonds in consideration for other securities of the Issuer or any company formed or to be formed for this purpose.

22. Resolution Binding

A resolution passed at a meeting of the Bondholders duly convened and held in accordance with this Deed shall be binding upon all the Bondholders whether present or not present at such meeting and whether or not voting, and each of the Bondholders shall be bound to give effect thereto accordingly, and the passing of any such resolution shall be conclusive evidence that the circumstances justify the passing thereof, the intention being that it shall rest with the meeting to determine without appeal whether or not the circumstances justify the passing of such resolution.

23. Minutes

Minutes of all resolutions and proceedings at such meeting as aforesaid shall be made and duly entered in the books to be provided from time to time for that purpose by the Trustees at the expense of the Issuer, and every such minutes as aforesaid if signed by the Chairman of the meeting at which such resolutions were passed or proceedings had or by the Chairman of the next succeeding meeting of the Bondholders shall be conclusive evidence of the matters therein contained, and until the contrary is proved every such meeting in respect of the proceedings in which minutes have been signed as aforesaid shall be deemed to have been duly held and convened, and all resolutions passed thereat or proceedings taken to have been duly passed and taken.

24. Resolution in Writing

A resolution in writing duly signed by all the Bondholders of the Debt Securities entitled to attend and vote for the time being outstanding, shall be as effective for all purposes as a Special Resolution duly passed at a meeting of the Bondholders.