

COMMITMENT AGREEMENT

THIS AGREEMENT is made on 14 October 2016

BETWEEN:

- (1) **SEVERN TRENT WATER LIMITED**, a company incorporated with limited liability under the laws of England and Wales (registered number 02366686) and having its registered office at Severn Trent Centre, 2 St John's Street, Coventry CV1 2LZ (the "**Company**"); and
- (2) **ASSURED GUARANTY (EUROPE) LTD**, having its registered office at 1 Finsbury Square, London EC2A 1AB ("**AGE**"),

each a ("**Party**") and together the ("**Parties**").

WHEREAS:

- (A) The Company (either itself or by means of such group undertaking as it may nominate) intends to make a proposal to acquire Dee Valley Group plc (the "**Offer**") in accordance with the City Code on Takeovers and Mergers (the "**Code**") and any other applicable law or regulation. The Offer, if made, will be implemented by way of a scheme of arrangement under Part 26 of the Companies Act 2006 (a "**Scheme**"), or by way of an offer or offers to acquire all of the voting and non-voting ordinary shares not already owned by the Company (a "**Takeover Offer**");
- (B) On 19 June 2002, Dee Valley Water plc (as "**Borrower**") entered into a £35,000,000 facility agreement with, *inter alios*, Artesian Finance plc (as "**Lender**") (the "**Dee Valley Facility Agreement**"), pursuant to which, the Lender agreed to make available to the Borrower a £35,000,000 term loan facility. The full amount of the Facility Agreement was drawn down on 22 August 2002 (the "**Dee Valley Loan**");
- (C) Under the terms of a borrower security trust and intercreditor deed first made on 19 June 2002 and amended by a deed of amendment on 14 August 2002, between, Dee Valley Water plc, HoldCo, Chester, Capita IRG Trustees Limited (the "**Borrower Security Trustee**"), the Agent, the Original Qualifying Debt Holders and the Original Qualifying Debt Representatives (the "**Borrower STID**"), the parties to the Borrower STID recorded certain obligations of the Borrower to the Borrower Finance Parties named therein;
- (D) AGE is the Controlling Creditor Finance Party in respect of the Borrower STID;
- (E) AGE is the Controlling Creditor in respect of the outstanding 3.625 per cent. guaranteed secured index-linked bonds due 2032 issued by Artesian Finance plc; and
- (F) The Parties wish to record their agreement in relation to, with effect from and conditional upon Completion: (i) the amendment and restatement of the Dee Valley Facility Agreement, giving effect to the replacement of the Company as obligor in place of the Borrower thereunder; (ii) the amendment and restatement of the Borrower STID; and (iii) the simultaneous release of all of the Borrower Security granted in relation to the Dee Valley Facility Agreement (the "**Severn Trent Amendments**").

WHEREBY IT IS AGREED as follows:

1. DEFINITIONS

In the Agreement unless the context otherwise requires:

"**Agreed Form**" means a document in agreed form, subject to further amendments as may be agreed between the parties thereto (such agreement not to be unreasonably withheld);

"Amended and Restated Borrower STID" means the deed of amendment and restatement of the Borrower STID to be made between, *inter alios*, the Borrower, the Company and the Borrower Security Trustee, the Agreed Form of which is set out in Schedule 1 (*Form of Amended and Restated Borrower STID*);

"Amended and Restated Facility" means the deed of amendment and restatement of the Dee Valley Facility Agreement to be made between the Borrower, HoldCo, the Lender, the Agent and the Company, the Agreed Form of which is set out in Schedule 2 (*Form of Amended and Restated Facility*);

"Amendment Documents" means the Amended and Restated Facility, the Amended and Restated Borrower STID, the Instruction Letter, the Deed of Release and any other agreements or letters of instructions necessary to effect the Severn Trent Amendments;

"Bond Trustee" means Capita IRG Trustees Limited;

"Completion" means either the Scheme becoming effective or the Takeover Offer being declared unconditional as to acceptances in accordance with the terms of the Code;

"Deed of Release" means the deed of release to be made between the Borrower Security Trustee, the Borrower and HoldCo to effect the release and/or reassignment of the Charged Assets from the security created by the Borrower Security Documents, the Agreed Form of which is set out in Schedule 3 (*Form of Deed of Release*); and

"Instruction Letter" means the letter of instruction from AGE to Capita IRG Trustees Limited (in its capacity as Controlling Finance Party, Borrower Security Trustee, Qualifying Debt Representative and Bond Trustee), the Agreed Form of which is set out in Schedule 4 (*Form of Instruction Letter*).

Capitalised terms that are not defined in this Agreement (which includes the recitals) shall have the meanings given to them in the Borrower STID.

2. AGREEMENT TO AMEND AND RESTATE

2.1 AGE hereby confirms it has undergone its internal credit process and has obtained credit committee approval for the Severn Trent Amendments on the basis of the forms of the Amendment Documents scheduled to this Agreement and agrees with the Company that in consideration of the agreement by the Company to execute the relevant Amendment Documents and the payment of the fees to AGE in accordance with Clause 3 (*Fees and Cost*);

2.1.1 in its capacity as Controlling Creditor, it will instruct (and exercise its right to require), with effect from, and conditional upon Completion, Artesian Finance plc and the Bond Trustee to execute the Amendment Documents and do all such acts and things as are necessary to give effect to the Severn Trent Amendments and the transactions contemplated by this Agreement; and

2.1.2 in its capacity as the Controlling Creditor Finance Party, it will instruct (and exercise its right to require), with effect from, and conditional upon Completion, the Borrower Security Trustee, at the reasonable costs of the Company, to execute the Amendment Documents and do all such acts and things as are necessary to release and/or reassign the Charged Assets from the security created by the Borrower Security Documents and release the obligations thereunder; and

2.1.3 it will execute the Amendment Documents and do all other acts and things necessary and reasonably within AGE's control to give effect to the Severn Trent Amendments, which for the avoidance of doubt shall include the issuance of further instructions to Artesian Finance plc, the Bond Trustee and the Borrower Security Trustee to do other acts and things necessary to give effect to the Severn Trent Amendments.

3. **FEES AND COSTS**

The Company will pay to AGE fees and costs in accordance with the terms of a fee letter dated on or about the date hereof between AGE and the Company.

4. **COUNTERPARTS**

This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

5. **ASSIGNMENT**

No party may assign its rights under this Agreement.

6. **WAIVER**

The rights and remedies of the parties shall not be affected by any failure to exercise or delay in exercising any right or remedy or by the giving of any indulgence by any other party or by anything whatsoever except a specific waiver or release in writing and any such waiver or release shall not prejudice or affect any other rights or remedies of the parties. No single or partial exercise of any right or remedy shall prevent any further or other exercise thereof or the exercise of any other right or remedy.

7. **VARIATION**

No variation of this Agreement (or any of the documents referred to in it) shall be valid unless it is in writing (which, for this purpose, does not include email) and signed by or on behalf of each of the parties. The expression "variation" includes any variation, supplement, deletion or replacement however effected.

8. **THIRD PARTY RIGHTS**

No term of this Agreement is enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a party to this Agreement.

9. **NOTICES**

Each communication to be made hereunder shall be made in writing and, unless otherwise stated, shall be made by letter or email and shall be sent as follows:

9.1.1 **The Company:** if to the Company, to it at:

Severn Trent Water Limited
Severn Trent Centre
2 St John's Street
Coventry CV1 2LZ

Attention:

Email: [REDACTED]@severntrent.co.uk

9.1.2 **AGE:** if to AGE, to it at:

1 Finsbury Square
London EC2A 1AB

Attention:

Email: [REDACTED]@assuredguaranty.com

- 9.2 A communication shall be deemed received (if by letter) when delivered or (if by email) when the relevant receipt of such communication having been read is received by the sender of the original email or, where no read receipt is requested by the sender, at the time of sending, provided that no delivery failure notification is received by the sender within 24 hours of sending such communication in each case in the manner required by this clause. However, if a communication is received after business hours on any business day or on a day which is not a business day in the place of receipt it shall be deemed to be received and become effective at the opening of business on the next business day in the place of receipt. Every communication shall be irrevocable save in respect of any manifest error in it.

10. **CONFIDENTIAL INFORMATION**

This Agreement constitutes Confidential Information pursuant to the confidentiality undertaking between the parties.

11. **GOVERNING LAW**

This Agreement and any dispute or claim arising out of or in connection with it or its subject matter, existence, negotiation, validity, termination or enforceability (including any non-contractual disputes or claims) shall be governed by and construed in accordance with English law.

This Agreement has been executed on the date first above written.

SEVERN TRENT WATER LIMITED:

By



ASSURED GUARANTY (EUROPE) LTD:

By:

9.2 A communication shall be deemed received (if by letter) when delivered or (if by email) when the relevant receipt of such communication having been read is received by the sender of the original email or, where no read receipt is requested by the sender, at the time of sending, provided that no delivery failure notification is received by the sender within 24 hours of sending such communication in each case in the manner required by this clause. However, if a communication is received after business hours on any business day or on a day which is not a business day in the place of receipt it shall be deemed to be received and become effective at the opening of business on the next business day in the place of receipt. Every communication shall be irrevocable save in respect of any manifest error in it.

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This Agreement has been executed on the date first above written.

SEVERN TRENT WATER LIMITED:

By

ASSURED GUARANTY (EUROPE) LTD:

By:

SCHEDULE 1
AGREED FORM OF AMENDED AND RESTATED BORROWER STID

Dated [●] 2016

DEED OF AMENDMENT AND RESTATEMENT

DEE VALLEY WATER PLC

and

DEE VALLEY WATER (HOLDINGS) LIMITED

and

CAPITA IRG TRUSTEES LIMITED

and

OTHERS

RELATING TO A BORROWER SECURITY TRUST AND INTERCREDITOR DEED DATED

19 June 2002 as amended on 14 August 2002

Linklaters

Ref: L-252512

Linklaters LLP

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THIS DEED is dated [●] 2016 and made between:

- (1) **DEE VALLEY WATER PLC**, a public limited company incorporated under the laws of England and Wales (Registered Number 03527628) and having its registered office at Packsaddle, Wrexham Road, Rhostyllen, Wrexham, Clwyd LL14 4EH (the “**Existing Borrower**”);
- (2) **DEE VALLEY WATER (HOLDINGS) LIMITED**, a company incorporated with limited liability under the laws of England and Wales (Registered Number 04421854) and having its registered office at Packsaddle, Wrexham Road, Rhostyllen, Wrexham, Clwyd LL14 4EH (the “**Existing HoldCo**”);
- (3) **SEVERN TRENT WATER LIMITED**, a company incorporated with limited liability under the laws of England and Wales (Registered Number 02366686) and having its registered office at Severn Trent Centre, 2 St John's Street, Coventry CV1 2LZ (the “**New Borrower**”);
- (4) **CAPITA IRG TRUSTEES LIMITED**, a company incorporated with limited liability under the laws of England and Wales (the “**Borrower Security Trustee**”);
- (5) **ARTESIAN FINANCE PLC**, a public limited company incorporated under the laws of England and Wales (Registered Number 04369065) and having its registered office at 4th Floor, 40 Dukes Place, London EC3A 7NH as qualifying debt holder (the “**Qualifying Debt Holder**”);
- (6) **CAPITA IRG TRUSTEES LIMITED**, a company incorporated with limited liability under the laws of England and Wales as qualifying debt representative (the “**Qualifying Debt Representative**”);
- (7) **CAPITA IRG TRUSTEES LIMITED**, a company incorporated with limited liability under the laws of England and Wales as issuer security trustee (the “**Issuer Security Trustee**” as controlling finance party (the “**Controlling Finance Party**”)); and
- (8) **ARTESIAN FINANCE PLC**, a public limited company incorporated under the laws of England and Wales (Registered Number 04369065) and having its registered office at 4th Floor, 40 Dukes Place, London EC3A 7NH as the lender (the “**Lender**”).

Whereas:

The parties hereto have entered into this Amendment Deed to: (i) amend the Original Borrower STID; and (ii) replace the Existing Borrower with the New Borrower. In addition, certain parties hereto have, pursuant to a separate amendment and restatement agreement, agreed to amend the Facility Agreement.

IT IS AGREED as follows:

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Amendment Deed:

“**Amended Agreement**” means the Original Borrower STID, as amended and restated in the form set out in Annex 1 (*Form of Amended Agreement*).

“Effective Date” means the date from and including the date on which all of the conditions precedent referred to in Clause 2 (*Conditions Precedent*) of this Amendment Deed have been satisfied pursuant to Clause 2 (*Conditions Precedent*).

“Original Borrower STID” means the borrower security trust and intercreditor deed dated 19 June 2002 between, *inter alios*, the Existing Borrower, Existing HoldCo and the Borrower Security Trustee as amended by a deed of amendment dated 14 August 2002.

“Party” means a party to this Amendment Deed.

1.2 Incorporation of defined terms

- (a) Unless a contrary indication appears, terms defined in or incorporated by reference into the Original Borrower STID have the same meaning in this Amendment Deed.
- (b) The principles of construction set out in the Original Borrower STID shall have effect as if set out in this Amendment Deed.

1.3 Third party rights

A person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Amendment Deed.

1.4 Designation

In accordance with the Original Borrower STID, the Borrower and the Issuer Security Trustee (as Controlling Finance Party) designate this Amendment Deed as a Borrower Finance Document.

2 CONDITIONS PRECEDENT

The Effective Date shall not occur unless the Borrower has delivered all the documents and other evidence listed in Annex 2 (*Conditions Precedent*). The Borrower shall promptly notify Assured Guaranty (Europe) Ltd. and Capita IRG Trustees Limited of the occurrence of the Effective Date.

2.1 Borrower

On the Effective Date:

- 2.1.1 the Existing Borrower will hereby assign (without any further action) absolutely to the New Borrower its rights under the Amended Agreement and the Existing Borrower will be irrevocably and unconditionally released from all of its obligations under the Amended Agreement; and
- 2.1.2 the New Borrower shall become a party as a “Borrower” and will be bound by the obligations under the Amended Agreement.

2.2 Existing HoldCo

On the Effective Date, Existing HoldCo will cease to be a Party to the Amended Agreement and will be irrevocably and unconditionally released from all of its obligations under the Amended Agreement.

3 REPRESENTATIONS

The New Borrower makes the following representations and warranties on the date of this Deed, and on the Effective Date:

3.1 Status

Each of the Borrower and its consolidated subsidiaries (i) has been duly incorporated and is validly existing under English law or the laws of its place of incorporation with full power and authority to own, lease and operate its properties and conduct its business and (ii) in the case of the Borrower, is able lawfully to execute the Borrower Finance Documents to which it is a party and to perform its obligations under the Borrower Finance Documents to which it is a party.

3.2 Power and authority, binding obligations

The execution and delivery of the Borrower Finance Documents to which it is a party by the Borrower have been duly authorised by the Borrower and, in the case of the Borrower Finance Documents to which it is a party, constitute, legal, valid and binding obligations of the Borrower enforceable in accordance with their respective terms subject to the laws of bankruptcy and other laws affecting the rights of creditors generally.

3.3 Non-conflict with other obligations

The execution and delivery of the Borrower Finance Documents to which it is a party and the performance of the terms of the Borrower Finance Documents to which it is a party will not infringe any law or regulation applicable to the Borrower and are not contrary to the provisions of the constitutional documents of the Borrower and will not result in any breach of the terms of, or constitute a default under, any instrument, agreement or order to which the Borrower is a party or by which its property is bound.

3.4 Authorisations

All consents and approvals of any court, government department or other regulatory body required by the Borrower for the execution and delivery of the Borrower Finance Documents to which it is a party by the Borrower and the performance by the Borrower of the terms of the Borrower Finance Documents by the Borrower have been obtained and are unconditional and in full force and effect.

3.5 No Default

No Event of Default or event which with the giving of notice or lapse of time or other condition would constitute an Event of Default is subsisting and no event has occurred which would constitute an Event of Default or which with the giving of notice or lapse of time or other condition would constitute such an Event of Default.

4 AMENDMENT AND RESTATEMENT

With effect from and including the Effective Date the Original Borrower STID shall be amended and restated in the form set out in Annex 1 (*Form of Amended Agreement*).

5 MISCELLANEOUS

5.1 Incorporation of terms

The provisions of clause 16 (*Notices*) of the Original Borrower STID shall be incorporated into this Amendment Deed as if set out in full in this Amendment Deed and as if references in those clauses to “this Agreement” are references to this Amendment Deed save that the Borrower Security Trustee’s notice details shall be replaced with the following:

Capita IRG Trustees Limited
c/o Capita Trust Company Limited
4th Floor, 40 Dukes Place
London EC3A 7NH
Fax: +44 2031700246
Attention: The Manager/Corporate Trusts

5.2 Counterparts

This Amendment Deed may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Amendment Deed.

5.3 Communications

Each communication to be made hereunder to the Issuer Security Trustee (as Controlling Finance Party) shall be made in writing and, unless otherwise stated, shall be made by facsimile or letter.

Fax: +44 (0) 20 3170 0246
Address: Capita IRG Trustees Limited
c/o Capita Trust Company Limited
4th Floor, 40 Dukes Place
London EC3A 7NH
Attention: The Manager/Corporate Trusts

6 GOVERNING LAW

This Amendment Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

7 JURISDICTION

The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Amendment Deed (including a dispute regarding the existence, validity or termination of this Amendment Deed or any non-contractual obligation arising out of or in connection with this Amendment Deed).

This Amendment Deed has been entered into on the date stated at the beginning of this Amendment Deed.

SIGNATURE PAGE

The Existing Borrower

Signed as a DEED by

DEE VALLEY WATER PLC

Address:

Fax No:

Attention:

Director:

Witness:

Name:

Occupation:

Address:

The Existing HoldCo

Signed as a DEED by

DEE VALLEY WATER (HOLDINGS) LIMITED

Address:

Fax No:

Attention:

Director:

Witness:

Name:

Occupation:

Address:

The New Borrower

Signed as a DEED by

SEVERN TRENT WATER LIMITED

Address:

Fax No:

Attention:

Director:

Witness:

Name:

Occupation:

Address:

The Borrower Security Trustee

Signed as a DEED by

Capita Trust Company Limited as attorney for CAPITA IRG TRUSTEES LIMITED

Address: Capita IRG Trustees Limited
 c/o Capita Trust Company Limited
 4th Floor, 40 Dukes Place
 London EC3A 7NH

Fax No: +44 (0) 20 3170 0246

Attention: The Manager/Corporate Trusts

By its duly authorised attorney in the presence of:

Signature of Witness:

Name:

Occupation:

Address:

The Qualifying Debt Holder

Signed as a DEED by

ARTESIAN FINANCE PLC

Address:

Fax No:

Attention:

By:

By:

Qualifying Debt Representative

Signed as a DEED by

Capita Trust Company Limited as attorney for CAPITA IRG TRUSTEES LIMITED

Address: Capita IRG Trustees Limited
 c/o Capita Trust Company Limited
 4th Floor, 40 Dukes Place
 London EC3A 7NH

Fax No: +44 (0) 20 3170 0246

Attention: The Manager/Corporate Trusts

By its duly authorised attorney in the presence of:

Signature of Witness:

Name:

Occupation:

Address:

Issuer Security Trustee (as Controlling Finance Party)

Signed as a DEED by

Capita Trust Company Limited as attorney for CAPITA IRG TRUSTEES LIMITED

Address: Capita IRG Trustees Limited
c/o Capita Trust Company Limited
4th Floor, 40 Dukes Place
London EC3A 7NH

Fax No: +44 (0) 20 3170 0246

Attention: The Manager/Corporate Trusts

In the presence of:

Signature of Witness:

Name:

Occupation:

Address:

The Lender

Signed as a DEED by

ARTESIAN FINANCE PLC

Address:

Fax No:

Attention:

Director:

Witness:

Name:

Occupation:

Address:

Annex 1
Form of Amended Agreement

Dated [●]

SEVERN TRENT WATER LIMITED

and

CAPITA IRG TRUSTEES LIMITED
as Borrower Security Trustee

and

OTHERS

**BORROWER SECURITY TRUST AND
INTERCREDITOR DEED**

Linklaters

Ref: L-252512

This Borrower Security Trust and Intercreditor Deed is made on [●] 2016 **between:**

- (1) **SEVERN TRENT WATER LIMITED**, a company incorporated with limited liability under the laws of England and Wales (Registered Number 02366686) and having its registered office at Severn Trent Centre, 2 St John's Street, Coventry CV1 2LZ (the **"Borrower"**);
- (2) **CAPITA IRG TRUSTEES LIMITED**, a company incorporated with limited liability under the laws of England and Wales (the **"Borrower Security Trustee"**);
- (3) **ARTESIAN FINANCE PLC**, a public limited company incorporated under the laws of England and Wales (Registered Number 04369065) and having its registered office at 4th Floor, 40 Dukes Place, London EC3A 7NH as qualifying debt holder (the **"Qualifying Debt Holder"**);
- (4) **CAPITA IRG TRUSTEES LIMITED**, a company incorporated with limited liability under the laws of England and Wales as qualifying debt representative (the **"Qualifying Debt Representative"**); and
- (5) **ARTESIAN FINANCE PLC**, a public limited company incorporated under the laws of England and Wales (Registered Number 04369065) and having its registered office at 4th Floor, 40 Dukes Place, London EC3A 7NH as the lender (the **"Lender"**).

Whereas:

- (A) The Borrower wishes to raise funds for certain purposes as more particularly described in the Facility Agreement.
- (B) The parties hereto have entered into this Deed, *inter alia*, in order to record certain obligations of the Borrower to the Borrower Finance Parties and the Borrower Security Trustee.

Now this Deed witnesseth as follows:

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Deed, including the Recitals, except to the extent that the context requires otherwise, the following terms shall have the meanings given to them in this Clause 1.1:

"Agent" means The Royal Bank of Scotland plc;

"Amendment and Restatement Deed" means the deed of amendment and restatement dated on or about [●] 2017 between, among others, the Borrower and the Borrower Security Trustee pursuant to which this Deed is amended and restated;

"Arranger" means the Royal Bank of Scotland plc as arranger of the Programme;

"Assured Guaranty" means Assured Guaranty (Europe) Ltd. (formerly Financial Security Assurance (U.K.) Limited);

"Auditors" means the auditors for the time being of the Borrower;

"Authorised Signatory" or **"Authorised Signatories"** means, in relation to the Borrower and any communication to be made or document to be executed or certified by the Borrower, at any time, any person or persons:

- (a) who is/are at such time duly authorised by a resolution of the board of directors (or a duly authorised committee thereof) of the Borrower or by virtue of his/their appointment by the Borrower to a particular office (a copy of which resolution or appointment, certified by a director or the secretary of the Borrower, has been delivered to the Controlling Finance Party) to make such communication or to execute or certify such document on behalf of the Borrower; and
- (b) in respect of whom the Controlling Finance Party has received a certificate of a director or the secretary of the Borrower setting out the names and signatures of such person or persons and confirming such person's or persons' authority so to act, and in respect of whom no notice has been received by the Controlling Finance Party from the Borrower to the effect that such person is/or persons are no longer an Authorised Signatory or Authorised Signatories for the Borrower;

"Bond Policy" means the financial guarantee insurance policy and the endorsement thereto dated 14 August 2002 pursuant to which Assured Guaranty has guaranteed scheduled payments of principal and interest in respect of the relevant Series of Bonds;

"Bonds" has the meaning given to that term in Clause 7.2 (*Facilitation of Programme*);

"Bond Trust Deed" means, as applicable, the trust deed dated 19 June 2002 between, *inter alios*, Artesian Finance plc and Capita IRG Trustees Limited;

"Bond Trustee" means the bond trustee in relation to the relevant Bonds under the Bond Trust Deed;

"Borrower Enforcement Proceeds" means all and any sums of money received or recovered after any Qualifying Debt has become immediately due and payable;

"Borrower Finance Documents" means this Deed, the Facility Agreement, the Fee Letters and any other document as may from time to time be agreed between the Controlling Finance Party and the Borrower to be a Borrower Finance Document;

"Borrower Finance Parties" means the Borrower Security Trustee, any Qualifying Debt Holder and the Qualifying Debt Representative but, for the avoidance of doubt, excludes the Borrower and **"Borrower Finance Party"** means any of them;

"Borrower Liabilities" means all moneys, liabilities and obligations which may be due, owing or payable by the Borrower actually or contingently, as principal or as surety on any account, pursuant to the Borrower Finance Documents;

"Borrower Security Trustee Entrenched Rights" means those rights set out in Part II of Appendix B to Schedule 2 (*Creditor Rights*);

"Borrower Security Trustee Reserved Matters" means those reserved matters set out in Part II of Appendix A to Schedule 2 (*Creditor Rights*);

"Business Day" means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in London and New York;

"Competent Authority" includes any court of competent jurisdiction and any local, national or supranational agency, inspectorate, department, local authority, minister, ministry, official or public or statutory person (whether autonomous or not) in or of, the Government or of the European Union having authority;

"Controlling Creditor" has the meaning given to it in the Bond Trust Deed.

“Controlling Finance Party” means, subject to paragraph 4.3 (*Actions of Borrower Security Trustee*) and 4.4 (*Controlling Finance Party*) of Schedule 2 (*Creditor Rights*), the Qualifying Debt Representative in relation to the Loan;

“Debt Expenses” means, in respect of any period, the Lender Administration Costs, the STID Administration Costs and any other amounts (other than principal, premium and interest) payable by the Borrower under the Borrower Finance Documents during such period;

“Debt Service” means in respect of any period any principal, premium and interest (including default interest) which falls due or which has fallen due to be paid by the Borrower during such period in respect of the Borrower's obligations under and in connection with the Borrower Finance Documents and which is due to be paid by the Borrower during such period;

“Default” means an Event of Default or any event or circumstance specified in Clause 9 (*Events of Default*) which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an Event of Default;

“DGWS” means the Director General of Water Services or any successor thereto;

“Discharge Date” means the date the Senior Liabilities have been discharged in full;

“Effective Date” has the meaning given to that term in the Amendment and Restatement Deed;

“EMU” means Economic and Monetary Union as contemplated in the Treaty on European Union;

“Entrenched Rights” means, in respect of the Qualifying Debt Representative, the rights listed in Part I of Appendix B to Schedule 2 (*Creditor Rights*), in respect of the Borrower Security Trustee, the rights listed in Part II of Appendix B to Schedule 2 (*Creditor Rights*);

“euro” means the single currency that was introduced at the start of the third stage of EMU pursuant to the Treaty on European Union;

“Event of Default” means any event or circumstance specified as such in Clause 9 (*Events of Default*);

“Excluded Subsidiary” [Severn Trent Services International (Overseas Holdings) Limited, C2C Services Limited, Coast to Coast Water Limited and Coast to Coast Holdings Limited] and any other Subsidiary of the Borrower [(excluding Severn Trent Utilities Finance plc)]: (a) which is a single purpose company whose principal assets and business are constituted by a project, (b) none of whose liabilities in respect of the financing of such project are directly or indirectly the subject of security or a guarantee, indemnity or any other form of assurance, undertaking or support from any member of the Group other than such Subsidiary or another Excluded Subsidiary and (c) which has been designated as such by the Borrower by written notice to the Borrower Security Trustee; provided that the Borrower may give written notice to the Borrower Security Trustee at any time that any Excluded Subsidiary is no longer an Excluded Subsidiary, whereupon it shall cease to be an Excluded Subsidiary;

“Facility Agreement” means the facility agreement entered into between, *inter alios*, Dee Valley Water PLC as borrower and the Royal Bank of Scotland plc (acting as Arranger, Original Lender and Agent) dated 19 June 2002 which was subsequently novated to the Lender, and as amended and restated from time to time (including pursuant to an amendment and restatement agreement dated the same date as the Amendment and Restatement Deed);

“Fee Letter” means any letter dated on or about the date of this Deed signed by the Borrower in respect of fees payable, *inter alia*, in connection with the transactions contemplated by the Facility Agreement;

“Finance Rights” means, in respect of any Borrower Finance Party, all rights, claims, discretions and benefits which it has under each Relevant Document including:

- (a) to consent or direct any other person to consent to any amendment, waiver, modification or extension of any such document;
- (b) to exercise or direct any other person to exercise any right, power or discretion of or under any of the provisions of any such document;
- (c) to commence or direct any other person to commence litigation, arbitration or other proceedings in respect of matters arising from, or in connection with, any provision of any such document;
- (d) to commence or direct any other person to commence any investigations and to make any recommendations;
- (e) to accelerate any amounts due from the Borrower;
- (f) to direct the Borrower Security Trustee with respect to each and every right, power and discretion under the Relevant Documents to which the Borrower Security Trustee is party which may be, or are, expressed to be in favour of, and exercisable by, the Borrower Security Trustee (including where such exercise is stated as being “at its absolute discretion”) or any other rights conferred upon the Borrower Security Trustee pursuant to the Relevant Documents to which the Borrower Security Trustee is a party (other than any Borrower Security Trustee Reserved Matter);
- (g) the granting of any waiver of, or the consenting to any amendment to, the terms of any of the Relevant Documents; and
- (h) the granting of any consent under the terms of any Relevant Document;

“Group” means the Borrower and its Subsidiary Undertakings for the time being;

“Holding Company” means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary;

“Instrument of Appointment” means the Instrument of Appointment dated August 1989 made by the Secretary of State under sections 11 and 14 of the Water Act 1989 (now section 6 of the Water Industry Act 1991) appointing the Borrower as the water undertaker and sewerage undertaker for the areas described in the Instrument of Appointment;

“Issuer” means Artesian Finance Plc;

“Issuer Security Trustee” means the security trustee in relation to the Programme;

“Lender” has the meaning given to that term in the Facility Agreement;

“Lender Administration Costs” means such amount, payable semi-annually in arrear on each Scheduled Payment Date and on any other date notified by the Agent, calculated by reference to costs and expenses of the Issuer payable to:

- (a) the Cash Manager pursuant to the Cash Management Agreement;
- (b) each of the Principal Paying Agent, the Paying Agents and the Calculation Agent pursuant to the Paying Agency Agreement;
- (c) the Administrator pursuant to the Administration Agreement;
- (d) the Corporate Services Provider pursuant to the Corporate Services Agreement;
- (e) the Account Bank pursuant to the Issuer Account Bank Agreement;
- (f) the Issuer Security Trustee pursuant to the Issuer Debenture or the Issuer Security Trust and Intercreditor Deed;
- (g) the Bond Trustee pursuant to the Bond Trust Deed;
- (h) the auditors of the Issuer;
- (i) each of the Rating Agencies for fees and expenses in connection with any rating or the maintenance of that rating of the Bonds issued under the Programme;
- (j) legal counsel to the Issuer in respect of legal fees and expenses of the Issuer;
- (k) to any Competent Authority in respect of any governmental fee, charge or tax;
- (l) any stock exchange on which the Programme is listed in respect of any listing fees or charges;
- (m) the Agent pursuant to an agency fee letter entered into between the Agent and the Issuer on or about 26 June 2002; and/or
- (n) any other costs properly and directly incurred by or in relation to the Programme or the Facility Agreement,

other than any such fees or charges which relate to issues of Bonds under the Programme where the related borrower is not the Borrower and which are or will be due and payable on such Scheduled Payment Date and divided by the number of borrowers contributing to the costs as notified to the Borrower by the Agent pursuant to the Facility Agreement but without double counting any costs included in the definition of STID Administration Costs or any costs for which the Issuer is indemnified pursuant to clause 13.2 (*Programme indemnities*) of the Facility Agreement or for which the Issuer is indemnified for by other borrowers whose borrowing relates to the Programme pursuant to any provision which is of similar effect to clause 13.2 (*Programme Indemnities*) of the Facility Agreement. Terms which are used in this definition but which are not otherwise defined have the meanings given to them in the terms and conditions of the Bonds issued pursuant to the Programme;

“Loan” means the loan made or to be made under the term credit facility made available under the Facility Agreement or the principal amount outstanding for the time being of that loan;

“Material Subsidiary” means, at any time, a Subsidiary of the Borrower (other than an Excluded Subsidiary):

- (a) whose profits on ordinary activities before tax or whose net assets (in each case consolidated in respect of a Subsidiary which itself has Subsidiaries) and in each case attributable to the Borrower, all as shown in the latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary represent 10 per cent. or more of:
 - (i) the profits on ordinary activities before tax or, as the case may be, net assets of the Borrower all as shown in the latest audited accounts of the Borrower; or
 - (ii) (if audited consolidated accounts of the Borrower and its Subsidiaries are prepared) the consolidated profits on ordinary activities before tax or, as the case may be, consolidated net assets (in each case attributable to the shareholders of the Borrower) of the Borrower and its Subsidiaries all as shown in the latest audited consolidated accounts of the Borrower and its Subsidiaries; or
- (b) to which is transferred all or substantially all of the business, undertaking or assets of a Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon the transferor Subsidiary shall immediately cease to be a Material Subsidiary and the transferee Subsidiary shall immediately become a Material Subsidiary but shall cease to be a Material Subsidiary under this paragraph (b) (but without prejudice to the provisions of paragraph (a) above) upon publication of its next audited accounts.

A report (whether or not addressed to the Borrower Security Trustee) by the Auditors that in their opinion a Subsidiary is or is not or was or was not at any particular time or throughout any particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

“Moneys Borrowed” means: (a) borrowed moneys; (b) liabilities under any bond, note, bill, debenture, loan stock or other security not for the time being beneficially owned by any member of the Group, in each case issued (i) as consideration for assets or services (but excluding such liabilities incurred in relation to the acquisition of assets or services in the ordinary course of trading) or (ii) for cash; and (c) liabilities under acceptance credit facilities, but shall not in the case of (a), (b) or (c) include Project Finance Indebtedness;

“Moody’s” means Moody’s Investors Service Limited, and any successor thereto and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, Moody’s shall be deemed to refer to any other internationally recognised rating agency designated by the Controlling Finance Party;

“Party” means a party to this Deed;

“Programme” has the meaning given in Clause 7.2 (*Facilitation of Programme*);

“Project Finance Indebtedness” means any present or future indebtedness incurred to finance the ownership, acquisition, development and/or operation of an asset, whether or not an asset of a member of the Group:

- (a) which is incurred by an Excluded Subsidiary; or
- (b) in respect of which the person or persons to whom any such indebtedness is or may be owed by the relevant borrower (whether or not a member of the Group) has

or have no recourse whatsoever to any member of the Group (other than an Excluded Subsidiary) for the repayment thereof other than:

- (i) recourse for amounts limited to the cash flow or net cash flow (other than historic cash flow or historic net cash flow) from such asset; or
- (ii) recourse for the purpose only of enabling amounts to be claimed in respect of such indebtedness in an enforcement of any encumbrance given by such borrower over such asset or the income, cash flow or other proceeds deriving therefrom (or given by any shareholder or the like in the borrower over its shares or the like in the capital of the borrower) to secure such indebtedness, provided that (A) the extent of such recourse is limited solely to the amount of any recoveries made on any such enforcement, and (B) such person or persons is/are not entitled, by virtue of any right or claim arising out of or in connection with such indebtedness, to commence proceedings for the winding up or dissolution of any member of the Group (other than an Excluded Subsidiary) or to appoint or procure the appointment of any receiver, trustee or similar person or officer in respect of any member of the Group (other than an Excluded Subsidiary) or any of its assets (save for the assets the subject of such encumbrance); and/or
- (iii) recourse under any form of assurance, undertaking or support, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for breach of an obligation (not being a payment obligation or an obligation to procure payment by another or an indemnity in respect thereof or any obligation to comply or to procure compliance by another with financial ratios or other tests of financial condition);

“Prospectus” means the prospectus prepared in connection with the €6,000,000,000 euro medium term note programme by Severn Trent Utilities Finance plc, Severn Trent plc and Severn Trent Water Limited, dated 23 June 2016, together with any supplements that may be published in connection thereto;

“Qualifying Bank” means any bank which is authorised to accept deposits (for the purposes of the Financial Services and Markets Act 2000) and whose short term debt is rated at least A-1 by S&P and P-1 by Moody’s and whose long-term debt is at least AA- by S&P and at least Aa3 by Moody’s, or in the case of a bank whose long-term debt is not rated, a bank of equivalent standing approved by the Controlling Finance Party or any bank specifically approved in writing by the Controlling Finance Party;

“Qualifying Debt” means the Loan;

“Relevant Documents” means in relation to any person each of the Borrower Finance Documents to which that person is expressed to be a party and any other document which is agreed by the Controlling Finance Party and such person to be a Relevant Document;

“Relevant Indebtedness” means any indebtedness (other than Project Finance Indebtedness), which is in the form of, or represented or evidenced by, bonds, notes, loan stock or other securities which are quoted, listed, dealt in or traded on a stock exchange, or over the counter or other recognised securities market;

“Required Debt Expenses” means on any date an amount equal to the Lender Administration Costs due on the Scheduled Payment Date immediately following such date;

“Required Debt Service” means on any date an amount equal to the Debt Service falling due under the Facility Agreement on the Scheduled Payment Date immediately following such date;

“Reserved Matters” means in respect of the Qualifying Debt Representative, the matters listed in Part I of Appendix A to Schedule 2 (*Creditor Rights*) and in respect of the Borrower Security Trustee, the matters listed in Part II of Appendix A to Schedule 2 (*Creditor Rights*);

“S&P” means Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc. and any successor thereto, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, S&P shall be deemed to refer to any other internationally recognised rating agency designated by the Controlling Finance Party;

“Scheduled Payment Date” means 30 September 2002 and thereafter 31 March and 30 September in each year until and including 30 September 2032 (except that if any Scheduled Payment Date would otherwise fall on a day which is not a Business Day, it will instead be the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day);

“Security Interest” means any mortgage, charge, lien (other than a lien arising solely by operation of law) or other encumbrance;

“Security Trust Provisions” means the provisions of Schedule 3 (*Security Trust Provisions*);

“Senior Creditors” means each of the Borrower Finance Parties;

“Senior Liabilities” means all present and future sums, liabilities and obligations (actual or contingent) payable, owing, due or incurred by the Borrower to the Borrower Finance Parties under, in respect of or in connection with the Borrower Finance Documents, together with:

- (a) any refinancing, novation, refunding, deferral or extension of any of those sums, liabilities and obligations;
- (b) any claim for damages or restitution in the event of rescission of any of those liabilities;
- (c) any claim against the Borrower flowing from any recovery by the Borrower of a payment or discharge in respect of those liabilities on grounds of preference or otherwise; and
- (d) any amounts (such as post-insolvency interest) which would be included in any of the above but for any discharge, non-provability, unenforceability or non-allowability of the same in any insolvency or other proceedings;

“Series” has the meaning ascribed thereto in the preamble to the terms and conditions of the Bonds issued pursuant to the Programme;

“STID Administration Costs” means in respect of any period any amount which falls due or which has fallen due to be paid to the Borrower Security Trustee, any appointee of the Borrower Security Trustee or the Qualifying Debt Representative under any Borrower Finance Document and all fees, costs, expenses, charges and liabilities and other amounts, together in each case with interest, VAT and any other Tax payable in respect of such amounts but without double counting any costs included in the definition of Lender Administration Costs;

“Subsidiary” means a subsidiary within the meaning of section 1159 of the Companies Act 2006;

“Subsidiary Undertaking” means a subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006;

“Tax” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same); and

“VAT” means:

- (a) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and
- (b) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in paragraph (a) above or imposed elsewhere.

1.2 Interpretation

1.2.1 Any reference in this Deed to:

- (i) an **“agency”** of a state is a reference to any political sub-division thereof, and any ministry, department or authority thereof and any company or corporation which is controlled and of which 50 per cent. or more of the issued share capital is owned by one or more of such agencies, provided that in relation to The Royal Bank of Scotland plc, the term "agency" shall not include:
 - (a) the UK Government or any member or instrumentality thereof, including Her Majesty's Treasury and UK Financial Investments Limited (or any directors, officers, employees or entities thereof) or
 - (b) any persons or entities controlled by or under common control with the UK Government or any member or instrumentality thereof (including Her Majesty's Treasury and UK Financial Investments Limited) and which are not part of The Royal Bank of Scotland Group plc and its Subsidiaries or subsidiary undertakings;
- (ii) an **“approval”** shall be construed as a reference to any approval, consent, authorisation, exemption, permit, licence, registration, filing or enrolment by or with any Competent Authority, including the DGWS or any other person;
- (iii) any statement made which is qualified by reference to the **“best of [its] knowledge”** or similar means that statement is made on the basis of the knowledge of the person making such statement and includes such

knowledge as that person would have had, had it made all reasonable enquiries to verify such statement;

- (iv) a **"certificate"** delivered by an Authorised Signatory of the Borrower shall be a certificate containing *inter alia* a warranty that the matters certified therein are, to the best of the knowledge and belief of the Borrower having made all reasonable enquiries, true and accurate (or, to the extent that the matters certified are matters of opinion, are opinions honestly and reasonably held) and do not omit any fact, matter or thing that may cause such certificate to be misleading but which shall not impose any personal liability on such authorised signatory;
- (v) **"continuing"** means in respect of any Default or Event of Default that such event has occurred and at the relevant time has not been either (a) remedied or (b) waived by the Controlling Finance Party;
- (vi) **"control"** of one person by another person (or persons acting in concert) means that the other (whether directly or indirectly) has the power to appoint and/or remove the majority of members of the governing body of that person or otherwise has the power to control the management and policies of a body corporate, whether through the ownership of share capital, the possession of voting power, by contract or otherwise and **"controlled"** and **"controlling"** shall be construed accordingly;
- (vii) **"including"** shall be construed as a reference to **"including without limitation"**, so that any list of items or matters appearing after the word "including" shall be deemed not to be an exhaustive list, but shall be deemed rather to be a representative list, of those items or matters forming a part of the category described prior to the word "include" or "including";
- (viii) **"indebtedness"** shall be construed so as to include any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
- (ix) **"indexed"** in respect to any reference to an amount, shall be a reference to that amount as indexed on the same basis as the application of the Index Ratio set out in, and as defined in, the Facility Agreement;
- (x) a **"law"** includes common or customary law and any constitution, decree, judgment, legislation, order, ordinance, regulation, statute, treaty or other legislative measure, in each case of any jurisdiction whatever (and **"lawful"** and **"unlawful"** shall be construed accordingly);
- (xi) **"litigation"** shall be construed as a reference to any litigation, arbitration, administrative proceeding or claim by or before any court, tribunal, governmental or administrative agency or arbitrator or any investigation by the DGWS;
- (xii) a **"person"** shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing;

- (xiii) “**repay**” (or any derivative form thereof) shall, subject to any contrary indication, be construed to include “**prepay**” (or, as the case may be, the corresponding derivative form thereof); and
- (xiv) the “**winding up**”, “**dissolution**” or “**administration**” (or an application therefor) of a company or corporation shall be construed so as to include any proceedings having an equivalent or analogous effect under the law of the jurisdiction in which such company or corporation is incorporated or any jurisdiction in which such company or corporation carries on business.

1.2.2 Unless the context or the express provisions of this Deed otherwise require words importing the singular shall include the plural and vice versa.

1.3 Currency symbols and currency conversion

1.3.1 “£” and “**sterling**” denote the lawful currency from time to time of the United Kingdom.

1.3.2 If under any applicable law, whether as a result of a judgment against the Borrower or the liquidation of the Borrower or for any other reason, any payment under or in connection with this Deed is made or any amount is received or recovered by the Borrower Security Trustee in respect of any of the Borrower Liabilities in a currency (the “**other currency**”) other than the currency in which the Borrower Liabilities are payable (the “**original currency**”), then to the extent that the payment or receipt by the Borrower Security Trustee (when converted at the rate of exchange on the date of payment or receipt) falls short of the whole of the Borrower Liabilities then due and payable, the Borrower shall as a separate and independent obligation fully indemnify the Borrower Security Trustee against the amount of the shortfall; and for the purposes of this Clause 1.3.2, “**rate of exchange**” means the rate at which the Borrower Security Trustee is able on the relevant date to purchase the original currency in London with the other currency.

1.4 Statutes

Any reference in this Deed to a statute shall, if the context so permits, be construed as a reference to such statute as the same may have been or may from time to time be amended or re-enacted.

1.5 Headings

Clause and Schedule headings are for ease of reference only and references to Clauses and Schedules are, unless otherwise stated, to clauses of and schedules to this Deed.

1.6 Documents

Any reference in this Deed to all or any documents or agreements shall, if the context so permits, be construed as a reference to those documents or agreements as at the date hereof as the same may have been or may be from time to time amended, supplemented, restated, novated or replaced provided that, in the case of a reference to a Relevant Document, such reference shall include any supplement thereto, or amendment, restatement, novation or replacement thereof only to the extent approved in writing by the Controlling Finance Party and in accordance with the provisions of this Deed.

1.7 Successors, transferees and assigns

Any reference in this Deed to the Borrower Security Trustee, the Qualifying Debt Representative, the Qualifying Debt Holder and any other person shall be construed so as to include their respective successors, permitted transferees and assigns and (where applicable) to any replacement or additional Borrower Security Trustee, Qualifying Debt Representative, trustee or agent as permitted by and in accordance with the document or documents governing the rights and obligations of such person.

1.8 Trustees

Any Qualifying Debt Representative which is a trustee holds the benefit of all rights conferred upon it by this Deed on trust for itself and the Qualifying Debt Holders pursuant to such trust deed which may from time to time be entered into by the Borrower and the Qualifying Debt Representative which constitutes the Qualifying Debt and the Borrower Security Trustee holds the benefits of the rights conferred on it by this Deed on trust for itself and the Borrower Beneficiaries.

2 CREDITOR RIGHTS

2.1 Acknowledgement

Each Party makes the acknowledgements expressed to be made by it and agrees to comply with the provisions set out in Schedule 2 (*Creditor Rights*).

2.2 Provision of information

The Controlling Finance Party shall provide to such Qualifying Debt Representative as may reasonably request the same any documents received by the Controlling Finance Party from the Borrower pursuant to this Deed (and shall be reimbursed by the Borrower in respect of the costs so incurred).

3 SECURITY TRUST PROVISIONS

Each Party makes the acknowledgements expressed to be made by it and agrees to comply with the provisions set out in Schedule 3 (*Security Trust Provisions*).

4 EFFECTIVENESS

[*Not required*]

5 REPRESENTATIONS AND WARRANTIES

5.1 General

5.1.1 The Borrower makes to each of the Borrower Finance Parties the representations and warranties set out in this Clause 5 on the Effective Date.

5.1.2 The Borrower acknowledges that the Borrower Finance Parties have entered into the Amendment and Restatement Deed in reliance on the representations and warranties made by it.

5.2 Status

Each of the Borrower and its consolidated subsidiaries (i) has been duly incorporated and is validly existing under English law or the laws of its place of incorporation with full power and authority to own, lease and operate its properties and conduct its business and (ii) in the case of the Borrower, is able lawfully to execute the Borrower Finance Documents to which it is a party and to perform its obligations under the Borrower Finance Documents to which it is a party.

5.3 Power and authority, binding obligations

The execution and delivery of the Borrower Finance Documents to which it is a party by the Borrower have been duly authorised by the Borrower and, in the case of the Borrower Finance Documents to which it is a party, constitute, legal, valid and binding obligations of the Borrower enforceable in accordance with their respective terms subject to the laws of bankruptcy and other laws affecting the rights of creditors generally.

5.4 Non-conflict with other obligations

The execution and delivery of the Borrower Finance Documents to which it is a party and the performance of the terms of the Borrower Finance Documents to which it is a party will not infringe any law or regulation applicable to the Borrower and are not contrary to the provisions of the constitutional documents of the Borrower and will not result in any breach of the terms of, or constitute a default under, any instrument, agreement or order to which the Borrower is a party or by which its property is bound.

5.5 Authorisations

All consents and approvals of any court, government department or other regulatory body required by the Borrower for the execution and delivery of the Borrower Finance Documents to which it is a party by the Borrower and the performance by the Borrower of the terms of the Borrower Finance Documents by the Borrower have been obtained and are unconditional and in full force and effect.

5.6 No Default

No Event of Default or event which with the giving of notice or lapse of time or other condition would constitute an Event of Default is subsisting and no event has occurred which would constitute an Event of Default or which with the giving of notice or lapse of time or other condition would constitute such an Event of Default.

5.7 No litigation

No member of the Group is involved in any legal, governmental or arbitration proceedings which, if determined adversely to the Borrower or relevant subsidiary would have a material effect in the context of Borrower Finance Documents nor so far as the Borrower is aware is any such litigation or arbitration pending or threatened.

5.8 No misleading information

(i) The Prospectus contains all material information with respect to the Borrower and the Group, (ii) the statements of fact contained in the Prospectus relating to the Borrower and the Group are and were and, in the case of any supplement to the Prospectus, will as at

their respective dates be in every material particular true and accurate, and not misleading, in any material respect and that there are no other facts in relation to the Borrower or the Group, the omission of which would make any statement in the Prospectus misleading in any material respect, (iii) the statements of intention, opinion, belief or expectation contained in the Prospectus are honestly and reasonably made or held and (iv) all reasonable enquiries have been made to ascertain such facts and to verify the accuracy of all such statements.

5.9 Financial statements

The most recently published audited consolidated and unconsolidated balance sheets and profit and loss accounts of the Borrower (the "audited accounts") were in each case prepared in all material aspects in accordance with the requirements of law and with accounting principles generally accepted in the United Kingdom consistently applied and that they present a true and fair view of (i) the consolidated and unconsolidated (as applicable) financial condition of the Borrower as at the date to which they were prepared (the "**relevant date**") and (ii) the consolidated and unconsolidated (as applicable) results of operations of the Borrower for the financial period ended on the relevant date and that there has been no material adverse change or any development involving a prospective material adverse change in the consolidated or unconsolidated financial position or prospects of the Borrower or any member of the Group as the case may be, since the date of the audited accounts.

6 FINANCIAL INFORMATION COVENANTS

6.1 General

For so long as any amounts are outstanding under the Borrower Finance Documents, the Borrower makes the covenants and undertakings set out below in favour of each of the Borrower Finance Parties.

6.2 Information: Miscellaneous

The Borrower shall supply to each of the Borrower Finance Parties:

- 6.2.1** so far as permitted by applicable law, such opinions, certificates, information and evidence as it shall reasonably require and in such form as it shall reasonably require for the purpose of the discharge or exercise of the duties, trusts, powers, authorities and discretions vested in it under this Deed or by operation of law;
- 6.2.2** two copies in English of every balance sheet, profit and loss account, report, circular and notice of general meeting and every other document issued or sent to its shareholders together with any of the foregoing, and every document issued or sent to holders of securities other than its shareholders as soon as practicable after the issue or publication thereof;
- 6.2.3** a certificate by the Auditors (with a form and content satisfactory to the Borrower Finance Parties) listing those Subsidiaries of the Borrower which as at the last day of the most recently ended financial period of the Borrower were Material Subsidiaries;
- 6.2.4** as soon as reasonably practicable after the acquisition or disposal of any company which thereby becomes or ceases to be a Material Subsidiary or after any transfer is made to any Subsidiary of the Borrower which thereby becomes a Material

Subsidiary, a certificate by the Auditors (with a form and content satisfactory to the Borrower Security Trustee) to such effect; and

- 6.2.5 a certificate of two directors of the Borrower specifying details of any termination of the Instrument of Appointment, such certificate to be provided promptly upon any such termination being made.

7 POSITIVE COVENANTS

7.1 Compliance with laws

The Borrower will at all times ensure that all necessary action is taken and all necessary conditions are fulfilled (including, without limitation, obtaining and, where relevant, maintaining in full force and effect all necessary permissions, consents or approvals of all relevant governmental authorities) so that it may lawfully comply with its obligations under the Borrower Finance Documents and, further, so that it may comply with any applicable laws, regulations and guidance from time to time promulgated by any governmental and regulatory authorities relevant in the context of the Borrower Finance Documents.

7.2 Facilitation of Programme

The Borrower undertakes not to request or cause any further Bonds to be issued under the Programme, however it shall, to the extent reasonably required by the Issuer, the Lender or the Arranger (together the “**Programme Parties**”) in connection with the £500,000,000 programme (the “**Programme**”) for the issue of guaranteed secured index-linked bonds (the “**Bonds**”) established or to be established by the Issuer and the issue of bonds from time to time under the Programme:

- 7.2.1 perform (or use its reasonable endeavours to procure the performance of) all further acts and things, and execute and deliver (or use its reasonable endeavours to procure the execution and delivery of) such further documents as, in the reasonable opinion of the Programme Parties, may be necessary or desirable for the Programme (including the listing and maintain such listing of the Programme on a stock exchange) or the issuance from time to time of the Bonds,

provided that, notwithstanding the foregoing, the Borrower shall only be required to disclose any information or do any other act or thing to the extent this is permitted by law or regulation binding upon it (or any member of the Group or any Holding Company of the Borrower) and, in the case of disclosure of information, which would not breach any confidentiality undertaking binding upon it (or any member of the Group or any Holding Company of the Borrower).

The Contracts (Rights of Third Parties) Act 1999 applies to this Clause 7.2.

7.3 Pari passu

The Borrower shall ensure that its obligations under the Borrower Finance Documents will constitute its direct, unconditional, unsubordinated and (subject to the provisions of Clause 8.1 (*Negative pledge*)) unsecured obligations and (subject as aforesaid and save for certain obligations required to be preferred by law) such obligations will rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Borrower, from time to time outstanding.

8 NEGATIVE COVENANTS

The Borrower will not create or permit to subsist any Security Interest upon the whole or any part of its undertaking or assets, present or future, to secure payment of any present or future Relevant Indebtedness or to secure any guarantee or indemnity in respect of any present or future Relevant Indebtedness, without at the same time according to its obligations under the Borrower Finance Documents, to the satisfaction of the Borrower Security Trustee (acting on the instructions of the Controlling Finance Party itself acting on the instructions of the Controlling Creditor), the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity, or such other arrangement (whether or not it includes the creation of a Security Interest) as the Borrower Security Trustee shall determine (acting on the instructions of the Controlling Finance Party itself acting on the instructions of the Controlling Creditor) is not materially less beneficial to the Senior Creditors or as shall be approved by the Borrower Security Trustee (acting on the instructions of the Controlling Finance Party itself acting on the instructions of the Controlling Creditor).

9 EVENTS OF DEFAULT

Each of the events or circumstances set out in this Clause 9 is an Event of Default.

9.1 Non-payment

The Borrower does not pay on the due date any amount payable pursuant to a Borrower Finance Document at the place and in the currency in which it is expressed to be payable and payment is not made within ten Business Days of its due date.

9.2 Other obligations

If the Borrower fails to perform or observe any of its other obligations under the Borrower Finance Documents (other than those referred to in Clause 9.1 (*Non-payment*)) and (except where the Borrower Security Trustee considers the failure to be incapable of remedy) the failure continues for the period of 30 days (or such longer period as the Borrower Security Trustee may permit) next following the service by the Qualifying Debt Holder or Qualifying Debt Representative on the Borrower (as the case may be) of written notice requiring the same to be remedied.

An Event of Default will only occur under this Clause 9.2 if the same has been certified in writing by the Borrower Security Trustee (as instructed by the Controlling Finance Party itself acting on the instructions of the Controlling Creditor) to the Borrower to be, as determined by the Controlling Finance Party itself acting on the instructions of the Controlling Creditor, materially prejudicial to the interests of the Senior Creditors.

9.3 Cross-acceleration

If any indebtedness for Moneys Borrowed of the Borrower or any Material Subsidiary is validly declared to be due and repayable prior to the date on which the same would otherwise become due and repayable by reason of the occurrence of an event of default (however described) in relation thereto or if the Borrower or any Material Subsidiary defaults in the repayment of any indebtedness for Moneys Borrowed at the maturity thereof or at the expiry of any originally applicable grace period, or if any guarantee or indemnity or other like obligation in respect of any indebtedness for Moneys Borrowed given by the

Borrower or any Material Subsidiary shall not be paid when due and called upon or at the expiry of any originally applicable grace period save in any such case where there is a bona fide dispute as to whether payment or repayment is due, provided that no such event as aforesaid shall constitute an event of default unless the Moneys Borrowed or other liability relative thereto either alone or when aggregated with other Moneys Borrowed and/or other liabilities relative to all (if any) other such events which shall have occurred shall amount to at least £15,000,000 (or its equivalent in any other currency or currencies at the date the same become due and payable or such default occurs or such payment is not made, as the case may be).

An Event of Default will only occur in respect of a Material Subsidiary under this Clause 9.3 if the same has been certified in writing by the Borrower Security Trustee (as instructed by the Controlling Finance Party itself acting on the instructions of the Controlling Creditor) to the Borrower to be, as determined by the Controlling Finance Party itself acting on the instructions of the Controlling Creditor, materially prejudicial to the interests of the Senior Creditors.

9.4 Winding-up

If (a) an order is made or an effective resolution is passed for the appointment of an administrator or for the winding-up of the Borrower or any Material Subsidiary (except, in the case of a Material Subsidiary, a winding-up for the purposes of a reconstruction or amalgamation, the terms of which have previously been approved in writing by the Borrower Security Trustee (acting on the instructions of the Controlling Finance Party itself acting on the instructions of the Controlling Creditor), or a voluntary solvent winding-up in connection with the transfer of all or the major part of the business, undertaking and assets of such Material Subsidiary to the Borrower, or another Subsidiary of the Borrower or; or (b) an order is made in respect of the Borrower pursuant to section 24 of the Water Industry Act 1991.

An Event of Default will only occur in respect of a Material Subsidiary under this Clause 9.4 if the same has been certified in writing by the Borrower Security Trustee (as instructed by the Controlling Finance Party itself acting on the instructions of the Controlling Creditor) to the Borrower to be, as determined by the Controlling Finance Party itself acting on the instructions of the Controlling Creditor, materially prejudicial to the interests of the Senior Creditors.

9.5 Cessation of business

If the Borrower or any Material Subsidiary stops or threatens to stop payment generally or ceases or threatens to cease to carry on its business or a substantial part of its business (except, in the case of a Material Subsidiary, a cessation or threatened cessation for the purpose of a reconstruction or amalgamation on the terms of which have previously been approved in writing by the Borrower Security Trustee (acting on the instructions of the Controlling Finance Party itself acting on the instructions of the Controlling Creditor), or in connection with the transfer of all or the major part of the business, undertaking and assets of such Material Subsidiary to the Borrower or another Subsidiary of the Borrower or (not, in any case, being an Excluded Subsidiary) or which is not material in the context of the Group as a whole).

An Event of Default will only occur in respect of a Material Subsidiary under this Clause 9.5 if the same has been certified in writing by the Borrower Security Trustee (as instructed by

the Controlling Finance Party itself acting on the instructions of the Controlling Creditor) to the Borrower to be, as determined by the Controlling Finance Party itself acting on the instructions of the Controlling Creditor, materially prejudicial to the interests of the Senior Creditors.

9.6 Insolvency Proceedings

If an encumbrancer takes possession or an administrative or other receiver or manager is appointed of the whole or any material part of the undertaking or assets of the Borrower or any Material Subsidiary (where, in the case of a Material Subsidiary, such undertaking or assets or part thereof is or are material in the context of the Group as a whole) or if a distress, execution or any similar proceeding is levied or enforced upon or sued out against the whole or any material part of the property of the Borrower or any Material Subsidiary (where, in the case of a Material Subsidiary, such property or part thereof is material in the context of the Group as a whole) and in any such case is not removed, paid out or discharged within 21 days (or such longer period as the Borrower Security Trustee may approve).

An Event of Default will only occur in respect of a Material Subsidiary under this Clause 9.6 if the same has been certified in writing by the Borrower Security Trustee (as instructed by the Controlling Finance Party itself acting on the instructions of the Controlling Creditor) to the Borrower to be, as determined by the Controlling Finance Party itself acting on the instructions of the Controlling Creditor, materially prejudicial to the interests of the Senior Creditors.

9.7 Insolvency

If the Borrower or any Material Subsidiary is deemed for the purpose of any law to be unable to pay its debts, or the value of the assets of the Borrower or any Material Subsidiary falls to less than the amount of its liabilities (taking into account for both these purposes its contingent and prospective liabilities) or the Borrower or any Material Subsidiary otherwise becomes, or is determined by any competent court or other authority to be, insolvent, or suspends making payments (whether of principal or interest) in respect of any class of its debts or announces an intention to do so or a moratorium is declared in respect of any of the indebtedness of the Borrower or any Material Subsidiary.

An Event of Default will only occur in respect of a Material Subsidiary under this Clause 9.7 if the same has been certified in writing by the Borrower Security Trustee (as instructed by the Controlling Finance Party itself acting on the instructions of the Controlling Creditor) to the Borrower to be, as determined by the Controlling Finance Party itself acting on the instructions of the Controlling Creditor, materially prejudicial to the interests of the Senior Creditors.

9.8 Creditors' process

If any kind of composition, scheme of arrangement, compromise or other similar arrangement involving the Borrower or any Material Subsidiary and its creditors generally (or any class of such creditors) is entered into or made (except a composition, scheme of arrangement, compromise or other similar arrangement for the purpose of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Borrower Security Trustee).

An Event of Default will only occur in respect of a Material Subsidiary under this Clause 9.8 if the same has been certified in writing by the Borrower Security Trustee (as instructed by the Controlling Finance Party itself acting on the instructions of the Controlling Creditor) to the Borrower to be, as determined by the Controlling Finance Party itself acting on the instructions of the Controlling Creditor, materially prejudicial to the interests of the Senior Creditors.

9.9 Unlawfulness

It is or becomes unlawful for the Borrower to perform any of its material obligations under the Borrower Finance Documents.

9.10 Repudiation

The Borrower repudiates a Borrower Finance Document or evidences an intention to repudiate a Borrower Finance Document.

9.11 Consequence of Events of Default

If an Event of Default has occurred and is continuing the Controlling Finance Party may by notice to the Qualifying Debt Representative accelerate or, if the Qualifying Debt Representative is the Controlling Finance Party, it may (acting on the instructions of the Controlling Creditor) accelerate repayment of the Loan pursuant to the Facility Agreement.

10 INDEMNITIES

[Not required]

11 COSTS, EXPENSES AND PAYMENTS

11.1 Initial transaction expenses

The Borrower shall, from time to time on demand of any of the Borrower Finance Parties, reimburse such person in respect of proper costs and expenses (including legal fees) together with any VAT thereon, incurred by it in connection with the negotiation, preparation and execution of the Borrower Finance Documents and the completion of the initial transactions therein contemplated. An indemnified party's certification shall be conclusive absent manifest error.

11.2 Programme expenses

Any costs and expenses incurred by the Borrower in complying with the provisions of Clause 7.2 (*Facilitation of Programme*) shall be borne by the Borrower except where such costs and expenses are incurred in relation to any Series of Bonds under the Programme where the related borrower (the "**Relevant Borrower**") is not the Borrower in which case, subject to the following sentence, the Issuer shall re-imburse to the Borrower the Borrower's reasonable costs and expenses (including legal fees, auditors' fees, telephone, fax, copying and travel expenses) as certified by a director of the Borrower as having been incurred in relation to such Series of Bonds. The amount reimbursed by the Issuer to the Borrower pursuant to the foregoing sentence shall not exceed the amount received by the Issuer from the Relevant Borrower in respect of the costs and expenses incurred in relation to the Series of Bonds related to the Relevant Borrower, taking into account all amounts which the Issuer is required to reimburse other borrowers whose

borrowing relates to the Programme pursuant to any provision which is of similar effect to this Clause 11.2. If there is a Series of Bonds under the Programme where the Relevant Borrower is the Borrower, the Borrower shall pay to the Issuer an amount sufficient to allow the Issuer to re-imburse any other borrowers whose borrowing relates to the Programme their reasonable costs and expenses in complying with any provisions which are of similar effect to Clause 7.2 (*Facilitation of Programme*). The Contracts (Rights of Third Parties) Act 1999 applies to this Clause 11.2.

11.3 Duties and Taxes

The Borrower shall pay all stamp duties, capital duties and other similar duties and all registration and other documentary Taxes in connection with the execution, maintenance or enforcement of any of the Borrower Finance Documents (or in connection with any judgment given in connection therewith) and shall, from time to time on demand of the Borrower Finance Parties, indemnify the Borrower Finance Parties against any penalties, liabilities, costs, claims and expenses resulting from any failure to pay or any delay in paying any such Tax.

11.4 Ongoing Borrower Finance Parties' costs

The Borrower shall, from time to time on demand of any of the Borrower Finance Parties reimburse such Borrower Finance Party for all proper costs and out-of-pocket expenses (including telephone, fax, copying and travel) together, in all cases, with any VAT thereon properly incurred by the Borrower Finance Parties in connection with taking such action as they may deem reasonably appropriate or in connection with:

- 11.4.1 the granting or proposed granting of any waiver or consent requested under the Relevant Documents by the Borrower;
- 11.4.2 any amendment or proposed amendment to the Relevant Documents requested by the Borrower;
- 11.4.3 any actual, potential or alleged breach by the Borrower of its obligations under the Relevant Documents; and
- 11.4.4 enforcing the rights and remedies of the Borrower Security Trustee under this Deed or any of the Relevant Documents to which the Borrower Security Trustee is a party.

11.5 Indemnities

The Borrower undertakes to indemnify the Borrower Security Trustee and the Qualifying Debt Representative against all costs, charges, losses, claims, damages, liabilities and other sums properly incurred by the Borrower Security Trustee or Qualifying Debt Representative, as the case may be (together with any VAT thereon) in performing its duties under any trust deed, facility agreement or other document which constitutes Qualifying Debt respectively and all other Relevant Documents to which the Borrower Security Trustee or Qualifying Debt Representative, as the case may be are party.

The Contracts (Rights of Third Parties) Act 1999 applies to this Clause 11.5 in respect of the Qualifying Debt Representative.

11.6 STID Administration Costs

The Borrower shall, within ten Business Days of demand, pay to each of the Borrower Security Trustee, any appointee appointed by the Borrower Security Trustee or the Qualifying Debt Representative, any STID Administration Costs incurred by the Borrower Security Trustee or, any appointee appointed by the Borrower Security Trustee or the Qualifying Debt Representative, as the case may be.

12 DOUBLE COUNTING

For the avoidance of doubt, any payment to be made by the Borrower in respect of any indemnity, fee or cost and expense under any of the Borrower Finance Documents shall be made without double counting, taking into account any payments made by the Borrower under the other provisions of the Borrower Finance Documents.

13 ACCOUNTS

13.1 Accounts

[Not required]

13.2 Payment mechanics

13.2.1 The Agent shall no later than the 15th Business Day prior to each alternate Scheduled Payment Date (commencing with the Scheduled Payment Date falling on or around 31 March 2003) provide the Borrower with an estimate of the Debt Service and Debt Expenses which are expected to fall due during the succeeding 12 month period in so far as they relate to the Facility Agreement, the STID Administration Costs and the Lender Administration Costs. The provision of such estimate does not prejudice the rights of the relevant parties to recover the actual amount of such Debt Service and Debt Expense from the Borrower.

13.2.2 The Borrower shall use its reasonable endeavours to procure that no later than the 15th Business Day prior to a Scheduled Payment Date, the Agent calculates that amount of principal and interest due on the Loan on that Scheduled Payment Date and uses its reasonable endeavours to procure pursuant to clause 15.3 (*Lender Administration Costs*) of the Facility Agreement that the Agent notifies the Qualifying Debt Representative in relation to the Loan, the Borrower Security Trustee and the Controlling Finance Party accordingly.

13.2.3 On or before the Business Day prior to the Scheduled Payment Date the Borrower shall transfer an amount equal to the Required Debt Service and an amount equal to the Required Debt Expenses to the account of the Agent or, if the Issuer is sole lender under the Facility Agreement, the Issuer.

14 ASSIGNMENTS, NOVATIONS AND TRANSFERS

14.1 Assignments, novations and transfers by the Borrower

The Borrower shall not assign, novate or transfer any of its rights or obligations under the Relevant Documents without the prior written consent of the Controlling Finance Party, save for any assignment, novation or transfer in accordance with or permitted by the Borrower Finance Documents.

14.2 Assignments, novations and transfers by the Borrower Finance Parties

The Borrower Finance Parties may assign, novate or transfer any of their rights or obligations under the Borrower Finance Documents to any third party ("**New Party**") in accordance with the terms of such Borrower Finance Document and providing that each New Party accedes to this Deed.

15 REMEDIES AND WAIVERS, PARTIAL INVALIDITY

15.1 Remedies and waivers

No failure by a Borrower Finance Party to exercise, nor any delay by a Borrower Finance Party in exercising, any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise thereof or the exercise of any other right or remedy. The rights and remedies herein provided are cumulative and not exclusive of any rights and remedies provided by law.

15.2 Partial invalidity

If, at any time, any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

16 NOTICES

16.1 Communications in writing

16.1.1 Each communication to be made hereunder shall be made in writing and, unless otherwise stated, shall be made by facsimile or letter and shall be sent as follows:

- (i) **The Borrower:** If to the Borrower, to it at:

Severn Trent Water Limited
Severn Trent Centre
2 St John's Street
Coventry CV1 2LZ

Email: [REDACTED]@severntrent.co.uk
Attention: [REDACTED]

- (ii) **The Borrower Security Trustee:** If to the Borrower Security Trustee, to it at:

Capita IRG Trustees Limited
c/o Capita Trust Company Limited
4th Floor, 40 Dukes Place
London EC3A 7NH

Fax: 020 3170 0246
Attention: Manager/Corporate Trusts

(iii) **The Agent:** If to the Agent, to it at:

The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR

Fax: 020 7375 5397

Attention: [●]

16.1.2 In addition to the provisions of Clause 16.1.1, the address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of the Qualifying Debt Holder and the Qualifying Debt Representative for any communication or document to be made or delivered under or in connection with this Deed is that notified in writing to the Borrower Security Trustee on or prior to the date on which it becomes a party.

16.2 Effectiveness of communications

Every notice or other communication sent in accordance with Clause 16.1 (*Communications in writing*) shall be effective upon receipt by the addressee, provided that any such notice or other communication which would otherwise take effect after 5:00 pm (in the place where the notice or other communication is being delivered) on any particular day or would take effect on a day which is not a Business Day shall not take effect until the immediately succeeding Business Day in the place of the addressee. Proof of posting or despatch of any notice or communication shall be deemed to be proof of receipt:

16.2.1 in the case of a letter, on the third Business Day after posting;

16.2.2 in the case of a facsimile, on the Business Day on which the confirmation (whether written or oral) has been provided by the recipient of the facsimile to the sender that it has properly received the facsimile.

16.3 English language

Each communication and document made or delivered by one party to another pursuant to this Deed shall be in the English language or accompanied by a translation thereof into English certified (by an officer of the person making or delivering the same) as being a true and accurate translation thereof.

17 MISCELLANEOUS

17.1 Counterparts

This Deed may be executed in any number of counterparts, each of which, when executed and delivered, shall constitute an original, but all the counterparts together shall constitute one and the same instrument.

17.2 No Security Interest

The parties hereto confirm that this Deed shall not constitute nor create, nor is it intended to constitute or create, any encumbrance on the part of any of the parties hereto.

17.3 Notice of petitions

Each of the parties hereto undertakes to each of the other parties hereto that if it receives actual notice of the service on the Borrower of a petition for a special administration order, an administration order or a petition for winding up order, it will forthwith notify each of the Borrower Security Trustee and the Controlling Finance Party of that fact together with as much detail regarding the same as it is practicable for it to provide in the circumstances.

17.4 Entire agreement

This Deed and the other Relevant Documents together constitute the entire agreement and understanding between the parties in respect of the subject matter of this Deed and the other Relevant Documents.

17.5 Legal relationship

Nothing in this Deed is deemed to constitute a partnership or joint venture between the parties nor constitute any party the partner, co-venturer or joint owner of property with or the agent of the other or another party for any purpose.

17.6 Third Party Rights

A person who is not a party to this Deed or who does not accede to this Deed has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Deed except to the extent (if any) that this Deed expressly provides for such act to apply to any of its terms.

18 LAW AND JURISDICTION

18.1 English law

This Deed and any non-contractual obligations arising out of or in connection with it shall be governed by, and shall be construed in accordance with, English law.

18.2 English courts

Without prejudice to the express provisions of this Deed each of the parties hereto irrevocably agrees for the benefit of each of the Borrower Finance Parties that the courts of England shall, subject to Clause 18.4 (*Jurisdiction non-exclusive*), have exclusive jurisdiction to hear and determine any suit, action or proceedings ("**Proceedings**"), and to settle any disputes, which may arise out of or in connection with this Deed and, for such purposes, irrevocably submits to the jurisdiction of such courts.

18.3 Consent to enforcement

Each of the parties hereto (other than the Borrower Security Trustee) hereby consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such proceedings including the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such Proceedings.

18.4 Jurisdiction non-exclusive

The agreement in Clause 18.2 (*English courts*) is included for the benefit of the Borrower Finance Parties. Accordingly, notwithstanding the exclusive agreement in Clause 18.2

(*English courts*), each of the Borrower Finance Parties shall retain the right to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by the law.

In witness whereof this Deed has been executed by the parties hereto as a deed on the date first above written.

Schedule 1 Parties

[Not required]

Schedule 2 Creditor Rights

1 Consents and Acknowledgement

1.1 Entry into of documents

Subject to the terms of this Schedule, the Borrower and (subject to such entry and performance being permitted under this Deed) each other Borrower Finance Party consents to the entering into and performance of the Borrower Finance Documents by the parties thereto.

1.2 Exercise of rights and discretions

Each party acknowledges and agrees that all actions to be taken, discretions to be exercised and other rights vested in any party under the terms of the Borrower Finance Documents shall be exercisable only as provided in this Schedule. The Borrower shall have no rights under this Schedule (except to the extent specifically set out herein) and it shall not be entitled as against the Borrower Finance Parties to contest any action on the basis that such action is not in accordance with the terms of this Schedule. The Borrower is not, however, obliged to verify compliance by any Borrower Finance Party and may assume full compliance by each such person with this Schedule.

2 Receipt of Funds

If, at any time whilst any of the Senior Liabilities are or may be outstanding, a Borrower Finance Party receives or recovers a payment or distribution (whether by way of set-off or otherwise) of any kind or character whether before or after any winding-up or liquidation of the Borrower not permitted by this paragraph 2 or paragraph 3 (*Application of Monies*) (whether by way of set-off or otherwise), that Borrower Finance Party will hold all amounts so received on trust for the Borrower Security Trustee and shall forthwith pay to the Borrower Security Trustee an amount equal to such payment or distribution for application in accordance with paragraph 3 (*Application of Monies*) or, following the borrower enforcement date, in accordance with paragraph 5 (*Distribution of Borrower Enforcement Proceeds*) of the Security Trust Provisions save that any Qualifying Debt Representative shall only be obliged to hold such amounts on trust if it has actual knowledge while such amounts remain in its hands that they were received in breach of this paragraph 2 or paragraph 3 (*Application of Monies*) and shall have no obligation to do so if it shall have distributed the same to the relevant Qualifying Debt Holders prior to acquiring such actual knowledge.

3 Application of Monies

Prior to the borrower enforcement date

The Borrower shall make payments and discharge its liabilities in accordance with Clause 13 (*Accounts*) of this Deed.

4 Undertakings

4.1 Liability of Borrower Security Trustee

The Borrower Security Trustee shall not incur any liability to any of the Borrower Beneficiaries in respect of the exercise or non-exercise of any of its rights and/or obligations under the terms of the Borrower Finance Documents to which the Borrower Security Trustee is party, except to the extent that any liability arises as a result of the negligence, wilful misconduct or fraud of the Borrower Security Trustee. The Borrower Security Trustee may refrain from taking any action or exercising any right, power, authority or discretion vested in it under the any Borrower Finance Document (including where it is so bound to act at the direction of the Controlling Finance Party) until it has been indemnified to its satisfaction against any and all actions, charges, claims, costs, damages, demands, expenses, liabilities, losses and proceedings (including legal and other professional fees in bringing or defending the same) which might be brought, made or confirmed against or suffered, incurred or sustained by it as a result. Nothing contained in any of the Borrower Finance Documents to which the Borrower Security Trustee is a party shall require the Borrower Security Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of any right, power, authority or discretion under any of the Borrower Finance Documents to which it is party if it has reasonable grounds for believing the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

4.2 Indemnification of Borrower Security Trustee

Notwithstanding anything else to the contrary in any of the Borrower Finance Documents, the Borrower Security Trustee shall not incur any liability to any of the Borrower Beneficiaries for any action taken (or not taken) by the Borrower Security Trustee in acting in accordance with the directions or instructions of the Controlling Finance Party and to the extent that the Borrower does not within 28 days of demand perform its obligations pursuant to paragraph 7 (*Borrower Security Trustee's Remuneration and Indemnities*) of the Security Trust Provisions or fails to make any payment which it is obliged to discharge under this Deed, the Borrower Finance Parties except the Borrower Security Trustee and the Qualifying Debt Representative shall indemnify (such indemnity to be provided *pro rata* to the outstandings of the Borrower Finance Parties) the Borrower Security Trustee and keep it indemnified against any costs, claims, actions, charges, damages, losses, proceedings (including legal and professional fees incurred in disputing or defending the same) expense or liability (including duties and Taxes) which may be brought, suffered, made, confirmed against, sustained or incurred by the Borrower Security Trustee:

- 4.2.1** by any person appointed by it to whom any trusts, rights, powers, duties, authority or discretion may be delegated in the execution or exercise or purported execution or exercise of the trusts, rights, powers, duties, authorities or discretions vested in it by any of the Borrower Finance Documents to which it is party; and
- 4.2.2** in respect of any matter or thing done or omitted in any way relating to any of the Borrower Finance Documents to which the Borrower Security Trustee is party, except to the extent that it is sustained or incurred as a result of the negligence, wilful misconduct or fraud of the Borrower Security Trustee,

provided that the liability of the Qualifying Debt Representative (when acting as the Controlling Finance Party) under any of the provisions of the Borrower Finance Documents

to which it is or becomes party for the indemnification, remuneration and payment of any costs, expense or liability (including duties and Taxes) of the Borrower Security Trustee shall be limited to the amounts for the time being held by the Qualifying Debt Representative in respect of the relevant Borrower Finance Documents on the terms of the relevant instrument appointing the Qualifying Debt Representative and available to be applied by the Qualifying Debt Representative for such purpose provided further that if as a result of such limitation the Borrower Security Trustee does not take any of the aforementioned action, then the Borrower Finance Party constituting the Controlling Finance Party may choose to provide any additional indemnity required by the Borrower Security Trustee.

4.3 Actions of Borrower Security Trustee

4.3.1 Subject to paragraph 4.3.2 below, the Borrower Security Trustee shall be entitled to seek instructions from the Controlling Finance Party as to the manner in which it should carry out any course of action and may act in accordance with any such instructions given by the Controlling Finance Party. The Borrower Security Trustee shall be entitled to seek clarification from the Controlling Finance Party with regard to any such instructions and may in its discretion elect not to act pending receipt of such clarification to its satisfaction from the Controlling Finance Party.

4.3.2 The Borrower Security Trustee shall not be obliged to comply with any direction or request of the Controlling Finance Party to do any act or thing which would or may, in the opinion of the Borrower Security Trustee, be illegal, contrary to any requirement or request of any fiscal or monetary or other governmental authority or in breach of any contract, treaty or agreement the terms of which bind the Borrower Security Trustee but shall notify the Controlling Finance Party promptly if it does not intend to comply with any such direction or request, stating the reasons therefor.

4.4 Controlling Finance Party

Each of the Borrower Finance Parties consents to, and agrees to be bound by, the provisions of this Deed with respect to the Controlling Finance Party.

5 Consents

[Not used]

6 Subordination

[Not required]

6.1 Authority of Borrower Security Trustee

6.1.1 The liquidator or other insolvency representative or trustee of the Borrower or their respective estates is authorised to apply any assets or moneys received by him in accordance with the terms of this Schedule or as instructed by the Borrower Security Trustee in accordance with the provisions of this Schedule.

7 Exercise of Finance Rights

7.1 Controlling Finance Party's exercise of rights

Each of the Borrower Finance Parties agrees that, subject to any Entrenched Rights and their respective Reserved Matters and, in the case of the Borrower Security Trustee this Deed (having particular regard to Appendix C to this Schedule), the Controlling Finance Party is entitled (but not obliged), in respect of any of the Borrower Finance Documents, to direct the relevant Borrower Finance Party as to the exercise of any of such party's Finance Rights. Each Borrower Finance Party agrees that (subject to their respective Reserved Matters and any Entrenched Rights) it will, and will only, exercise any Finance Right at the behest of, and as instructed, or as consented to, by the Controlling Finance Party (to the extent that such Finance Right is not already so restricted in any Borrower Finance Document).

Save where it is or becomes the Controlling Finance Party, none of the Borrower Finance Parties shall have any right, power or authority to veto or direct the actions of the Borrower Security Trustee or, subject to their Reserved Matters and any Entrenched Rights, the Borrower, or the Controlling Finance Party, nor any right to direct the exercise of any rights conferred on the Borrower Security Trustee under any of the Borrower Finance Documents or under law or require the Borrower Security Trustee to enforce the performance of any covenant or obligation by the Borrower or otherwise to direct the Borrower Security Trustee in the performance of its duties under the Borrower Finance Documents. Save where it is or becomes the Controlling Finance Party, none of the Borrower Finance Parties shall have any right to institute and shall be precluded from instituting any legal, judicial or administrative proceeding with respect to any rights it may have under the Relevant Documents or for the appointment of a receiver or trustee or for any other remedy under the Relevant Documents other than, in the case of any Borrower Finance Party, in respect of any Reserved Matter or any Entrenched Right.

7.2 Reserved Matters and Entrenched Rights

The provisions of paragraph 7.1 (*Controlling Finance Party's exercise of rights*) shall not apply in relation to Reserved Matters, which may be exercised without the consent or control of the Controlling Finance Party. No Borrower Finance Party may exercise any Borrower Finance Right which is or would contravene an Entrenched Right unless it receives the prior written consent of the Borrower Finance Party having the benefit of such Entrenched Right.

7.3 Consents and waivers

Any consent or waiver given by the Controlling Finance Party in accordance with the provisions of this paragraph 7 shall be deemed to be given by all the Borrower Finance Parties.

7.4 Liability

No Borrower Finance Party shall incur any liability to any of the other parties hereto in respect of the exercise or non exercise of any of its Finance Rights by reason of complying with the provisions of this paragraph 7.

7.5 Change of Controlling Finance Party

Such Qualifying Debt Representative shall give notice in writing to the Borrower Finance Parties upon a change in the Controlling Finance Party.

7.6 Qualifying Debt Representatives

Any Qualifying Debt Representative shall be entitled to refrain from exercising any Finance Right to which it is entitled unless it has been indemnified and/or secured to its satisfaction.

7.7 Notice to Borrower Finance Parties

The Controlling Finance Party may direct any other Borrower Finance Party to exercise any of its Finance Rights pursuant to paragraph 7.1 (*Controlling Finance Party's exercise of rights*), provided that:

- 7.7.1 where the Controlling Finance Party directs a Borrower Finance Party to consent or direct any other person to consent to any amendment of a Borrower Finance Document which is of a formal, minor or technical nature; or is made to correct a manifest error, the Controlling Finance Party is required only to provide such direction in writing; and
- 7.7.2 in all other cases, prior to giving such direction the Controlling Finance Party (unless in its reasonable opinion it is not practicable for it to do so in which case it shall give such lesser amount of notice as it is practicable for it to give in its reasonable opinion and such notice shall specify the period during which a response must be received) gives at least 10 Business Days' prior written notice thereof to each of the Borrower Finance Parties specifying the period during which a response must be received together with a statement as to whether it considers that the exercise of such Finance Right is or falls within the Entrenched Rights of any Borrower Finance Party. If, following receipt of such notice, any of the Borrower Finance Parties considers that the exercise of the Finance Right identified in such notice falls within any of its Entrenched Rights and the exercise of such right has not been so identified in the notice served by the Controlling Finance Party, it shall notify the Controlling Finance Party, the Borrower Security Trustee and/or any Qualifying Debt Representative (if applicable) to this effect in writing within the notice period as has been specified by the Controlling Finance Party, providing details of the relevant Entrenched Right. Unless the Controlling Finance Party receives notice to the contrary from a Borrower Finance Party within the notice period specified that Borrower Finance Party shall be deemed to have consented to the proposed direction.

7.8 Copies of directions

The Controlling Finance Party shall give to the Borrower Security Trustee copies of any directions given to it by any Qualifying Debt Representative (if applicable) where they are entitled to give such directions.

8 Defences

The provisions of this Schedule shall not be affected, impaired or revoked by any act, omission, transaction, limitation, matter, thing or circumstance whatsoever which but for this provision might operate to affect the priorities provided for herein, including:

- (a) any time, waiver or indulgence granted to the Borrower or any other person; or
- (b) any legal limitation, disability, incapacity or other circumstances relating to the Borrower or any other person; or
- (c) any amendment, supplement to or novation of any of the Borrower Finance Documents.

9 Perpetuities

The perpetuity period for each and any trust pursuant to this Schedule shall be 150 years from the date hereof.

10 Amendments

Subject to paragraph 7.7.1 above but notwithstanding anything else herein contained the provisions of this Schedule may not be amended except with the written agreement of the Borrower Finance Parties and the Borrower if such person or persons' interests would be materially prejudiced by such amendment. The Borrower agrees that its consent is not required for any amendment to this Schedule which is of a formal, minor or technical nature; or is made to correct a manifest error.

11 Acknowledgements

11.1 Authorisation, waiver, etc.

The Borrower recognises the undertakings and obligations to and on the part of the Borrower Finance Parties contained in the Borrower Finance Documents and confirms that (save as expressly provided in this Schedule 2) none of the undertakings given by any other party hereto is intended to take effect for the benefit of the Borrower and that (save as aforesaid) it has no right to enforce any agreement, arrangement or understanding herein contained in this Schedule 2 or to claim any right of estoppel in relation hereto.

11.2 Acknowledgement

The Borrower expressly acknowledges that no failure or delay by any Borrower Finance Party in exercising any of its rights in relation to the Borrower Finance Documents to which it is a party shall operate as a waiver or variation of its rights with respect thereto.

12 Further Assurances

Each of the parties agrees to perform (or procure the performance of) all further acts and things, and execute and deliver (or procure the execution and delivery of) such further documents, as may be required by law or as may be necessary or desirable to implement and/or give effect to this Schedule 2 and the transactions contemplated by it.

13 Delivery of Certificates

Each Borrower Finance Party (other than any Qualifying Debt Holders) agrees with the Borrower Security Trustee that it will deliver to the Borrower Security Trustee within five Business Days of any request for the same from the Borrower Security Trustee, a certificate signed by two duly authorised signatories on behalf of the relevant Borrower Finance Party, stating the amounts owed by the Borrower to such Borrower Finance Party.

Appendix A

Reserved Matters

Part I

Reserved Matters of the Qualifying Debt Representative

“Reserved Matters” means each and every right, power, authority and discretion of, or exercisable by any Qualifying Debt Representative (whether expressed as a right, power, authority or discretion of the Qualifying Debt Representative or obligation of any other party):

- (a) to make any determination contemplated or required under the document or documents which constitute the Qualifying Debt as to the occurrence or otherwise of a default in relation to its Reserved Matters and in relation to its Entrenched Rights;
- (b) which is provided for the purpose of enabling the Qualifying Debt Representative to protect its own position and interests in its personal capacity (including its own personal financial interests) or which the Qualifying Debt Representative acting reasonably determines to be necessary or appropriate to exercise for the protection of its own position and interests in its personal capacity and not as a Qualifying Debt Holder;
- (c) which relates to the application and/or investment by any Qualifying Debt Representative when it receives amounts pursuant to the terms of the document or documents which constitutes the Qualifying Debt from the Borrower or as Borrower Enforcement Proceeds;
- (d) to determine amounts due in relation to and to claim under indemnities in favour of the Qualifying Debt Representatives (as the case may be) in its own capacity or for and on behalf of Qualifying Debt Holder under the Borrower Finance Documents;
- (e) to receive any amounts owing to it for its own account in accordance with the provisions of the Borrower Finance Documents;
- (f) to determine the amount of sums due in relation to expenses and stamp duties pursuant to the Borrower Finance Documents;
- (g) to make a claim for expenses under the Borrower Finance Documents;
- (h) to receive notices, certificates, communications or other documents or information, to direct that such notices, certificates, communications or other documents or information shall be provided (or shall not be provided) to it or any other party, or, where applicable, to determine the form and content of any notice, certificate or communication;
- (i) which relieves or exempts the Qualifying Debt Representative from liability and exculpates or exonerates it and is passive on the part of the Qualifying Debt Representative (including any right of the Qualifying Debt Representative under any of the Borrower Finance Documents to make assumptions as to, or to rely on any notice, certificate or other communication confirming, the existence or non-existence of any fact, circumstance or event);
- (j) against or in relation to the Qualifying Debt Holders;
- (k) to communicate or negotiate with (including any right of any Qualifying Debt Representative under the terms of the document or documents which constitutes the Qualifying Debt to enter into any supplemental agreement with):
 - (i) the UK Listing Authority, London Stock Exchange or any relevant alternative listing authority stock exchange; or

- (ii) Euroclear or Clearstream or any relevant alternative clearing system;
- (l) to enforce any rights under this Part I of Appendix A;
- (m) save where the Qualifying Debt Representative is in default of a material obligation under a Relevant Document, to agree that that person need not be a Qualifying Debt Representative; and
- (n) to agree to any amendment to Clause 2.1 (*Acknowledgement*) of this Deed.

Part II

Reserved Matters of the Borrower Security Trustee

“Reserved Matters” means each and every right, power, authority and discretion of, or exercisable by, the Borrower Security Trustee (whether expressed as a right, power, authority or discretion of the Borrower Security Trustee or an obligation of any other party):

- (a) pursuant to paragraph 4 (*Undertakings*) of this Schedule 2;
- (b) to receive any sums owing to it for its own account in respect of fees, costs, charges, liabilities, damages, proceedings, claims and demands in performing its powers and exercising its discretions under any Borrower Finance Document to which the Borrower Security Trustee is a party;
- (c) which is provided for the purpose of enabling the Borrower Security Trustee to protect its own position and interests in its personal capacity (including its own personal financial interests) or which the Borrower Security Trustee acting reasonably determines to be necessary or appropriate to exercise for the protection of its own position and interests in its personal capacity;
- (d) to receive notices, certificates, communications or other documents or information, to direct that such notices, certificates, communications or other documents or information shall be provided (or shall not be provided) to it or any other party, or, where applicable, to determine the form and content of any notice, certificate or communication;
- (e) which relieves or exempts the Borrower Security Trustee from liability or exculpates or exonerates it and is passive on the part of the Borrower Security Trustee (including any right of the Borrower Security Trustee under any of the Borrower Finance Documents to make assumptions as to, or rely on any notice, certificate or other communication confirming, the existence or non-existence of any act, circumstance or event); and
- (f) to determine amounts due in relation to and to claim under indemnities in favour of the Borrower Security Trustee under the Borrower Finance Documents.

Part III
Reserved Matters of Subordinated Creditors

[Not required]

Appendix B

Entrenched Rights

Part I

Entrenched Rights of the Qualifying Debt Representative

In accordance with paragraph 7 (*Exercise of Finance Rights*) of this Schedule 2, the following Finance Rights (the “**Entrenched Rights**”) may not be exercised without the prior written consent of the Qualifying Debt Representative acting on behalf of the Qualifying Debt Holder.

- 1** Any change in the date fixed for payment of principal or interest in respect of the Qualifying Debt, or any reduction in the amount of principal or interest payable on any date in respect of the Qualifying Debt, or any alteration in the method of calculating the amount of any payment in respect of the Qualifying Debt or the date for any such payment.
- 2** Any exchange of the Qualifying Debt for, or the conversion of the Qualifying Debt into shares, bonds or other obligations of the Borrower, or any other person or the substitution of any person for the Borrower as principal obligor under the Qualifying Debt.
- 3** A change in the currency of payments under the Qualifying Debt.
- 4** A change to the quorum required at any meeting or the majority required to pass an Extraordinary Resolution (as such term is defined in the document or documents which constitutes the Qualifying Debt).
- 5** Any amendment to this Schedule 2 other than any amendment contemplated by paragraph 7.7.1 of this Schedule 2.

Part II

Entrenched Rights of the Borrower Security Trustee

In accordance with paragraph 7 (*Exercise of Finance Rights*) of this Schedule 2, the following Finance Rights (the “**Entrenched Rights**”) may not be exercised without the prior written consent of the Borrower Security Trustee.

- 1** Any amendment to this Schedule 2 other than any amendment contemplated by paragraph 7.7.1 of this Schedule 2.
- 2** Any amendment to Schedule 3 (Security Trust Provisions) other than any amendment contemplated by paragraph 7.7.1 of this Schedule 2.

Part III
Entrenched Rights of any Subordinated Creditors

[Not required]

Appendix C

Instructions Before Discharge Date

1 Objection Notice

Subject to paragraph 7.7.1 of Schedule 2 (*Creditor Rights*), where this Deed provides that the Borrower Security Trustee is to act on the instructions of the Controlling Finance Party given before the Discharge Date when the Controlling Finance Party does not hold or represent Qualifying Debt Holders who hold, more than 50 per cent. of the aggregate principal amount outstanding under the Qualifying Debt, the following procedures shall apply:

1.1 Notice to other Qualifying Debt Representatives: On receipt of instructions from the Controlling Finance Party, the Borrower Security Trustee shall supply a copy of such instructions to each other Qualifying Debt Representative.

1.2 Objection Notices: If either:

- (i) such instructions are given by, and/or accompanied by consent to the terms of such instructions from, Qualifying Debt Representatives whose outstanding debt under the Qualifying Debt when aggregated with the outstanding debt under the Qualifying Debt of the provider of the instructions exceed 50 per cent. of the aggregate principal amount outstanding under the Qualifying Debt; or
- (ii) by the end of the 21st day after the date on which the copy of such instructions is sent by the Borrower Security Trustee pursuant to paragraph 1.1 (*Notice to other Qualifying Debt Representatives*) of this Appendix C, the Borrower Security Trustee has not received notices objecting to such instructions from Qualifying Debt Representatives whose aggregate outstanding debt under the Qualifying Debt exceeds 50 per cent. of the aggregate principal amount outstanding under the Qualifying Debt,

the Borrower Security Trustee shall act on such instructions as soon as reasonably practicable after, in the case of paragraph 1.2(i) above, receipt of such instructions and, in the case of paragraph 1.2(ii) above, the end of such twenty-one day period.

1.3 Compliance with Objection Notices: Except in the situations described in paragraph 1.2 (*Objection Notices*) of this Appendix C, the Borrower Security Trustee shall not act on the instructions referred to in paragraph 1.1 (*Notice to other Qualifying Debt Representatives*) of this Appendix C, which shall then be of no effect for the purposes of this Deed.

1.4 Notifications: The Borrower Security Trustee shall notify the Qualifying Debt Representatives of the outcome of the procedures set out in this paragraph 1 as soon as reasonably practicable.

Schedule 3

Security Trust Provisions

1 Declaration of Trust

1.1 Trust

The Borrower Security Trustee shall stand possessed of and shall hold all the covenants, undertakings made, given or to be made or given under or pursuant to this Deed and all rights and benefits conferred on it under the Borrower Finance Documents in its capacity as Borrower Security Trustee upon trust for the Borrower Finance Parties in accordance with the provisions of this Deed and segregated from the rest of the Borrower Security Trustee's assets.

1.2 Controlling Finance Party

Notwithstanding anything to the contrary in the Borrower Finance Documents, the Borrower Security Trustee shall (other than in respect of matters where it is required to act upon the instructions of one or more of the other Borrower Finance Parties) be entitled to assume that the interests of each Borrower Beneficiary are represented by the Controlling Finance Party. The Borrower Security Trustee shall not be obliged or required to act in accordance with the directions of any of the Borrower Beneficiaries given otherwise than through the Controlling Finance Party.

1.3 Borrower Security Trustee's Notification

The Borrower Security Trustee shall as soon as reasonably practicable advise the Controlling Finance Party of any breach of the provisions of this Schedule 3 and the Borrower Finance Documents which is notified to the Borrower Security Trustee.

2 Covenants by the Borrower

The Borrower hereby covenants with the Borrower Security Trustee that, until the Discharge Date, it will:

- 2.1** comply with, perform and observe all the provisions of this Schedule 3 and the Borrower Finance Documents;
- 2.2** at all times give to the Borrower Security Trustee such information as the Borrower Security Trustee may require for the purpose of the discharge of the trusts, powers, rights, duties, authorities and discretions vested in it under this Deed or any other document to which it is a party or by operation of law; and
- 2.3** notify the Borrower Security Trustee in writing promptly on (and in any event within 5 Business Days of) becoming aware of the occurrence of Default or Event of Default.

3 Suspense Account, Investment and Accumulations

3.1 Suspense Account

Pending appropriation and distribution under paragraph 5 (*Distribution of Borrower Enforcement Proceeds*), the Borrower Security Trustee may, upon being so instructed by

the Controlling Finance Party, place any sum received, recovered or held by it representing or constituting Borrower Enforcement Proceeds at any time after an Event of Default which is continuing in a suspense account at a Qualifying Bank which it may maintain for as long as the Controlling Finance Party may direct until the Discharge Date.

3.2 Investment of Proceeds

The Borrower Security Trustee may, in accordance with instructions from the Controlling Finance Party, invest in the name or under the control of the Borrower Security Trustee an amount equal to the balance from time to time standing to the credit of any suspense account in any of the investments for the time being authorised by English law for the investment by trustees of trust moneys or in any other investments (whether similar to the aforesaid or not) which may be selected by the Borrower Security Trustee as if the Borrower Security Trustee were an absolute beneficial owner or by placing the same on deposit in the name or under the control of the Borrower Security Trustee and in such currency as the Borrower Security Trustee may think fit. The Borrower Security Trustee may at any time vary or transfer any of such investments for or into any other such investments or convert any other moneys so deposited into any other currency and shall not be responsible for any loss occasioned thereby (whether by depreciation in value, fluctuation in exchange rates or otherwise) unless such loss is occasioned by the negligence, wilful misconduct or fraud of the Borrower Security Trustee. The Borrower Security Trustee shall not be under any obligation to diversify any investment or investments made by it pursuant to this paragraph 3.2.

3.3 Accumulations

The resulting income arising on any investments made pursuant to paragraph 3.2 (*Investment of Proceeds*) may, if so instructed by the Controlling Finance Party, be accumulated by the Borrower Security Trustee and added to the Borrower Enforcement Proceeds held by the Borrower Security Trustee in accordance with the provisions of this Deed.

4 Release of Charged Assets, Continuation and Perpetuity Period

4.1 Continuation of Trusts

Any trusts constituted by this Deed shall (subject to paragraph 4.2 (*Perpetuity Period*)) remain in full force and effect for so long as any amounts remain due to the Borrower Security Trustee or any amounts under the Borrower Finance Documents remain due to any of the Borrower Finance Parties, or any Borrower Finance Parties has any actual or contingent liability to the Borrower in respect of the Borrower Finance Documents.

4.2 Perpetuity Period

The perpetuity period applicable hereto under the rule against perpetuities shall be the period of 150 years from the date of these presents and every power, authority or discretion to which the said rule applies which is conferred upon the Borrower Security Trustee or any other person by these presents shall only be exercisable during that period.

5 Distribution of Borrower Enforcement Proceeds

5.1 Borrower Security Trustee Application

Subject to paragraph 3 (*Suspense Account, Investment and Accumulations*), upon any Qualifying Debt becoming immediately due and payable pursuant to the Facility Agreement (or otherwise), the Borrower Security Trustee shall appropriate and distribute all Borrower Enforcement Proceeds in the following manner and order (but so that in each case only if and to the extent that appropriations and distributions of a higher priority have been made in full):

- 5.1.1 in or towards payment, *pro rata* and *pari passu*, of all fees, costs, charges, expenses and liabilities (together with accrued interest) payable to the Borrower Security Trustee and any Qualifying Debt Representative as is applicable in respect of STID Administration Costs;
- 5.1.2 *pro rata* in or towards payment of interest due on any overdue amounts in respect of any Senior Liabilities;
- 5.1.3 *pro rata* in or towards payment of (i) all Lender Administration Costs due under this Deed and (ii) all amounts payable to the Issuer pursuant to clause 13.2 (*Programme indemnities*) of the Facility Agreement;
- 5.1.4 *pro rata* in or towards payment of interest due in respect of Senior Liabilities;
- 5.1.5 *pro rata* in or towards payment of principal due in respect of Senior Liabilities;
- 5.1.6 *pro rata* in or towards payment of all remaining sums or liabilities due or owed to the Senior Creditors in respect of amounts outstanding under the Borrower Finance Documents including all and any amounts for which the Borrower is liable under or in connection with the Qualifying Debt;
- 5.1.7 the surplus (if any) after the payment in full of the amounts outstanding under the Borrower Finance Documents and the other amounts referred to above shall be paid to or to the order of the Borrower or to such other person as the Borrower may notify to the Borrower Security Trustee, or as otherwise required by any court of competent jurisdiction or applicable law.

6 Borrower Security Trustee's Rights

6.1 Rights and Duties

- 6.1.1 The Borrower Security Trustee shall have only those duties, obligations and responsibilities expressly specified in the Relevant Documents to which it is a party and shall not have any implied duties, obligations or responsibilities. In performing or carrying out its duties, obligations and responsibilities, the Borrower Security Trustee shall be considered as acting only in a mechanical and administrative capacity and shall not have, or be deemed to have, any duty, obligation, or responsibility or relationship of trust or agency with the Borrower.
- 6.1.2 The Borrower Security Trustee shall, subject to being indemnified and/or secured to its satisfaction in respect of all or any costs, claims, expenses, liabilities, actions or proceedings (including legal expenses in respect of the same) to which it may, in its opinion, thereby render itself liable, exercise all rights, powers and discretions (except for the Borrower Security Trustee Reserved Matters and the Borrower

Security Trustee Entrenched Rights in respect of which it may act or refrain from acting as requested by the Controlling Finance Party but need not do so and need not exercise nor consider the exercise of any right or discretion falling within Borrower Security Trustee Reserved Matters or Borrower Security Trustee Entrenched Rights) its rights, powers and discretions under the Relevant Documents in accordance with the instructions of the Controlling Finance Party and until so instructed shall have no obligation to take any action hereunder. No Borrower Finance Party other than the Controlling Finance Party shall be entitled to require the Borrower Security Trustee to take any action or proceedings under any Relevant Document to which it is a party, whether to enforce the performance of any covenant or obligation by the Borrower or otherwise. Without prejudice to the generality of the foregoing, the Borrower Security Trustee, if so instructed by the Controlling Finance Party, shall, subject to it being indemnified or secured to its satisfaction:

- (i) take any action under or in connection with this Deed, in accordance with the terms of this Deed; and
- (ii) take any other action contemplated under this Deed or any other Borrower Finance Document to which it is a party,

provided that in all cases when acting (or if so instructed, refraining from acting) in accordance with such instructions from the Controlling Finance Party or when refraining from acting until instructed to do so, the Borrower Security Trustee shall be in no way responsible for any loss, costs, charges, damages, expenses and liabilities arising there from other than in respect of its negligence or wilful default.

6.1.3 The provisions of paragraph 4.2 (*Indemnification of Borrower Security Trustee*) of Schedule 2 (*Creditor Rights*) shall be incorporated in this Schedule.

6.2 The Borrower Security Trustee shall have all rights, powers and discretions vested in it pursuant to the terms of the Borrower Finance Documents and by way of supplement to the Trustee Act 1925 and the Trustee Act 2000 it is expressly declared as follows:

6.2.1 Reliance on Experts: the Borrower Security Trustee may in relation to any of the Relevant Documents to which it is a party act on and rely on the opinion or advice of, or a certificate or any information obtained from, any lawyer, banker, valuer, surveyor, securities company, broker, auctioneer, accountant, financial adviser, or other expert in the United Kingdom or elsewhere, whether obtained by the Borrower Security Trustee, any receiver, the Controlling Finance Party or any other Borrower Finance Party and shall not be responsible for any loss occasioned by so acting;

6.2.2 Reliance on Advice, Information, etc.: any such opinion, advice, certificate or information may be sent or obtained by letter, email or in any other form and the Borrower Security Trustee shall not be liable for acting on any opinion, advice, certificate or information purporting to be so conveyed although the same shall contain some error or shall not be authentic provided that such error or lack of authenticity is not manifest;

6.2.3 Investment by way of Nominees: any asset held by the Borrower Security Trustee under these Borrower Security Trust Provisions or any investment made by it pursuant to paragraph 3 (*Suspense Account, Investment and Accumulations*)

may, at its discretion, be made or retained in the name or names of a nominee or nominees on any terms;

6.2.4 Document Placement: the Borrower Security Trustee may appoint as custodian, on any terms, any bank or entity whose business includes the safe custody of documents or any lawyer or firm of lawyers believed by it to be of good repute, in the United Kingdom (or, if applicable, in any other relevant jurisdiction) and may deposit this Deed, or any of the Borrower Finance Documents and all deeds and other documents relating to such documents, with such custodian and the Borrower shall pay all sums required to be paid on account of or in respect of any such deposit. The Borrower Security Trustee is not obliged to appoint a custodian of securities payable to bearer;

6.2.5 Agents: the Borrower Security Trustee may, in the conduct of its trust business, instead of acting personally, employ and pay an agent to transact or conduct, or concur in transacting or conducting, any business and to do or concur in doing all acts required to be done by the Borrower Security Trustee (including the receipt and payment of money). Any such agent shall be entitled to be paid all professional fees and other charges properly incurred for business transacted and acts done by such agent in connection with the trusts hereof;

6.2.6 Security Trustee Refraining from Acting: notwithstanding paragraph 7.1.2, the Borrower Security Trustee may refrain from doing anything which would or might in its opinion be contrary to any law of any jurisdiction or any directive or regulation of any agency of any state or which would or might otherwise render it liable to any person and may do anything which is, in its absolute discretion, necessary to comply with any such law, directive or regulation;

6.2.7 Disclaimers and Exclusions:

- (i) the Borrower Security Trustee shall not be responsible for recitals or statements, warranties or representations of any party (other than the Borrower Security Trustee) contained herein or in any other Relevant Document and shall assume the accuracy and correctness thereof and shall not be required to examine or enquire into the enforceability of its rights under any of this Deed or the Relevant Documents to which it is a party to the intent that the Borrower Security Trustee shall not in any way be responsible for its inability to exercise any of the rights conferred herein or in any such document or for any damage thereby occasioned;
- (ii) the Borrower Security Trustee shall not be bound to give notice to any person of the execution of this Deed or any of the other Borrower Finance Documents or any other document to which it is a party nor shall it be liable for any failure, omission or defect in perfecting the rights intended to be constituted by any such document including failure to obtain any licence, consent or other authority for the execution of the same;
- (iii) the Borrower Security Trustee shall not be responsible for the genuineness, validity or effectiveness of this Deed or any of the other Borrower Finance Documents or any other document to which it is a party or any obligations or rights created or purported to be created thereby, nor shall it be responsible or liable to any person because of any invalidity of any

provision of such documents, whether arising from statute, law or the decision of any court;

- (iv) the Borrower Security Trustee shall not be liable for any failure, omission or defect in perfecting the arrangements created by or pursuant to this Schedule or any other the Borrower Finance Documents or any other document to which it is a party; and
- (v) the Borrower Security Trustee shall not be liable or responsible for any loss, cost, damage, expense or inconvenience which may result from anything done or omitted to be done by it under this Schedule, any other Borrower Finance Document or any other document to which it is a party, except such as arise as a result of the negligence, wilful misconduct or fraud of the Borrower Security Trustee;

6.2.8 Determination: the Borrower Security Trustee shall (as between itself and the Borrower Finance Parties) have full power to determine all questions and doubts arising in relation to the interpretation or application of any of the provisions of this Schedule, any of the other Borrower Finance Documents or any other document to which it is a party as it affects the Borrower Security Trustee and every such determination (whether made upon a question actually raised or implied in the acts or proceedings of the Borrower Security Trustee) shall be conclusive and shall bind the Borrower Finance Parties, in the absence of manifest error;

6.2.9 Certificates: the Borrower Security Trustee shall be at liberty to accept and in the case of a certificate to be given on behalf of the Borrower entitled to call for and accept as sufficient evidence any certificate signed or purported to be signed by two directors or a director and the secretary on behalf of the Borrower or any other person having, in the opinion of the Borrower Security Trustee, the requisite knowledge to deliver the same, to the effect that any particular dealing, transaction, step or thing is, in the opinion of the Borrower or such other person (as the case may be) suitable or expedient or as to any other fact or matter upon which the Borrower Security Trustee shall be in no way bound to call for further evidence or to be responsible for any loss that may be occasioned by acting on any such certificate;

6.2.10 Terms of Consents: subject to its requirement to comply with the directions of the Controlling Finance Party pursuant to the terms of this deed and/or the Borrower Finance Documents as the case may be and/or any of the other Borrower Finance Parties, in accordance with Schedule 2 , any consent or approval given by the Borrower Security Trustee for the purpose of any Relevant Document may be given on such terms and subject to such conditions (if any) as the Borrower Security Trustee thinks fit and notwithstanding anything to the contrary contained in this Schedule;

6.2.11 Borrower Security Trustee not Bound to Monitor: except as otherwise expressly provided in this Schedule, the Borrower Security Trustee shall not be bound or obliged to take any steps to ascertain whether any event, condition or act (including a Default or Event of Default), the happening of which would cause a right or remedy to become exercisable by the Borrower Security Trustee under this Schedule, any other Borrower Finance Document or any other document to which it is a party has happened or to monitor or supervise the observance and

performance by the Borrower or any of the other parties thereto of their respective obligations thereunder or the obligations of the Borrower Finance Parties and, until it shall have actual knowledge to the contrary, the Borrower Security Trustee shall be entitled to assume that no such event, condition or act has happened and that the Borrower and each of the other parties thereto are observing and performing all their respective obligations thereunder;

- 6.2.12 Insurance:** without prejudice to the provisions hereof, the Borrower Security Trustee shall not be under any responsibility in respect of the insurances required to be taken out in respect of the Borrower pursuant to the terms of the other Borrower Finance Documents and shall not be responsible for any loss, expense or liability which may be suffered as a result of the lack of or inadequacy of any such insurance or any failure to pay any premium in respect of the same;
- 6.2.13 Transactions with the Borrower:** neither the Borrower Security Trustee nor any director or officer of a corporation acting as a trustee under these presents shall, by reason of its or his fiduciary position, be in any way precluded from entering into or being interested in any contract or financial or other transaction or arrangement with the Borrower or any other party including any contract, transaction or arrangement of a banking or insurance nature or any contract, transaction or arrangement in relation to the making of loans or the provision of financial facilities to, or the purchase, placing or underwriting of, or subscribing or procuring subscriptions for, or otherwise acquiring, holding or dealing with any bonds, stocks, shares, debenture stock, debentures, notes or other securities of the Borrower or any person or body corporate associated as aforesaid or from accepting or holding the trusteeship of any other trust deed constituting or securing any other securities issues by or relating to the Borrower or any other person or body corporate so associated or any other office or profit under the Borrower or any such person or body corporate so associated and shall be entitled to retain and shall not be in any way liable to account for any profit made or share or brokerage or commission or remuneration or other benefit received thereby or in connection therewith;
- 6.2.14 Bank Accounts:** If any monies held by the Borrower Security Trustee hereunder are deposited with any bank which is an associated company with the Borrower Security Trustee, neither the Borrower Security Trustee nor any such company shall be obliged to account for interest at a rate greater than the standard rate of interest payable by such bank of a deposit of the type made;
- 6.2.15 No Obligations to Third Parties:** the Borrower Security Trustee shall not be concerned with or have regard to the interest of or act on any instructions of, seek any consent from or owe any duty whatsoever to any persons other than the Borrower Finance Parties save to pay to the Borrower any monies held on trust for them pursuant to paragraph 5 (*Distribution of Borrower Enforcement Proceeds*);
- 6.2.16 No Regard to Interest:** When exercising its rights, powers and discretions in accordance with the terms of this Schedule and the Relevant Documents (including this Deed) to which it is a party, the Borrower Security Trustee shall, if it is acting on the instructions of the Controlling Finance Party, not be required to have regard to the interests of any Borrower Finance Party in relation to the exercise of those rights and shall have no liability to any such Borrower Finance Party as a consequence of so acting. When acting otherwise than on the instructions of the Controlling Finance Party (when entitled to do so) the Borrower Security Trustee

shall have regard to the interests of the Borrower Finance Parties having priority under the provisions relating to application of Borrower Enforcement Proceeds and should there be any conflict between Borrower Finance Parties having prior entitlement to distribution of such monies (“**Senior Borrower Beneficiaries**”) and those ranking behind them (“**Junior Borrower Beneficiaries**”, together the “**Borrower Beneficiaries**”) the Borrower Security Trustee shall have regard only to the interests of the Senior Borrower Beneficiaries and shall not be responsible to the Junior Borrower Beneficiaries for doing so nor liable to them for any loss which may result;

6.2.17 Delegation: the Borrower Security Trustee may, in the execution of all or any of the trusts, powers, authorities and discretions vested in it by this Deed, or any other document to which it is a party, act by responsible officers or a responsible officer for the time being of the Borrower Security Trustee. The Borrower Security Trustee may also, whenever it thinks expedient in the interests of the Borrower Finance Parties, whether by power of attorney or otherwise, delegate to any person or persons all or any of trusts, rights, powers, duties, authorities and discretions vested in it by any such document provided such delegate agrees to hold any amounts which it is to hold by virtue of such delegation separate from any other assets held by it. Any such delegation may be made upon such terms and conditions and subject to such regulations (including provisions as to remuneration and power to sub-delegate) as the Borrower Security Trustee may think fit in the interests of the Borrower Finance Parties. The Borrower Security Trustee shall give prompt notice to the Borrower and each of the other Borrower Finance Parties of the appointment of any delegate as aforesaid and shall procure that any delegate shall also give prompt notice of the appointment of any sub-delegate to the Borrower Security Trustee, the Borrower and each of the Borrower Finance Parties;

6.2.18 Duty of Care: Section 1 of the Trustee Act 2000 shall not apply to any function of the Borrower Security Trustee. Where there are any inconsistencies between the Trustee Act 1925 and the Trustee Act 2000 and the provisions of this Schedule, the provisions of this Schedule shall, to the extent allowed by law prevail and, in case of any inconsistency with the Trustee Act 2000, the provisions of this Schedule shall constitute a restriction or exclusion for the purposes of that act; and

6.2.19 Responsibilities for Agents etc.: if the Borrower Security Trustee exercises reasonable care in selecting any custodian, agent, delegate or nominee appointed under this paragraph (an “**Appointee**”), it will not have any obligation to supervise the Appointee or be responsible for any loss, liability, cost, claim, action, demand or expense incurred by reason of the appointee’s misconduct or default or the misconduct or default of any substitute appointed by the Appointee.

6.3 The Borrower Security Trustee shall not be obliged to take any action under the Relevant Documents to which it is a party unless indemnified and/or secured to its satisfaction in respect of all costs, charges, liabilities and expenses to which it may in its opinion thereby render itself liable.

6.4 The Borrower Security Trustee shall not be obliged to comply with any direction or request of the Controlling Finance Party to do any act or thing which would or may, in the opinion of the Borrower Security Trustee, be illegal, contrary to any requirement or request of any fiscal or monetary or other governmental authority or in breach of any contract, treaty or agreement the terms of which bind the Borrower Security Trustee but shall notify the

Controlling Finance Party promptly if it does not intend to comply with any such direction or request, stating the reasons therefor.

6.5 If a Borrower Finance Party, having been the Controlling Finance Party, ceases to be the Controlling Finance Party and the Borrower Security Trustee takes action (or commences taking any action) or refrains from taking any action under this Schedule then the Borrower Security Trustee shall not be obliged thereafter to comply with any direction of that Borrower Finance Party (if it subsequently again becomes the Controlling Finance Party) which would result in the Borrower Security Trustee ceasing to take (or completing) such action or require it to take any action which it had refrained from taking if such action or inaction may (in the opinion of the Borrower Security Trustee) cause a breach of or default under any agreement entered into by the Borrower Security Trustee at any time during the period when that Borrower Finance Party was not the Controlling Finance Party.

6.6 The Borrower Security Trustee shall be entitled to assume that:

6.6.1 any instructions or certificates it receives from the Controlling Finance Party pursuant to these Borrower Security Trust Provisions have been given in accordance with the terms of the Borrower Finance Documents and by an authorised person;

6.6.2 (i) Capita IRG Trustees Limited is the Controlling Finance Party and (ii) Assured Guaranty is the controlling creditor under the Bond Trust Deed unless and until it is otherwise notified in writing;

6.6.3 in relation to the Events of Default, the Controlling Finance Party has formed its opinion reasonably or has acted reasonably, as the case may be, where required to do so; and

6.6.4 the Controlling Finance Party will inform the Borrower and the Borrower Security Trustee of the occurrence of a Default or Event of Default without any requirement of the Borrower Security Trustee to monitor the same.

7 Borrower Security Trustee's Remuneration and Indemnities

7.1 Remuneration

7.1.1 The Borrower shall pay to the Borrower Security Trustee remuneration for its services upon the terms and conditions from time to time agreed between the Borrower and the Borrower Security Trustee.

7.1.2 In the event of a Default or Event of Default occurring or if the Borrower Security Trustee finds it expedient (acting in good faith) or is required to undertake any additional or exceptional duties in the course of its trusteeship under this Schedule, any other Borrower Finance Document or any other document to which it is a party which relates either directly or indirectly to any of the Borrower Finance Documents or any transaction contemplated by them the Borrower shall pay such additional remuneration as shall be agreed between the Borrower Security Trustee and the Borrower at such time or, failing agreement as to any of the matters in this paragraph 7.1.2 (or as to such sums referred to in paragraph 7.1.1) above, as determined by an investment bank (acting as an expert) selected by the Borrower Security Trustee and approved by the Borrower or, failing such approval, nominated by the President for the time being of The Law Society of England and

Wales. The expenses involved in such nomination and such investment bank's fee will be borne by the Borrower. The determination of such investment bank will be conclusive and binding on the Borrower, and the Borrower Finance Parties.

- 7.1.3 The Borrower shall pay to the Borrower Security Trustee an amount equal to the amount of any value added tax or similar tax chargeable in respect of its remuneration hereunder.

7.2 Expenses and Costs

In addition to remuneration hereunder, the Borrower shall, on written request, pay all other costs, charges and expenses (including travelling expenses and any value added tax or similar tax) which the Borrower Security Trustee may properly incur in relation to the preparation and execution of this Schedule and the other Relevant Documents to which it is a party and the exercise of the rights, powers, duties, authorities and discretions or the execution of the trusts vested in it by or pursuant to this Schedule, this Deed or any other document to which it is a party. Reference in this paragraph 7.2 to costs, charges and expenses shall include value added tax or similar tax charged in respect thereof.

7.3 General Indemnity

The Borrower shall on written request indemnify the Borrower Security Trustee and keep it indemnified:

- 7.3.1 in respect of all liabilities and expenses properly incurred by it or by any person appointed by it to whom any trust, power, authority or discretion may be delegated by it in the execution or purported execution of the trusts, powers, authorities or discretions vested in it by this Schedule, this Deed, any of the Borrower Finance Documents or any other document to which it is a party; and
- 7.3.2 against all losses, liabilities, actions, proceedings, costs, claims and demands in respect of any matter or thing done or omitted in any way relating to this Schedule, this Deed or any other Borrower Finance Document to which it is a party except to the extent that they are sustained or incurred as a result of the negligence, wilful misconduct or fraud of the Borrower Security Trustee.

7.4 Payment

All sums payable under paragraphs 7.2 (*Expenses and Costs*) and 7.3 (*General Indemnity*) of this paragraph shall be payable on demand. All sums payable the Borrower under this paragraph shall, in the case of any payment actually made by the Borrower Security Trustee prior to the demand, (if the Borrower Security Trustee so requires) carry interest at the rate of 2 per cent. per annum above the normal lending rate of a leading bank that is available to the Borrower Security Trustee in the principal financial centre relevant to the currency in which such amounts are due from the date of the same being demanded, and (in all other cases) shall carry interest at such rate from the date fifteen days after the date of the same being demanded or being due or (where the demand specified that payment will be made on an earlier date) from such earlier date.

7.5 Continuation

Unless otherwise specifically stated in any discharge of these presents the provisions of this paragraph 7 shall continue in full force and effect notwithstanding such discharge and

whether or not Capita IRG Trustees Limited is the Borrower Security Trustee under this Deed.

8 Action of Borrower Security Trustees

8.1 Majority Decisions

Whenever there shall be more than two Borrower Security Trustees hereof the majority of such Borrower Security Trustees shall (provided such majority includes a trust corporation) be competent to execute and exercise all the trusts, rights, powers, duties, authorities and discretions vested by this Deed, any of the Borrower Finance Documents or any other document to which the Borrower Security Trustee is a party in the Borrower Security Trustee generally.

8.2 Reliance

The Borrower Security Trustee shall be entitled to rely, and shall not be liable for acting, upon any directions or any instructions given or purported to be given by the Controlling Finance Party, notwithstanding any error in transmission or that such directions or instructions prove not to be genuine, and such directions or instructions shall be conclusively deemed to be valid directions or instructions from the Controlling Finance Party for the purposes of this Deed provided that the Borrower Security Trustee may decline to act on any such directions or instructions where in the opinion of the Borrower Security Trustee they are insufficient, incomplete, inconsistent or not received by the Borrower Security Trustee in sufficient time to act thereon or in accordance therewith.

9 Appointment of New or Further Borrower Security Trustees

9.1 Power to Appoint and Remove

The power of appointing new Borrower Security Trustees shall be vested in the Controlling Finance Party for the time being. The Controlling Finance Party may at any time by notice in writing to the Borrower and the Borrower Security Trustee remove any Borrower Security Trustee or Borrower Security Trustees for the time being hereof. The removal of a Borrower Security Trustee shall not become effective unless there remains a Borrower Security Trustee or Borrower Security Trustees, being a trust corporation, in office after such removal.

9.2 Co-Borrower Security Trustees

Notwithstanding the provisions of paragraph 9.1 (*Power to Appoint and Remove*), the Borrower Security Trustee may, upon giving prior notice to the Borrower, but not without the prior written consent of the Controlling Finance Party (such consent not to be unreasonably withheld or delayed), appoint any person (whether a trust corporation or not) to act either as a separate Borrower Security Trustee or as a co-Borrower Security Trustee jointly with the Borrower Security Trustee:

9.2.1 if the Borrower Security Trustee considers such appointment to be in the interests of the Borrower Finance Parties; or

9.2.2 for the purposes of conforming to any legal requirement or restriction,

and the Borrower hereby irrevocably and by way of security appoints the Borrower Security Trustee to be their attorney and in their names and on their behalf to execute any such

instrument of appointment. Such person shall (subject always to the provisions of this Schedule, this Deed, and the other Borrower Finance Documents) have such trusts, rights, powers, duties, authorities and discretion (not exceeding those conferred on the Borrower Security Trustee by this Schedule, this Deed, the other Borrower Finance Documents or any other document to which it is a party) and such duties and obligations as shall be conferred or imposed by the instrument of appointment. The Borrower Security Trustee shall have power in like manner to remove any such person. Such reasonable remuneration as the Borrower Security Trustee may pay to any such person, together with any attributable costs, charges and expenses incurred by it in performing its function as such separate Borrower Security Trustee or co-Borrower Security Trustee, shall, for the purposes of this Schedule, be treated as costs, charges and expenses incurred by the Borrower Security Trustee.

10 Retirement of Borrower Security Trustee

Any Borrower Security Trustee for the time being of these presents may retire at any time upon giving not less than three months' notice in writing to the Controlling Finance Party and the Borrower without assigning any reason therefor and without being responsible for any costs occasioned by such retirement. The retirement of a sole Borrower Security Trustee shall not take effect until the appointment by the Controlling Finance Party of a new Borrower Security Trustee (being a trust corporation) has been effected. If the Controlling Finance Party has failed to appoint or identify for appointment a new Borrower Security Trustee to act (or who has confirmed that it will act) in place of a sole retiring Borrower Security Trustee (or where no trust corporation will remain in office as Borrower Security Trustee, a retiring Borrower Security Trustee which is a trust corporation) within two months of a Borrower Security Trustee giving notice of its wish to retire, the retiring Borrower Security Trustee may exercise the power of appointing new Borrower Security Trustees.

11 Other Matters Relating to the Borrower Security Trustee

11.1 Reliance on Instructions of Controlling Finance Party

The Borrower Security Trustee shall be entitled to assume that any instructions or certificates received by it from the Controlling Finance Party under or pursuant to this Deed or any other Borrower Finance Document are (i) given in accordance with the provisions of this Deed or such other Borrower Finance Document and (ii) given, where appropriate, in accordance with the provisions of the agreements by which the Controlling Finance Party is bound and the Borrower Security Trustee shall not be liable to any other person for any action taken or omitted under or in connection with this Deed or the other Relevant Documents to which it is a party in accordance with such instructions or certificates.

11.2 Indemnity Out of Trust Property

The Borrower Security Trustee and every attorney, manager, agent or other person appointed by it under or in connection with this Deed or any of the other Relevant Documents to which the Borrower Security Trustee is a party shall be entitled to be indemnified out of amounts received by the Borrower Security Trustee under this Deed or any of the other Relevant Documents to which the Borrower Security Trustee is a party against all liabilities and expenses properly incurred in the execution of any power, trust, authority or discretion in connection with this Deed or any of the other Relevant Documents

to which the Borrower Security Trustee is a party and against all actions, proceedings, costs, claims and demands in respect of any matter or thing done or omitted to be done in any way relating to this Deed or any of the other Relevant Documents to which the Borrower Security Trustee is a party and the Borrower Security Trustee may retain and pay all sums in respect of the same out of any moneys received under the powers conferred by the Borrower Finance Documents notwithstanding any other indemnity benefiting it.

12 Waivers

12.1 Waiver of Breach

The Borrower Security Trustee may (without prejudice to its rights in respect of any subsequent breach) from time to time and at any time (without the consent of the Borrower Finance Parties or any other person) authorise or waive, on such terms and conditions as it may specify, any breach by the Borrower of any of the covenants or provisions contained in any Relevant Document, provided always that the Borrower Security Trustee shall not (other than in respect of any Borrower Security Trustee Reserved Matter or Borrower Security Trustee Entrenched Matter) exercise any powers conferred on it by this paragraph 12.1 unless it has been directed to do so by the Controlling Finance Party. No such direction shall affect any authorisation or waiver previously given or made. Any such waiver or authorisation shall be binding on all of the Borrower Finance Parties.

12.2 Implied Waiver

No course of dealing by the Borrower Security Trustee with any person and no failure or delay on the part of the Borrower Security Trustee to execute or exercise any trust, right, power, duty, discretion or authority under any Relevant Document or provided by statute or by law or in equity or otherwise shall impair or operate as a waiver of any such trust, right, power, duty, discretion or authority or be construed as a waiver of any default or as an acquiescence therein. Any single or partial execution or exercise of any such trust, right, power, duty, discretion or authority shall not preclude any other or further execution or exercise thereof or the execution or exercise of any other rights, privilege or remedies. The rights and remedies contained in the Relevant Documents are cumulative and not exclusive of any other right and remedy which the Borrower Security Trustee, the Controlling Finance Party or any of the Borrower Finance Parties would have for the effective enforcement of the rights accorded in the Relevant Documents.

13 Taxes

13.1 Notwithstanding anything herein contained, to the extent required by any applicable law, if the Borrower Security Trustee shall be required to deduct or withhold from any distribution or payment made by it hereunder or if the Borrower Security Trustee shall otherwise be charged to tax as a consequence of performing its duties hereunder, any amount for which the Borrower Security Trustee may be liable, whether as principal or agent, by reason of any assessment or prospective assessment to taxation of whatsoever nature and whenever made upon the Borrower Security Trustee in connection with or arising from any sums received by it or to which it may be entitled under any of the Relevant Documents (other than in connection with its remuneration specified in paragraph 7 (*Borrower Security Trustee's Remuneration and Indemnities*)) or any investments from time to time representing the same, including any income or gains arising there from or any action of the Borrower Security Trustee in or about the administration of the trusts of any of the

Relevant Documents (other than the remuneration specified in paragraph 7 (*Borrower Security Trustee's Remuneration and Indemnities*)), the Borrower Security Trustee shall be entitled to make such deduction or withholding or, as the case may be, retention in respect of taxation. If the Borrower Security Trustee incurs any loss, cost, liability or expense by reason of any such assessment for which no such deduction or withholding or retention has been made by the Borrower Security Trustee or if any such deduction or withholding or retention is insufficient, the Borrower will indemnify the Borrower Security Trustee therefor and the Borrower Security Trustee shall be entitled to reimbursement of such amounts from the charged assets.

- 13.2** If any deduction or withholding in respect of tax of otherwise is required to be made by the Borrower in respect of any payment under this Deed to the Borrower Security Trustee, the Borrower shall forthwith pay to the Borrower Security Trustee such additional amount so that the net amount received by the Borrower Security Trustee will equal the full amount which would have been received by it had no such withholding or deduction been made.

14 Power of Attorney

14.1 Appointment

For the purpose of securing and preserving the interest of the Borrower Security Trustee under the Relevant Documents and the performance of their respective obligations to the Borrower Security Trustee under the Relevant Documents, the Borrower irrevocably and by way of security appoints the Borrower Security Trustee and the receiver each with full power to act alone (and with full power to appoint substitutes and to sub-delegate, including the power to authorise the person so appointed to make further appointments) to be its attorney and in its name or otherwise, to execute any document or do any act or thing which the Borrower Security Trustee (or its substitutes or delegates) may, in its absolute discretion, consider appropriate in connection with the exercise of any of the powers of the Borrower Security Trustee under any of the Relevant Documents to which the Borrower Security Trustee is a party and generally in its name and on its behalf to exercise all or any of the powers, authorities and discretions conferred by or pursuant to any of the Relevant Documents to which the Borrower Security Trustee is a party on the Borrower Security Trustee and (without prejudice to the foregoing) to execute, seal and deliver and otherwise perfect any deed, assignment, transfer, assurance, agreement, instrument or act which may, in the opinion of such attorney, be required or deemed necessary for the purposes of giving effect to the Relevant Documents and for the purpose of the exercise of any of the powers conferred on such attorney pursuant to this Deed.

14.2 Ratification

The Borrower hereby ratifies and confirms and agrees to ratify and confirm whatever any such attorney as is mentioned in paragraph 14.1 (*Appointment*) shall do or purport to do in the exercise or purported exercise of all or any of the powers, authorities and discretions referred to therein.

14.3 Taxes

The Borrower shall pay all stamp, registration and other documentary taxes to which this Schedule or any judgment given in connection herewith is or at any time may be subject and shall indemnify the Borrower Security Trustee against any liabilities, costs, claims and expenses resulting from any failure to pay or delay in paying such tax.

15 Priority of Documents

In the event of any direct inconsistency between the provisions of this Schedule, the remainder of this Deed and the Borrower Finance Documents, the provisions of this Schedule shall prevail.

Schedule 4
Form of Deed of Accession

[Not required]

Schedule 5

Waterfall

[Not required]

Signature Page to the Security Trust and Intercreditor Deed

[Intentionally omitted]

Annex 2

Conditions Precedent

1. The Borrower

- (a) A copy, certified as at the date of this Amendment Deed a true and up-to-date copy by an authorised signatory of the Borrower, of its constitutional documents.
- (b) A copy, certified as at the date of this Amendment Deed a true and up-to-date copy by an authorised signatory of the Borrower, of a board resolution of the Borrower approving the execution, delivery and performance of the Amendment Deed dated on or about the date of this Amendment Deed and the terms and conditions thereof and authorising a named person or persons to sign the Amendment Deed dated on or about the date of this Amendment Deed and any documents to be delivered by the Borrower pursuant thereto.
- (c) A certificate of an authorised signatory of the Borrower setting out the names and signatures of the persons authorised to sign, on behalf of the Borrower, the Amendment Deed dated on or about the date of this Amendment Deed and any documents to be delivered by the Borrower pursuant thereto.

2. Legal Opinion

- (a) An English law legal opinion of Linklaters LLP, legal advisers to Assured Guaranty, as to enforceability.
- (b) An English law legal opinion of Herbert Smith Freehills LLP, legal advisers to the Borrower, in relation to the due incorporation of and corporate authority of the Borrower in a form acceptable to the Agent.

3. AGE Fee Letter

An AGE fee letter duly executed between the Borrower and Assured Guaranty dated [●] 2016.

SCHEDULE 2
AGREED FORM OF AMENDED AND RESTATED FACILITY AGREEMENT

AMENDMENT AND RESTATEMENT DEED

dated [●] 2016

DEE VALLEY WATER PLC

and

DEE VALLEY WATER (HOLDINGS) LIMITED

and

SEVERN TRENT WATER LIMITED

and

ARTESIAN FINANCE PLC

and

THE ROYAL BANK OF SCOTLAND PLC

RELATING TO A FACILITY AGREEMENT DATED

19 June 2002

Linklaters

Ref: L-235381

Linklaters LLP

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THE SCHEDULES

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THIS AMENDMENT DEED is dated [●] 2016 and made between:

- (1) DEE VALLEY WATER PLC, a public limited company incorporated under the laws of England and Wales (Registered Number 03527628) and having its registered office at Packsaddle, Wrexham Road, Rhosyllen, Wrexham, Clwyd LL14 4EH (the "**Existing Borrower**");
- (2) DEE VALLEY WATER (HOLDINGS) LIMITED, a company incorporated with limited liability under the laws of England and Wales (Registered Number 04421854) and having its registered office at Packsaddle, Wrexham Road, Rhosyllen, Wrexham, Clwyd LL14 4EH (the "**Existing HoldCo**");
- (3) SEVERN TRENT WATER LIMITED, a company incorporated with limited liability under the laws of England and Wales (Registered Number 02366686) and having its registered office at Severn Trent Centre, 2 St John's Street, Coventry CV1 2LZ (the "**New Borrower**");
- (4) ARTESIAN FINANCE PLC, a public limited company incorporated under the laws of England and Wales (Registered Number 04369065) and having its registered office at 4th Floor, 40 Dukes Place, London EC3A 7NH as the lender (the "**Lender**"); and
- (5) THE ROYAL BANK OF SCOTLAND PLC as agent of the other Facility Parties (the "**Agent**").

Whereas:

The parties hereto have entered into this Amendment Deed to: (a) amend the Original Facility Agreement; and (b) replace the Existing Borrower with the New Borrower following the acquisition by the New Borrower of the entire share capital of Dee Valley Group plc. In addition, certain parties hereto have, pursuant to a separate amendment and restatement deed, agreed to amend the Borrower STID (the "**Borrower STID Amendment Deed**").

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Amendment Deed:

"**Amended Agreement**" means the Original Facility Agreement, as amended and restated in the form set out in Schedule 1 (*Form of Amended Agreement*);

"**Effective Date**" has the meaning given to such term in the Borrower STID Amendment Deed;

"**Original Facility Agreement**" means the £35,000,000 facility agreement dated 19 June 2002 between, *inter alios*, the Existing Borrower and the Lender; and

"**Party**" means a party to this Amendment Deed.

1.2 Incorporation of defined terms

- (a) Unless a contrary indication appears, terms defined in or incorporated by reference into the Original Facility Agreement have the same meaning when used in this Amendment Deed.
- (b) The principles of construction set out in the Original Facility Agreement shall have effect as if set out in this Amendment Deed.

1.3 Third party rights

A person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Amendment Deed.

1.4 Designation

In accordance with the Original Facility Agreement, the Borrower designates this Deed as a Borrower Finance Document under the Borrower STID.

2. ASSIGNMENT

With effect on and from the Effective Date:

- (a) the Existing Borrower assigns absolutely to the New Borrower all of its rights under the Amended Agreement and the Existing Borrower will be released from all its obligations under the Amended Agreement and the New Borrower shall become a party as a "Borrower" and will be bound by all of the obligations, and have all of the rights, of the Borrower under the Amended Agreement as though the New Borrower had originally been party to the Amended Agreement in place of the Existing Borrower; and
- (b) the Existing HoldCo and Existing Borrower will be released from all their obligations under the Amended Agreement.

3. AMENDMENT AND RESTATEMENT

With effect from and including the Effective Date the Original Facility Agreement shall be amended and restated in the form set out in Schedule 1 (*Form of Amended Agreement*).

4. TAX CONFIRMATION

The Lender gives a Tax Confirmation (within the meaning of the Amended Agreement) to the New Borrower by entering into this Amendment Deed.

5. MISCELLANEOUS

5.1 Incorporation of terms

The provisions of clause 27 (*Notices*) of the Original Facility Agreement shall be incorporated into this Amendment Deed as if set out in full in this Amendment Deed and as if references in those clauses to "this Agreement" are references to this Amendment Deed.

5.2 Counterparts

This Amendment Deed may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Amendment Deed.

6. GOVERNING LAW AND JURISDICTION CLAUSE

This Amendment Deed and any non-contractual obligations arising out of or in connection with it are governed by English law. The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Amendment Deed (including a dispute regarding the existence, validity or termination of this Amendment Deed or any non-contractual obligations arising out of or in connection with this Amendment Deed).

THIS AMENDMENT DEED has been entered into on the date stated at the beginning of this Amendment Deed.

SIGNATURE PAGE

The Existing Borrower

Signed as a DEED by

DEE VALLEY WATER PLC

Address:

Fax No:

Attention:

Director:

Witness:

Name:

Occupation:

Address:

The Existing HoldCo

Signed as a DEED by

DEE VALLEY WATER (HOLDINGS) LIMITED

Address:

Fax No:

Attention:

Director:

Witness:

Name:

Occupation:

Address:

The New Borrower

Signed as a DEED by

SEVERN TRENT WATER LIMITED

Address:

Fax No:

Attention:

Director:

Witness:

Name:

Occupation:

Address:

The Lender

Signed as a DEED by

ARTESIAN FINANCE PLC

Address:

Fax No:

Attention:

By:

By:

The Agent

Signed as a DEED by

THE ROYAL BANK OF SCOTLAND PLC

Address:

Fax No:

Attention:

By:

By:

Schedule 1
FORM OF AMENDED AGREEMENT

£35,000,000

FACILITY AGREEMENT

dated 19 June 2002 as amended and restated by an amendment and restatement
agreement dated [●] 2016

SEVERN TRENT WATER LIMITED

and

ARTESIAN FINANCE PLC

with

THE ROYAL BANK OF SCOTLAND PLC

acting as Agent

THIS FACILITY AGREEMENT IS ENTERED INTO WITH
THE BENEFIT OF AND SUBJECT TO THE TERMS OF
THE BORROWER STID DATED 19 JUNE 2002 AND AS AMENDED AND RESTATED
BY A DEED OF AMENDMENT AND RESTATEMENT DATED [●] 2016

Linklaters

Ref: L-252512

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THIS AGREEMENT is dated 19 June 2002 and amended and restated by an amendment and restatement deed dated [●] 2016 and made between:

- (1) SEVERN TRENT WATER LIMITED, registration number 02366686 (the "**Borrower**");
- (2) ARTESIAN FINANCE PLC (the "**Lender**"); and
- (3) THE ROYAL BANK OF SCOTLAND PLC as agent of the other Facility Parties (the "**Agent**").

IT IS AGREED as follows:

INTERPRETATION

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

Unless otherwise defined in this Clause 1.1 or the context requires otherwise, words and expressions used in this Agreement have the meanings and constructions ascribed to them in the Borrower STID (as defined below).

"Agreed Range" means no higher than 3.885 per cent. per annum and no lower than 3.385 per cent. per annum.

"Amendment Deed" means the amendment deed amended and restating this Agreement and dated [●] between, among others, the Borrower, Dee Valley as existing borrower and the Lender.

"Assured Guaranty" means Assured Guaranty (Europe) Ltd (formerly known as Financial Security Assurance (U.K.) Limited).

"Bond Conditions" means the terms and conditions of the Bonds as set out in Schedule 4 (*Bond Conditions*) as amended, supplemented, restated or replaced from time to time with the agreement of the Parties.

"Bond Equivalent Loan Amount" means an amount equal to the product of the Loan (unindexed) multiplied by the Bond/Loan Ratio.

"Bond/Loan Ratio" means the ratio notified as such to the Borrower by the Agent, being the ratio of:

- (a) the Outstanding Principal Balance of the Series of Bonds issued by the Lender for which the related borrower is the Borrower at the time of such issue; to
- (b) £35,000,000.

"Bond Redemption Date" means the date which is agreed by the Lender and the Borrower to be the date to be specified in the relevant Redemption Notice (as defined in the Bond Conditions) as being the date for redemption of Bonds as a result of a prepayment by the Borrower under Clause 9.1 (*Voluntary Prepayment of Loan*) which is a date which complies with the requirements of Condition 7 (*Redemption and Purchase*) of the Bond Conditions.

"Bonds" means the guaranteed secured index linked bonds issued by the Lender from time to time under its £500,000,000 programme dated 19 June 2002.

"Bond Trust Deed" has the meaning given to that term in the Bond Conditions.

"Bond Trustee" means the bond trustee in relation to the Bonds.

"Borrower STID" means the security trust and intercreditor deed dated 19 June 2002 and as amended by the deed of amendment dated 14 August 2002 and as further amended and restated by a deed of amendment and restatement dated [●] 2016 between, *inter alios*, the Borrower and Capita IRG Trustees Limited (as security trustee).

"Borrower Taxation Event" means an event whereby any sum payable to the Lender by the Borrower is required to be increased under paragraph (c) of Clause 12.2 (*Tax gross-up*).

"Code" means the US Internal Revenue Code of 1986.

"Commitment" means £35,000,000 to the extent not cancelled or reduced under this Agreement.

"Court" means the High Court of Justice in England and Wales.

"Covenants" means the covenants set out in clauses 6 (*Financial Information Covenants*), 7 (*Positive Covenants*) and 8 (*Negative Covenants*) of the Borrower STID.

"CTA" means the Corporation Tax Act 2009.

"Dee Valley" means Dee Valley Water PLC.

"Facility" means the term loan facility made available under this Agreement as described in Clause 3 (*The Facility*).

"Facility Documents" has the meaning given to the term "Borrower Finance Documents" in the Borrower STID.

"Facility Office" means the office or offices notified by the Lender to the Agent in writing on or before the date it becomes the Lender (or, following that date, by not less than five Business Days' written notice) as the office or offices through which it will perform its obligations under this Agreement.

"Facility Party" means the Agent or the Lender.

"FATCA" means:

- (a) sections 1471 to 1474 of the Code or any associated regulations;
- (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or
- (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraph (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

"FATCA Application Date" means:

- (a) in relation to a "withholdable payment" described in section 1473(1)(A)(i) of the Code (which relates to payments of interest and certain other payments from sources within the US), 1 July 2014;

- (b) in relation to a "withholdable payment" described in section 1473(1)(A)(ii) of the Code (which relates to "gross proceeds" from the disposition of property of a type that can produce interest from sources within the US), 1 January 2019; or
- (c) in relation to a "passthru payment" described in section 1471(d)(7) of the Code not falling within paragraph (a) or (b) above, 1 January 2019,

or, in each case, such other date from which such payment may become subject to a deduction or withholding required by FATCA as a result of any change in FATCA after the Effective Date.

"FATCA Deduction" means a deduction or withholding from a payment under a Facility Document required by FATCA.

"FATCA Exempt Party" means a Party that is entitled to receive payments free from any FATCA Deduction.

"Group" means the Borrower and its Subsidiaries from time to time.

"Index Event" means the Lender becoming entitled under Condition 7.14 (*Unscheduled Redemption for Index Reasons*) of the Bond Conditions to serve a Redemption Notice (as defined in the Bond Conditions).

"Indexed Loan Amount" means the Loan (or part thereof) together with interest accrued but unpaid up to and including the date of payment of such amount by the Borrower in each case multiplied by the Index Ratio applicable to the month in which the payment is made.

"Index Ratio" applicable to any month means the index figure determined in accordance with the Bond Conditions for that month as notified to the Agent by the Calculation Agent (as defined in the Bond Conditions) multiplied by 174.3 divided by 173.4.

"Interest Rate" means the rate notified to the Borrower by the Agent, being a rate which falls within the Agreed Range.

"Issuer Debenture" has the meaning given to that term in the Bond Conditions.

"Issuer Security Trust and Intercreditor Deed" has the meaning given to that term in the Bond Conditions.

"Issuer Security Trustee" means the security trustee in relation to the Bonds.

"ITA" means the Income Tax Act 2007.

"Lender" means:

- (a) the Original Lender; and
- (b) any bank, financial institution, trust fund or other entity which has become a Party in accordance with Clause 21 (*Changes to the Lender*)

which in each case has not ceased to be a Party in accordance with the terms of this Agreement.

"Lender Taxation Event" means the Lender becoming entitled under Condition 7.15 (*Redemption for Issuer Taxation Reasons*) of the Bond Conditions to redeem the Bonds.

"Loan" means the loan made under the Facility or the principal amount outstanding for the time being of that loan.

"Loan/Bond Ratio" means the ratio notified as such to the Borrower by the Agent, being the ratio of:

- (a) £35,000,000; to
- (b) [●] (being the Outstanding Principal Balance of the Series of Bonds issued by the Lender for which the related borrower was Dee Valley under the Facility at the time of such issue).

"Loan Payment Date" means each date falling two Business Days prior to each Scheduled Payment Date.

"Loan Prepayment Payment Date" means any date which is agreed by the Lender and the Borrower to be the date on which the amount to be paid by the Borrower in respect of a prepayment of the Loan under Clause 9.1 (*Voluntary prepayment of Loan*) shall have been received by the Lender and which is no later than 30 days and no earlier than 60 days before the relevant Bond Redemption Date and if the Borrower and Lender are unable to agree such a date, such a date shall be the date which is 60 days before the relevant Bond Redemption Date.

"Minimum Swap Rating" in respect of a person means that the long term unsecured unguaranteed and unsubordinated obligations of that person are rated at least AA- by S&P or Aa3 by Moody's.

"New Lender" means any bank or financial institution or trust fund, or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets to whom the Lender has assigned any of its rights, or transferred by novation any of its rights and obligations (in a manner compliant with Clause 21).

"Original Lender" means the Lender as original lender under the Facility.

"Outstanding Principal Balance" has the meaning given to that term in the Bond Conditions.

"Party" means a party to this Agreement and includes its successors in title, permitted assigns and permitted transferees.

"Premium Supplement" means any premium supplement payable by the Lender to Assured Guaranty pursuant to the Insurance and Indemnity Agreement.

"Transfer Certificate" means a certificate substantially in the form set out in Schedule 3 (*Form of Transfer Certificate*) or any other form agreed between the Agent and the Borrower.

"Transfer Date" means, in relation to a transfer, the later of:

- (a) the proposed Transfer Date specified in the Transfer Certificate; and
- (b) the date on which the Agent executes the Transfer Certificate.

"Unpaid Sum" means any sum due and payable but unpaid by the Borrower under the Facility Documents.

"US" means the United States of America.

"Utilisation" means a utilisation of the Facility.

"Utilisation Date" means the date of a Utilisation, being the date on which the relevant Loan is to be made.

"Utilisation Request" means a notice substantially in the form set out in Schedule 2 (*Utilisation Request*).

"VAT" means:

- (a) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and
- (b) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in paragraph (a) above or imposed elsewhere.

1.2 Interpretation

(a) In this Agreement, the rules of interpretation contained in clause 1.2 (*Interpretation*) of the Borrower STID shall apply to the construction of this Agreement and in addition unless a contrary indication appears any reference in this Agreement to:

- (i) **"assets"** includes present and future properties, revenues and rights of every description;
- (ii) a **"regulation"** includes any regulation, rule, official directive, request or guideline (whether or not having the force of law but if not having the force of law compliance with which is customary in the relevant industry) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
- (iii) **"continuing"** means in respect of any Borrower Taxation Event that such event has occurred and at the relevant time the circumstances giving rise to the requirement or indemnification still apply; and
- (iv) a time of day is a reference to London time.

(b) The provisions of clauses 1.3 (*Currency symbols and currency conversion*), 1.4 (*Statutes*), 1.5 (*Headings*), 1.6 (*Documents*), 1.7 (*Successors, transferees and assigns*), of the Borrower STID apply to this Agreement, with such changes as the context requires.

(c) This Agreement amends and restates the facility agreement of £35,000,000 made on 19 June 2002 between, *inter alios*, the Agent and Dee Valley as Borrower.

1.3 Double counting

For the avoidance of doubt, any payment to be made by the Borrower in respect of any indemnity, fee or cost and expense under this Agreement or the other Facility Documents shall be made without double counting, taking into account any payment made by the Borrower under the other provisions of this Agreement or any of the other Facility Documents.

1.4 Third party rights

A person, other than the Borrower Security Trustee, who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

2. **BORROWER STID**

The provisions of this Agreement shall take effect subject to the terms and conditions of the Borrower STID. If there is any conflict between the provisions of this Agreement and the Borrower STID, the provisions of the Borrower STID shall prevail.

SECTION 1

THE FACILITY

3. THE FACILITY

3.1 The Facility

Parties to this Agreement agree and acknowledge that the Lender made available to the Existing Borrower (as defined in the Amendment Deed) an index-linked term loan facility in sterling in an aggregate amount equal to the Commitment which has been assumed by the Borrower.

3.2 Facility Parties' rights and obligations

- (a) No Facility Party is responsible for the obligations of any other Facility Party under the Facility Documents.
- (b) A Facility Party may, except as otherwise stated in the Facility Documents, separately enforce its rights under the Facility Documents.

4. PURPOSE

4.1 Purpose

- (a) The Borrower shall apply all amounts borrowed by it under the Facility in or towards financing or refinancing:
 - (i) the capital expenditure requirements of the Borrower;
 - (ii) the working capital requirements of the Borrower;
 - (iii) the capital restructuring requirements of the Borrower; and
 - (iv) other general corporate requirements.
- (b) No amount borrowed under the Facility shall be applied in any manner that may be illegal or contravene the provisions of section 151 of the Companies Act 1985.

4.2 Monitoring

No Facility Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

5. CONDITIONS OF UTILISATION

[Not Used]

6. HEDGE TRANSACTIONS AND REPLACEMENTS

[Not Used]

SECTION 2
UTILISATION

7. UTILISATION

The Parties to this Agreement agree and acknowledge that the Loan has already been utilised in full as at the Effective Date.

SECTION 3
REPAYMENT, PREPAYMENT AND CANCELLATION

8. REPAYMENT

The Borrower shall repay the Indexed Loan Amount on the Loan Payment Date falling immediately prior to the final Scheduled Payment Date.

9. PREPAYMENT AND BOND PURCHASE OPTION

9.1 Voluntary prepayment of Loan

The Borrower may, if it gives the Agent not less than 45 days' (or such shorter period as the Lender may agree) prior written notice, prepay:

- (a) the whole but not part only of the Loan if an Index Event occurs, at an amount equal to the amount payable by the Lender in respect of a redemption of Bonds having an Outstanding Principal Balance equal to the Bond Equivalent Loan Amount pursuant to Condition 7.14 (*Unscheduled Redemption for Index Reasons*) of the Bond Conditions on the Bond Redemption Date;
- (b) the whole but not part only of the Loan if a Lender Taxation Event occurs, at an amount equal to the amount payable by the Lender in respect of a redemption of Bonds having an Outstanding Principal Balance equal to the Bond Equivalent Loan Amount pursuant to Condition 7.15 (*Redemption for Issuer Taxation Reasons*) of the Bond Conditions on the Bond Redemption Date;
- (c) (subject to the proviso to this Clause 9.1) the whole but not part only of the Loan if a Borrower Taxation Event occurs and is continuing, at an amount equal to the amount payable by the Lender in respect of a redemption of Bonds having an Outstanding Principal Balance equal to the Bond Equivalent Loan Amount pursuant to Condition 7.7 (*Optional Redemption Relating to Certain Taxation Events*) of the Bond Conditions on the Bond Redemption Date; and
- (d) the whole but not part only of the Loan in all other circumstances, at an amount equal to the amount payable by the Lender in respect of a redemption of Bonds having an Outstanding Principal Balance equal to the principal amount of the Bond Equivalent Loan Amount calculated in relation to the principal amount of the Loan which the Borrower has notified the Lender as being the amount of the Loan which it intends to redeem pursuant to Condition 7.2 (*Optional Redemption (Call) and FSA Prepayment Option*) of the Bond Conditions on the Bond Redemption Date,

provided that the Borrower may not make a prepayment under paragraph (c) above unless the Lender has taken all reasonable steps in accordance with Clause 14.1 (*Mitigation*), but has failed, to mitigate the circumstances giving rise to the relevant Borrower Taxation Event so that the relevant Tax Deduction is no longer required to be made by the Borrower.

9.2 Bond purchase option

- (a) The Borrower may, at any time but subject to the other provisions of this Clause 9.2, purchase any Bonds on the open market or by tender (available to all Bondholders (as defined in the Bond

Conditions) alike) or by private treaty at any price provided that immediately following any such purchase, the Borrower shall surrender the purchased Bonds to the Lender. Any such purchase must comply with the applicable requirements (if any) of the London Stock Exchange or such other exchange on which the Bonds may be listed.

- (b) Upon surrender of the purchased Bonds to the Lender, an amount of the principal amount outstanding of the unindexed Loan equal to the Outstanding Principal Balance of the surrendered Bonds multiplied by the Loan/Bond Ratio shall be deemed to have been prepaid together with interest on the relevant amount of the unindexed Loan accrued but unpaid up to the date of surrender.

9.3 Restrictions

- (a) Any notice of prepayment given by any Party under Clause 9.1 (*Voluntary prepayment of Loan*) shall be irrevocable and shall specify the date proposed by the Borrower as the Loan Prepayment Payment Date and the amount of the Loan which the Borrower wishes to prepay.
- (b) Any prepayment may only be made on a day which is a Business Day.
- (c) Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid (adjusted for indexation as provided in Clause 10 (*Indexation*)) and without premium or penalty.
- (d) The Borrower may not reborrow any part of the Facility which is prepaid.
- (e) The Borrower shall not repay or prepay all or any part of the Loan except at the times and in the manner expressly provided for in this Agreement.
- (f) The Borrower shall pay all amounts required to be paid by it under Clause 9.1 (*Voluntary prepayment of Loan*) on the relevant Loan Prepayment Payment Date.
- (g) If the Agent receives a notice under this Clause 9, it shall:
 - (i) promptly forward a copy of that notice to the Lender, as appropriate and in all cases, copied to the Issuer Security Trustee; and
 - (ii) notify the Borrower of the amount which it will be required to pay on the relevant repayment or prepayment date.
- (h) If the Lender receives a notice in relation to a prepayment pursuant to Clause 9.1 (*Voluntary prepayment of Loan*) and the Borrower, in such circumstances, has complied with paragraph (f) above, the Lender shall be obliged to redeem the appropriate number of Bonds in accordance with the Bond Conditions on the Bond Redemption Date.

9.4 Refund of interest

If the Borrower exercises its rights to make a prepayment under Clause 9.1 (*Voluntary prepayment of Loan*) and such prepayment is made in accordance with this Clause 9, the Lender shall pay to the Borrower within five Business Days of the relevant Bond Redemption Date an amount equal to the interest received by the Lender on the amount paid by the Borrower to the Lender pursuant to Clause 9.1 (*Voluntary prepayment of Loan*) during the period beginning on (but excluding) the relevant Loan Prepayment Payment Date to (and including) the relevant Bond Redemption Date.

SECTION 4
COSTS OF UTILISATION

10. INDEXATION

Application of the Index Ratio

Each payment of interest and each repayment of principal pursuant to Clause 20 (*Acceleration*) due in respect of the Loan shall be multiplied by the Index Ratio applicable to the month in which the associated payment or repayment under the Bonds falls.

11. INTEREST

11.1 Rate of interest

The Loan will bear interest (adjusted for indexation in accordance with Clause 10 (*Indexation*)) at the Interest Rate.

11.2 Payment of interest

- (a) Interest will (subject to Clause 12 (*Tax gross-up and indemnities*)) accrue from day to day on the Loan commencing from the Utilisation Date and will be payable by the Borrower (each such payment a "**Scheduled Interest Payment**") semi-annually on each Loan Payment Date immediately preceding each Scheduled Payment Date listed in Schedule 5 (*Scheduled Payment Dates*). The amount of interest payable in respect of each £100,000 in nominal amount of the Loan (or proportion thereof) on each Loan Payment Date is the amount set out in a schedule (or proportion thereof) to be delivered by the Lender to the Borrower before the first Loan Payment Date against the Scheduled Payment Date falling immediately after such Loan Payment Date (adjusted for indexation in accordance with Clause 10 (*Indexation*)).
 - (b) The amount of interest payable in respect of the Loan for any period ending other than on a Scheduled Payment Date shall be calculated by multiplying the product of the Interest Rate and the Loan by the Day Count Fraction (such amount being adjusted for indexation in accordance with Clause 10 (*Indexation*)). In this paragraph (b), "**Day Count Fraction**" means in respect of the calculation of the amount of interest for any period, the actual number of days elapsed during such period divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (i) the number of those days falling in a leap year divided by 366 and (ii) the number of those days falling in a non-leap year divided by 365).
- 11.3 Default interest**
- (a) Interest will cease to accrue from the due date for redemption of the Loan unless the Borrower fails to pay any amount payable by it under a Facility Document, in which case default interest will be payable ("**Default Interest**").
 - (b) If the Borrower fails to pay any amount payable by it under the Facility Documents on its due date, Default Interest will be payable by the Borrower in an amount sufficient to allow the Lender to meet any liability to pay default interest under the Conditions 4.3 (*Default Interest*), 4.4 (*Default Interest Payment*) and 4.5 (*Default Interest Calculations*) of the Bond Conditions incurred by the Lender as a result, whether directly or indirectly, of the Borrower's failure to pay such amount.

- (c) Any amounts of Default Interest arising prior to a Scheduled Payment Date will be payable by the Borrower on the immediately preceding Loan Payment Date. Any amounts of Default Interest arising after the final Scheduled Payment Date shall be immediately due and payable by the Borrower.

11.4 Notification of amount of principal and interest

The Agent shall no later than the fifteenth Business Day prior to each Scheduled Payment Date calculate the amount of principal and interest (adjusted for indexation in accordance with Clause 10 (*Indexation*)) due on the Loan on that Scheduled Payment Date and notify the Borrower, the Borrower Security Trustee, the Lender and the Controlling Finance Party accordingly.

SECTION 5
ADDITIONAL PAYMENT OBLIGATIONS

12. TAX GROSS-UP AND INDEMNITIES

12.1 Definitions

(a) In this Agreement:

"Borrower DTTP Filing" means, in relation to a Treaty Lender that is a New Lender, an H.M. Revenue & Customs' Form DTTP2 duly completed and filed by the relevant Borrower, which contains the scheme reference number and jurisdiction of tax residence stated in respect of that Lender in the relevant Transfer Certificate and is filed with H.M. Revenue & Customs within 30 days of the Transfer Date.

"Exemption" means an exemption from the requirement for a Tax Deduction to be made.

"Protected Party" means a Facility Party which is or will be, subject to any liability, or required to make any payment, for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Facility Document.

"Qualifying Lender" means

(i) a Lender which is beneficially entitled to interest payable to that Lender in respect of an advance under a Facility Document and is:

(A) a Lender:

(1) which is a bank (as defined for the purpose of section 879 of the ITA) making an advance under a Facility Document and is within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that advance or would be within such charge as respects such payments apart from section 18A of the CTA; or

(2) in respect of an advance made under a Facility Document by a person that was a bank (as defined for the purpose of section 879 of the ITA) at the time that that advance was made and is within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that advance; or

(B) a Lender which is:

(1) a company resident in the United Kingdom for United Kingdom tax purposes;

(2) a partnership each member of which is:

(a) a company so resident in the United Kingdom; or

(b) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest

payable in respect of that advance that falls to it by reason of Part 17 of the CTA; or

- (3) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company; or

(C) a Treaty Lender.

"Tax Confirmation" means a confirmation by a Lender that the person beneficially entitled to interest payable to that Lender in respect of an advance under a Facility Document is either:

- (i) a company resident in the United Kingdom for United Kingdom tax purposes; or
- (ii) a partnership each member of which is:
 - (A) a company so resident in the United Kingdom; or
 - (B) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA; or
- (iii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company.

"Tax Credit" means a credit against, relief or remission for, or repayment of any Tax.

"Tax Deduction" means a deduction or withholding for or on account of Tax from a payment under a Facility Document, other than a FATCA Deduction.

"Tax Payment" means either the increase in a payment made by the Borrower to a Facility Party under Clause 12.2 (*Tax gross-up*) or a payment under Clause 12.3 (*Tax indemnity*).

"Treaty Lender" means a Lender which:

- (i) is treated as a resident of a Treaty State for the purposes of the Treaty;
- (ii) does not carry on a business in the United Kingdom through a permanent establishment with which that Lender's participation in the Loans is effectively connected; and
- (iii) is entitled, under the terms of the Treaty, to claim full exemption from tax imposed by the United Kingdom on interest paid in respect of the Loan except that for this purpose it shall be assumed that any procedural formalities are satisfied.

"Treaty State" means a jurisdiction having a double taxation agreement (a **"Treaty"**) with the United Kingdom which makes provision for full exemption from tax imposed by the United Kingdom on interest.

"UK Non-Bank Lender" means:

- (i) the Original Lender; and
 - (ii) where a Lender (other than the Original Lender) becomes a Party after the day on which this Agreement is entered into, a Lender which gives a Tax Confirmation in the Transfer Certificate which it executes on becoming a Party to this Agreement.
- (b) Unless a contrary indication appears, in this Clause 12 a reference to "determines" or "determined" means a determination made in the absolute discretion (acting in good faith) of the person making the determination.

12.2 Tax gross-up

- (a) The Borrower shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.
- (b) The Borrower shall promptly upon becoming aware that the Borrower must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Agent accordingly. Similarly, a Lender shall promptly notify the Agent on becoming so aware in respect of a payment payable to that Lender. If the Agent receives such notification from a Lender it shall promptly notify the Borrower.
- (c) If a Tax Deduction is required by law to be made by the Borrower, the amount of the payment due from the Borrower shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.
- (d) A payment shall not be increased under paragraph (c) above by reason of a Tax Deduction on account of Tax imposed by the United Kingdom, if on the date on which the payment falls due:
 - (i) the payment could have been made to the relevant Lender without a Tax Deduction if the Lender had been a Qualifying Lender, but on that date that Lender is not or has ceased to be a Qualifying Lender other than as a result of any change after the date it became a Lender under this Agreement in (or in the interpretation, administration, or application of) any law or Treaty, or any published practice or published concession of any relevant taxing authority; or
 - (ii) the relevant Lender is a Qualifying Lender solely by virtue of paragraph (i)(B) of the definition of "Qualifying Lender" and:
 - (A) an officer of H.M. Revenue & Customs has given (and not revoked) a direction (a "**Direction**") under section 931 of the ITA which relates to the payment and that Lender has received from the Borrower making the payment or from the Borrower a certified copy of that Direction; and
 - (B) the payment could have been made to the Lender without any Tax Deduction if that Direction had not been made; or
 - (iii) the relevant Lender is a Qualifying Lender solely by virtue of paragraph (i)(B) of the definition of "Qualifying Lender" and:

- (A) the relevant Lender has not given a Tax Confirmation to the Borrower; and
 - (B) the payment could have been made to the Lender without any Tax Deduction if the Lender had given a Tax Confirmation to the Borrower, on the basis that the Tax Confirmation would have enabled the Borrower to have formed a reasonable belief that the payment was an "excepted payment" for the purpose of section 930 of the ITA; or
- (iv) the relevant Lender is a Treaty Lender and the Borrower making the payment is able to demonstrate that the payment could have been made to the Lender without the Tax Deduction had that Lender complied with its obligations under paragraph (g) or (h) (as applicable) below.
- (e) If the Borrower is required to make a Tax Deduction, the Borrower shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- (f) Within 30 days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Borrower making that Tax Deduction shall deliver to the Agent for the Facility Party entitled to the payment a statement under section 975 of the ITA or other evidence reasonably satisfactory to that Facility Party that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.
- (g)
 - (i) Subject to paragraph (ii) below, a Treaty Lender and the Borrower, in connection with making a payment to which that Treaty Lender is entitled, shall co-operate in completing any procedural formalities necessary for the Borrower to obtain authorisation to make that payment without a Tax Deduction.
 - (ii) A New Lender that is a Treaty Lender that holds a passport under the HMRC DT Treaty Passport scheme, and which wishes that scheme to apply to this Agreement, shall confirm its scheme reference number and its jurisdiction of tax residence in the Transfer Certificate which it executes, and having done so, that Lender shall be under no obligation pursuant to paragraph (i) above.
- (h) If a Lender has confirmed its scheme reference number and its jurisdiction of tax residence in accordance with paragraph (g)(ii) above and:
 - (i) the Borrower has not made a Borrower DTTP Filing in respect of that Lender; or
 - (ii) the Borrower has made a Borrower DTTP Filing in respect of that Lender but:
 - (A) that Borrower DTTP Filing has been rejected by H.M. Revenue & Customs; or
 - (B) H.M. Revenue & Customs has not given the Borrower authority to make payments to that Lender without a Tax Deduction within 60 days of the date of the Borrower DTTP Filing; or
 - (iii) the Borrower has received authority from H.M. Revenue & Customs to make payments to such Lender without a deduction for tax as a result of a Borrower DTTP Filing, but as

a result of a withdrawal or expiry of that authority it is no longer possible for that Borrower to make payments to the Lender without Tax Deduction by virtue of that authority.

and in the case of paragraphs (h)(i), (ii) and (iii) above, the Borrower has notified that Lender in writing, that Lender and the Borrower shall co-operate in completing any additional procedural formalities necessary for that Borrower to obtain authorisation to make that payment without a Tax Deduction.

- (i) If a Lender has not confirmed its scheme reference number and jurisdiction of tax residence in accordance with paragraph (g)(ii) above, the Borrower shall not make a Borrower DTTP Filing or file any other form relating to the HMRC DT Treaty Passport scheme in respect of that Lender's Commitment(s) or its participation in any Loan unless the Lender otherwise agrees.
- (j) A Borrower shall, promptly on making a Borrower DTTP Filing, deliver a copy of that Borrower DTTP Filing to the Agent for delivery to the relevant Lender.
- (k) A UK Non-Bank Lender shall be deemed to have given a Tax Confirmation to the Borrower by entering into this Agreement.
- (l) A UK Non-Bank Lender shall promptly notify the Borrower and the Agent if there is any change in the position from that set out in the Tax Confirmation.
- (m) If the Borrower suffers a loss, liability or cost for or on account of Tax due solely to an Exemption not applying to a payment as a result of the Tax Confirmation being untrue or ceasing to be true, in respect of a UK Non-Bank Lender (otherwise than as a result of a change in (or in the interpretation, administration, or application of) any law or Treaty, or any published practice or concession of any relevant taxing authority, occurring after the date of the Lender giving such Tax Confirmation) that Lender shall, within five Business Days of demand, pay the Borrower an amount equal to such loss, liability or cost.

12.3 Tax indemnity

- (a) The Borrower shall (within three Business Days of demand by the Agent) pay to a Protected Party an amount equal to the loss, liability or cost which that Protected Party determines will be or has been (directly or indirectly) suffered for or on account of Tax by that Protected Party in respect of a Facility Document.
 - (b) Paragraph (a) above shall not apply:
 - (i) with respect to any Tax assessed on a Facility Party:
 - (A) under the law of the jurisdiction in which that Facility Party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Facility Party is treated as resident for tax purposes; or
 - (B) under the law of the jurisdiction in which that Facility Party's Facility Office is located in respect of amounts received or receivable in that jurisdiction,
- if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Facility Party;
or

- (ii) to the extent a loss, liability or cost:
 - (A) is compensated for by an increased payment under Clause 12.2 (*Tax gross-up*); or
 - (B) would have been compensated for by an increased payment under Clause 12.2 (*Tax gross-up*) but was not so compensated solely because one of the exclusions in paragraph (d) of Clause 12.2 (*Tax gross-up*) applied; or
 - (C) relates to a FATCA Deduction required to be made by a Party.
- (c) A Protected Party making, or intending to make, a claim under paragraph (a) above shall promptly notify the Agent of the event which will give, or has given, rise to the claim, following which the Agent shall notify the Borrower.
- (d) A Protected Party shall, on receiving a payment from the Borrower under this Clause 12.3, notify the Agent.

12.4 Tax Credit

If the Borrower makes a Tax Payment and the relevant Facility Party determines that:

- (a) a Tax Credit is attributable either to an increased payment of which that Tax Payment forms part, to that Tax Payment, or to a Tax Deduction in consequence of which that Tax Payment was required; and
- (b) that Facility Party has obtained and utilised that Tax Credit,

the Facility Party shall pay an amount to the Borrower which that Facility Party determines will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been required to be made by the Borrower.

12.5 Lender Tax event

If the Lender satisfies the Bond Trustee that the Issuer would, on the next Scheduled Payment Date (as defined in the Bond Conditions), become obliged to deduct or withhold from any payment of interest or principal in respect of the Bonds (other than Default Interest) (as defined in the Bond Conditions), any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political subdivision thereof, or any other authority thereof or any change in the application or official interpretation of such laws or regulations, then the Issuer shall, in order to avoid the relevant deduction or withholding, use its reasonable efforts to arrange its substitution of a company incorporated in another jurisdiction approved by the Bond Trustee as principal debtor under the Bonds upon satisfying the conditions for substitution of the Issuer as set out in the Bond Trust Deed.

12.6 Lender status confirmation

Each Lender which becomes a Party to this Agreement after the date of this Agreement shall indicate, in the Transfer Certificate which it executes on becoming a Party, and for the benefit of the Agent and without liability to the Borrower, into which of the following categories it falls :

- (a) not a Qualifying Lender;

- (b) a Qualifying Lender (other than a Treaty Lender); or
- (c) a Treaty Lender.

If a New Lender fails to indicate its status in accordance with this Clause 12.6, then such New Lender shall be treated for the purposes of this Agreement (including by the Borrower) as if it is not a Qualifying Lender until such time as it notifies the Agent which category applies (and the Agent, upon receipt of such notification, shall inform the Borrower). For the avoidance of doubt, a Transfer Certificate shall not be invalidated by any failure of a Lender to comply with this Clause 12.6.

12.7 Stamp taxes

The Borrower shall pay and, within three Business Days of demand, indemnify each Facility Party against any cost, loss or liability that Facility Party incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Facility Document provided that this Clause 12.7 shall not apply in respect of any stamp duty, registration or similar Taxes payable in respect of a transfer by a Facility Party of any of its rights or obligations under a Facility Document.

12.8 Value added tax

- (a) All amounts expressed to be payable under a Facility Document by any Party to a Facility Party which (in whole or in part) constitute the consideration for any supply for VAT purposes are deemed to be exclusive of any VAT which is chargeable on that supply, and accordingly, subject to paragraph (b) below, if VAT is or becomes chargeable on any supply made by any Facility Party to any Party under a Facility Document and such Facility Party is required to account to the relevant tax authority for the VAT, that Party must pay to such Facility Party (in addition to and at the same time as paying any other consideration for such supply) an amount equal to the amount of the VAT (and such Facility Party must promptly provide an appropriate VAT invoice to that Party).
- (b) If VAT is or becomes chargeable on any supply made by any Facility Party (the "**Supplier**") to any other Facility Party (the "**Recipient**") under a Facility Document, and any Party other than the Recipient (the "**Relevant Party**") is required by the terms of any Facility Document to pay an amount equal to the consideration for that supply to the Supplier (rather than being required to reimburse or indemnify the Recipient in respect of that consideration):
 - (i) (where the Supplier is the person required to account to the relevant tax authority for the VAT) the Relevant Party must also pay to the Supplier (at the same time as paying that amount) an additional amount equal to the amount of the VAT. The Recipient must (where this paragraph (i) applies) promptly pay to the Relevant Party an amount equal to any credit or repayment the Recipient receives from the relevant tax authority which the Recipient reasonably determines relates to the VAT chargeable on that supply; and
 - (ii) (where the Recipient is the person required to account to the relevant tax authority for the VAT) the Relevant Party must promptly, following demand from the Recipient, pay to the Recipient an amount equal to the VAT chargeable on that supply but only to the extent that the Recipient reasonably determines that it is not entitled to credit or repayment from the relevant tax authority in respect of that VAT.

- (c) Where a Facility Document requires any Party to reimburse or indemnify a Facility Party for any costs or expenses, that Party shall reimburse or indemnify (as the case may be) such Facility Party for the full amount of such cost or expense, including such part thereof as represents VAT, save to the extent that such Facility Party reasonably determines that it is entitled to credit or repayment in respect of such VAT from the relevant tax authority.
- (d) Any reference in this Clause 12.8 to any Party shall, at any time when such Party is treated as a member of a group or unity (or fiscal unity) for VAT purposes, include (where appropriate and unless the context otherwise requires) a reference to the person who is treated at that time as making the supply, or (as appropriate) receiving the supply, under the grouping rules (provided for in Article 11 of Council Directive 2006/112/EC (or as implemented by the relevant member state of the European Union) or any other similar provision in any jurisdiction which is not a member state of the European Union) so that a reference to a Party shall be construed as a reference to that Party or the relevant group or unity (or fiscal unity) of which that Party is a member for VAT purposes at the relevant time or the relevant representative member (or head) of that group or unity (or fiscal unity) at the relevant time (as the case may be).
- (e) In relation to any supply made by a Facility Party to any Party under a Facility Document, if reasonably requested by such Facility Party, that Party must promptly provide such Facility Party with details of that Party's VAT registration and such other information as is reasonably requested in connection with such Facility Party's VAT reporting requirements in relation to such supply.

12.9 **FATCA information**

- (a) Subject to paragraph (c) below, each Party shall, within 10 Business Days of a reasonable request by another Party:
 - (i) confirm to that other Party whether it is:
 - (A) a FATCA Exempt Party; or
 - (B) not a FATCA Exempt Party;
 - (ii) supply to that other Party such forms, documentation and other information relating to its status under FATCA as that other Party reasonably requests for the purposes of that other Party's compliance with FATCA; and
 - (iii) supply to that other Party such forms, documentation and other information relating to its status as that other Party reasonably requests for the purposes of that other Party's compliance with any other law, regulation, or exchange of information regime.
- (b) If a Party confirms to another Party pursuant to paragraph (a)(i) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not, or has ceased to be a FATCA Exempt Party, that Party shall notify that other Party reasonably promptly.
- (c) Paragraph (a) above shall not oblige any Facility Party to do anything, and paragraph (a)(iii) above shall not oblige any other Party to do anything, which would or might in its reasonable opinion constitute a breach of:
 - (i) any law or regulation;

- (ii) any fiduciary duty; or
 - (iii) any duty of confidentiality.
- (d) If a Party fails to confirm whether or not it is a FATCA Exempt Party or to supply forms, documentation or other information requested in accordance with paragraph (a)(i) or (a)(ii) above (including, for the avoidance of doubt, where paragraph (c) above applies), then such Party shall be treated for the purposes of the Facility Documents (and payments under them) as if it is not a FATCA Exempt Party until such time as the Party in question provides the requested confirmation, forms, documentation or other information.

12.10 **FATCA Deduction**

- (a) Each Party may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no Party shall be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction.
- (b) Each Party shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction) notify the Party to whom it is making the payment and, in addition, shall notify the Borrower, the Agent and the other Facility Parties.

13. **OTHER INDEMNITIES**

13.1 **Currency indemnity**

- (a) If any sum due from the Borrower under the Facility Documents (a "**Sum**"), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the "**First Currency**") in which that Sum is payable into another currency (the "**Second Currency**") for the purpose of:
 - (i) making or filing a claim or proof against the Borrower; and/or
 - (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

the Borrower shall as an independent obligation, within three Business Days of demand, indemnify each Facility Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion, including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

- (b) The Borrower waives any right it may have in any jurisdiction to pay any amount under the Facility Documents in a currency or currency unit other than that in which it is expressed to be payable.

13.2 **Programme indemnities**

The Borrower shall, on demand, indemnify the Lender against any amount payable by the Lender to:

- (a) the Bond Trustee pursuant to the Bond Trust Deed; or
- (b) the Issuer Security Trustee pursuant to the Issuer Debenture or the Issuer Security Trust and Intercreditor Deed,

in each case to the extent that such amounts are payable by the Lender as a result, whether directly or indirectly, of the Borrower breaching its obligations under any of the Facility Documents; or

- (c) each of the rating agencies for fees and expenses in connection with any rating or the maintenance of that rating of the Borrower; or
- (d) Assured Guaranty under the Insurance and Indemnity Agreement

13.3 Other indemnities

The Borrower shall, within three Business Days of demand, indemnify each Facility Party against any cost, loss or liability incurred by that Facility Party as a result of:

- (a) the occurrence of any Event of Default;
- (b) a failure by the Borrower to pay any amount due under a Facility Document on its due date, including, without limitation, any cost, loss or liability arising as a result of Clause 25 (*Sharing among the Facility Parties*);
- (c) funding, or making arrangements to fund, its participation in a Loan requested by the Borrower in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Facility Party alone);
- (d) the reasonable costs and expenses of the Lender incurred as a result of any prepayment of the Loan under paragraph (h) of Clause 9.3 (*Restrictions*); or
- (e) a Loan (or part of a Loan) not being prepaid in accordance with a notice of prepayment given by the Borrower.

13.4 Indemnity to the Agent

The Borrower shall promptly indemnify the Agent against any cost, loss or liability incurred by the Agent (acting reasonably) as a result of:

- (a) investigating any event which it reasonably believes is a Default or an Event of Default; and/or
- (b) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised.

13.5 Exclusion from indemnities

Notwithstanding any other provision in the Facility Documents, the Insurance and Indemnity Agreement, and any other agreement to which the Lender or the Borrower is a party, the Borrower shall not be liable to indemnify the Lender in relation to any cost, loss or liability of the Lender of any nature arising out of or relating to the Programme by reason of:

- (a) the negligence, bad faith, wilful misconduct, misfeasance, malfeasance or theft committed by the Lender or any director, officer, employee or agent of the Lender in connection with the Programme; or
 - (b) the violation by the Lender of any domestic or foreign law, rule or regulation or any judgment, order or decree applicable to it; or
 - (c) the breach by the Lender of any of its contractual obligations,
- except in the case of paragraphs (b) and (c) above, where such violation or breach by the Lender has occurred as a result, whether directly or indirectly, of any act or omission of the Borrower.

14. MITIGATION BY THE LENDER

14.1 Mitigation

- (a) Each Facility Party shall, in consultation with the Borrower, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to, or cancelled pursuant to Clause 12 (*Tax gross-up and indemnities*), including transferring its rights and obligations under the Facility Documents to an Affiliate or another Facility Office.
- (b) Paragraph (a) above does not in any way limit the obligations of the Borrower under the Facility Documents.

14.2 Limitation of liability

- (a) The Borrower shall indemnify each Facility Party for all costs and expenses reasonably incurred by that Facility Party as a result of steps taken by it under Clause 14.1 (*Mitigation*).
- (b) A Facility Party is not obliged to take any steps under Clause 14.1 (*Mitigation*) if, in the opinion of that Facility Party (acting reasonably), to do so might be prejudicial to it.

15. COSTS AND EXPENSES

15.1 Transaction expenses

The Borrower shall promptly on demand pay the Agent and the Arranger the amount of all costs and expenses (including legal fees) reasonably incurred by either of them in connection with the negotiation, preparation, printing, execution and syndication of:

- (a) this Agreement and any other documents referred to in this Agreement; and
- (b) any other Facility Documents executed after the date of this Agreement.

15.2 Amendment costs

If: (a) the Borrower requests an amendment, waiver or consent; (b) an amendment is required pursuant to Clause 26.8 (*Change of currency*); or (c) other Facility Documents are required to be executed after the date of this Agreement, the Borrower shall, within three Business Days of demand, reimburse the Facility Parties for the amount of all costs and expenses (including legal

fees) reasonably incurred by the Facility Parties in responding to, evaluating, negotiating or complying with that request or requirement.

15.3 Lender Administration Costs

- (a) The Agent shall notify the Borrower of the amount of the Lender Administration Costs which the Borrower is required to pay on the next Loan Payment Date under paragraph (b) below on the fifteenth Business Day prior to each Scheduled Payment Date.
- (b) The Borrower shall pay the Lender Administration Costs to the Lender on or before the second Business Day prior to each Scheduled Payment Date.

15.4 Enforcement costs

The Borrower shall, within three Business Days of demand, pay to each Facility Party the amount of all costs and expenses (including legal fees) reasonably incurred by that Facility Party in connection with the enforcement of, or the preservation of any rights under, any Facility Document.

SECTION 6
BORROWER STID

16. Borrower STID

Each Facility Party acknowledges that its rights under the Facility Documents are subject in all respects to the Borrower STID.

SECTION 7
SECURITY

17. SECURITY

[Intentionally omitted]

SECTION 8
REPRESENTATIONS, WARRANTIES AND ACCELERATION

18. REPRESENTATIONS AND WARRANTIES

[Not Used]

19. GENERAL COVENANTS

- (a) The Borrower covenants with the Facility Parties on the terms of the Covenants.
- (b) For the avoidance of doubt, a breach by the Borrower of any Covenant shall only entitle a Facility Party or the Agent on its behalf to terminate this Agreement or declare any amounts owed under the Facility Documents to be due and payable in accordance with the provisions of the Borrower STID.
- (c) The Covenants remain in force from the date of this Agreement for so long as any amount is outstanding under the Facility Documents.

20. ACCELERATION

On and at any time after the occurrence of an Event of Default which is continuing, the Qualifying Debt Representative in relation to the Loan shall if so directed by the Controlling Finance Party (subject to the provisions of the Borrower STID), by notice to the Borrower:

- (a) cancel the Commitment whereupon it shall immediately be cancelled; and/or
- (b) declare that all or part of the Loan shall become immediately due and payable at the Indexed Loan Amount, together with accrued interest, and all other amounts accrued or outstanding under the Borrower Finance Documents, whereupon they shall become immediately due and payable; and/or
- (c) declare that all or part of the Loan be payable at the Indexed Loan Amount on demand, whereupon it shall immediately become payable on demand by the Borrower Security Trustee or the Qualifying Debt Representative on the instruction of the Controlling Finance Party or the Agent on the instruction of the Lender; and/or
- (d) require the Borrower to pay the Premium Supplement.

SECTION 9
CHANGES TO PARTIES

21. CHANGES TO THE LENDER

21.1 Conditions of transfer

- (a) The consent of the Borrower is required for a transfer by the Lender, unless the transfer is to an Affiliate of the Lender or an Event of Default is continuing.
- (b) The consent of the Borrower to a transfer must not be unreasonably withheld or delayed.
- (c) A transfer will only be effective if the procedure set out in Clause 21.4 (*Procedure for transfer*) is complied with.
- (d) If:
 - (i) the Lender transfers any of its rights or obligations under the Facility Documents or changes its Facility Office; and
 - (ii) as a result of circumstances existing at the date the transfer or change occurs, the Borrower would be obliged to make a payment to the New Lender or Lender acting through its new Facility Office under Clause 12 (*Tax gross-up and indemnities*),

then the New Lender or Lender acting through its new Facility Office is only entitled to receive payment under that Clause to the same extent as the Existing Lender or Lender acting through its previous Facility Office would have been if the transfer or change had not occurred.

21.2 Transfer fee

The New Lender shall, on the date upon which a transfer takes effect, pay to the Agent (for its own account) a fee of £1,000.

21.3 Limitation of responsibility of Existing Lender

- (a) Unless expressly agreed to the contrary, the Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:
 - (i) the legality, validity, effectiveness, adequacy or enforceability of the Facility Documents or any other documents;
 - (ii) the financial condition of the Borrower;
 - (iii) the performance and observance by the Borrower of its obligations under the Facility Documents or any other documents; or
 - (iv) the accuracy of any statements (whether written or oral) made in or in connection with any Facility Document or any other document,and any representations or warranties implied by law are excluded.
- (b) Each New Lender confirms to the Existing Lender and the other Facility Parties that it:

- (i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of the Borrower and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Facility Document; and
 - (ii) will continue to make its own independent appraisal of the creditworthiness of the Borrower and its related entities whilst any amount is or may be outstanding under the Facility Documents.
- (c) Nothing in any Facility Document obliges an Existing Lender to:
- (i) accept a re-transfer from a New Lender of any of the rights and obligations transferred under this Clause 21; or
 - (ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by the Borrower of its obligations under the Facility Documents or otherwise.

21.4 Procedure for transfer

- (a) Subject to the conditions set out in Clause 21.1 (*Conditions of transfer*) a transfer is effected in accordance with paragraph (b) below when the Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Agent shall, as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement delivered in accordance with the terms of this Agreement, execute that Transfer Certificate.
- (b) On the Transfer Date:
- (i) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Facility Documents the Borrower and the Existing Lender shall be released from further obligations towards one another under the Facility Documents and their respective rights against one another shall be cancelled (being the "**Discharged Rights and Obligations**");
 - (ii) the Borrower and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as the Borrower and the New Lender have assumed and/or acquired the same in place of the Borrower and the Existing Lender;
 - (iii) the Agent and the New Lender shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had the New Lender been an Original Lender with the rights and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Agent and the Existing Lender shall each be released from further obligations to each other under this Agreement; and
 - (iv) the New Lender shall become a Party as the "**Lender**".

21.5 Disclosure of information

- (a) The Lender may disclose to any of its Affiliates and any other person:
- (i) to (or through) whom the Lender transfers (or may potentially transfer) all of its rights and obligations under this Agreement;
 - (ii) with (or through) whom the Lender enters into (or may potentially enter into) any sub-participation in relation to, or any other transaction under which payments are to be made by reference to, this Agreement or the Borrower; or
 - (iii) to whom, and to the extent that, information is required to be disclosed by any applicable law or regulation,

any information about the Group or any of its Subsidiaries and the Facility Documents as the Lender shall consider appropriate if, in relation to paragraph (i) or (ii) above, the person to whom the information is given has entered into a confidentiality agreement with the Borrower. Subject to paragraph (b) below, this Clause supersedes any previous agreement relating to the confidentiality of this information.

- (b) This clause 21.5 does not in any way limit the provisions of clause 7.2 (*Facilitation of Programme*) of the Borrower STID.

21.6 Borrower STID

Each New Lender shall enter into an accession agreement in the form set out in Schedule 4 (*Form of Deed of Accession*) to the Borrower STID.

22. CHANGES TO THE BORROWER

The Borrower may not assign any of its rights or transfer any of its rights or obligations under the Facility Documents.

SECTION 10
THE FACILITY PARTIES

23. ROLE OF THE AGENT

23.1 Appointment of the Agent

- (a) Each other Facility Party appoints the Agent to act as its agent under and in connection with the Facility Documents.
- (b) Each other Facility Party authorises the Agent to exercise the rights, powers, authorities and discretions specifically given to the Agent under or in connection with the Facility Documents together with any other incidental rights, powers, authorities and discretions.

23.2 Duties of the Agent

- (a) The Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Agent for that Party by any other Party.
- (b) Except where a Facility Document specifically provides otherwise, the Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.
- (c) If the Agent receives notice from a Party referring to this Agreement, describing a Default or an Event of Default and stating that the circumstance described constitute a Default or an Event of Default, it shall promptly notify the Lender.
- (d) If the Agent is aware of the non-payment of any principal, interest, or any fee payable to a Facility Party under this Agreement it shall promptly notify the other Facility Parties.
- (e) The duties of the Agent under the Facility Documents are solely mechanical and administrative in nature.

23.3 No fiduciary duties

- (a) Nothing in this Agreement constitutes the Agent as a trustee or fiduciary of any other person.
- (b) The Agent shall not be bound to account to the Lender for any sum or the profit element of any sum received by it for its own account.

23.4 Business with the Group

The Agent may accept deposits from, lend money to and generally engage in any kind of banking or other business with any member of the Group.

23.5 Rights and discretions of the Agent

- (a) The Agent may rely on:
 - (i) any representation, notice or document believed by it to be genuine, correct and appropriately authorised; and

- (ii) any statement made by a director, authorised signatory or employee of any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify.
- (b) The Agent may assume (unless it has received notice to the contrary in its capacity as agent for the Lender) that:
 - (i) no Default or Event of Default has occurred (unless it has actual knowledge of an Event of Default or Default arising under clause 9.1 (*Non-payment*) of the Borrower STID); and
 - (ii) any right, power, authority or discretion vested in any Party has not been exercised.
- (c) The Agent may engage, pay for and rely on the advice or services of any lawyers, accountants, surveyors or other experts.
- (d) The Agent may act in relation to the Facility Documents through its personnel and agents.
- (e) The Agent may disclose to any other Party any information it believes it has received as agent under this Agreement.
- (f) Notwithstanding any other provision of any Facility Document to the contrary, the Agent is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or a breach of a fiduciary duty.

23.6 Lender's instructions

- (a) Unless a contrary indication appears in a Facility Document, the Agent shall (i) exercise any right, power, authority or discretion vested in it as Agent in accordance with any instructions given to it by the Lender (or, if so instructed by the Lender, refrain from acting or exercising any right, power, authority or discretion vested in it as Agent) and (ii) not be liable for any act (or omission) if it acts (or refrains from taking any action) in accordance with such an instruction of the Lender.
- (b) Unless a contrary indication appears in a Facility Document, any instructions given by the Lender will be binding on all the Facility Parties.
- (c) The Agent may refrain from acting in accordance with the instructions of the Lender until it has received such security as it may require for any cost, loss or liability (together with any associated VAT) which it may incur in complying with the instructions.
- (d) In the absence of instructions from the Lender, the Agent may act (or refrain from taking action) as it considers to be in the best interest of the Lender.
- (e) The Agent is not authorised to act on behalf of the Lender (without first obtaining the Lender's consent) in any legal or arbitration proceedings relating to any Facility Document.

23.7 Responsibility for documentation

The Agent is not:

- (a) is responsible for the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by the Agent, the Borrower or any other person given in or in connection with any Facility Document; or

- (b) is responsible for the legality, validity, effectiveness, adequacy or enforceability of any Facility Document or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with any Facility Document.

23.8 Exclusion of liability

- (a) Without limiting paragraph (b) below, the Agent will not be liable for any action taken by it under or in connection with any Facility Document, unless directly caused by its gross negligence or wilful misconduct.
- (b) No party (other than the Agent) may take any proceedings against any officer, employee or agent of the Agent in respect of any claim it might have against the Agent or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Facility Document and any officer, employee or agent of the Agent may rely on this paragraph (b).
- (c) The Agent will not be liable for any delay (or any related consequences) in crediting an account with an amount required under the Facility Documents to be paid by the Agent if the Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by it for that purpose.

23.9 Lender's indemnity to the Agent

The Lender shall indemnify the Agent, within three Business Days of demand, against any cost, loss or liability incurred by the Agent (otherwise than by reason of the Agent's gross negligence or wilful misconduct) in acting as Agent under the Facility Documents (unless the Agent has been reimbursed by the Borrower pursuant to a Facility Document).

23.10 Resignation of the Agent

- (a) The Agent may resign and appoint one of its Affiliates acting through an office in the United Kingdom as successor by giving notice to the other Facility Parties and the Borrower.
- (b) Alternatively the Agent may resign by giving notice to the other Facility Parties and the Borrower, in which case the Lender (after consultation with the Borrower) may appoint a successor Agent.
- (c) If the Lender has not appointed a successor Agent in accordance with paragraph (b) above within 30 days after notice of resignation was given, the Agent (after consultation with the Borrower) may appoint a successor Agent (acting through an office in the United Kingdom).
- (d) The retiring Agent shall, at its own cost, make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Facility Documents.
- (e) The Agent's resignation notice shall only take effect upon the appointment of a successor.
- (f) Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Facility Documents but shall remain entitled to the benefit of this Clause 23. Its successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

- (g) After consultation with the Borrower, the Lender may, by notice to the Agent, require it to resign in accordance with paragraph (b) above. In this event, the Agent shall resign in accordance with paragraph (b) above.
- (h) The Agent shall resign in accordance with paragraph (b) above (and, to the extent applicable, shall use reasonable endeavours to appoint a successor Agent pursuant to paragraph (c) above) if on or after the date which is three months before the earliest FATCA Application Date relating to any payment to the Agent under the Facility Documents, either:
 - (i) the Agent fails to respond to a request under Clause 12.9 (*FATCA information*) and the Borrower or a Lender reasonably believes that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;
 - (ii) the information supplied by the Agent pursuant to Clause 12.9 (*FATCA information*) indicates that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date; or
 - (iii) the Agent notifies the Borrower and the Lenders that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;

and (in each case) the Borrower or a Lender reasonably believes that a Party will be required to make a FATCA Deduction that would not be required if the Agent were a FATCA Exempt Party, and the Borrower or that Lender, by notice to the Agent, requires it to resign.

23.11 Confidentiality

- (a) In acting as agent for the Facility Parties the Agent shall be regarded as acting through its respective agency division which in each case shall be treated as a separate entity from any other of its divisions or departments.
- (b) If information is received by another division or department of the Agent, it may be treated as confidential to that division or department and the Agent shall not be deemed to have notice of it.
- (c) Notwithstanding any other provision of any Facility Document to the contrary, the Agent is not obliged to disclose to any other person (i) any confidential information or (ii) any other information if the disclosure would or might in its reasonable opinion constitute a breach of any law or a breach of a fiduciary duty.

23.12 Relationship with the Lender

The Agent may treat the Lender as a Lender, entitled to payments under this Agreement and acting through its Facility Office unless it has received not less than five Business Days' prior notice from the Lender to the contrary in accordance with the terms of this Agreement.

23.13 Credit appraisal by the Lenders

Without affecting the responsibility of the Borrower for information supplied by it or on its behalf in connection with any Facility Document, the Lender confirms to the Agent that it has been, and

will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Facility Document including but, not limited to:

- (a) the financial condition, status and nature of each member of the Group;
- (b) the legality, validity, effectiveness, adequacy or enforceability of any Facility Document and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Facility Document;
- (c) whether the Lender has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Facility Document, the transactions contemplated by the Facility Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Facility Document; and
- (d) the adequacy, accuracy and/or completeness of any information provided by the Agent, any Party or by any other person under or in connection with any Facility Document, the transactions contemplated by the Facility Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Facility Document.

23.14 Agent's management time

Any amount payable to the Agent under Clause 13.4 (*Indemnity to the Agent*), Clause 15 (*Costs and expenses*) and Clause 23.9 (*Lender's indemnity to the Agent*) shall include the cost of utilising the Agent's management time or other resources and will be calculated on the basis of such reasonable daily or hourly rates as the Agent may notify to the Borrower and the Lender.

23.15 Deduction from amounts payable by the Agent

If any Party owes an amount to the Agent under the Facility Documents the Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Agent would otherwise be obliged to make under the Facility Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Facility Documents that Party shall be regarded as having received any amount so deducted.

24. CONDUCT OF BUSINESS BY THE FACILITY PARTIES

No provision of this Agreement will:

- (a) subject to Clause 12.5 (*Lender Tax event*), interfere with the right of any Facility Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;
- (b) oblige any Facility Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or
- (c) oblige any Facility Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

25. SHARING AMONG THE FACILITY PARTIES

25.1 Payments to Facility Parties

If a Facility Party (a "**Recovering Facility Party**") receives or recovers any amount from the Borrower other than in accordance with Clause 26 (*Payment mechanics*) of this Agreement or clause 13 (*Accounts*) of the Borrower STID and applies that amount to a payment due under the Facility Documents then:

- (a) the Recovering Facility Party shall, within three Business Days, notify details of the receipt or recovery to the Agent;
- (b) the Agent shall determine whether the receipt or recovery is in excess of the amount the Recovering Facility Party would have been paid had the receipt or recovery been received or made by the Agent and distributed in accordance with Clause 26 (*Payment mechanics*), without taking account of any Tax which would be imposed on the Agent in relation to the receipt, recovery or distribution; and
- (c) the Recovering Facility Party shall, within three Business Days of demand by the Agent, pay to the Agent an amount (the "**Sharing Payment**") equal to such receipt or recovery less any amount which the Agent determines may be retained by the Recovering Facility Party as its share of any payment to be made, in accordance with Clause 26.4 (*Partial payments*).

25.2 Redistribution of payments

The Agent shall treat the Sharing Payment as if it had been paid by the Borrower and distribute it between the Facility Parties (other than the Recovering Facility Party) in accordance with Clause 26.4 (*Partial payments*).

25.3 Recovering Lender's rights

- (a) On a distribution by the Agent under Clause 25.2 (*Redistribution of payments*), the Recovering Facility Party will be subrogated to the rights of the Facility Parties which have shared in the redistribution.
- (b) If and to the extent that the Recovering Facility Party is not able to rely on its rights under paragraph (a) above, the Borrower shall be liable to the Recovering Facility Party for a debt equal to the Sharing Payment which is immediately due and payable.

25.4 Reversal of redistribution

If any part of the Sharing Payment received or recovered by a Recovering Facility Party becomes repayable and is repaid by that Recovering Facility Party, then:

- (a) each Facility Party which has received a share of the relevant Sharing Payment pursuant to Clause 25.2 (*Redistribution of payments*) shall, upon request of the Agent, pay to the Agent for account of that Recovering Facility Party an amount equal to the appropriate part of its share of the Sharing Payment (together with an amount as is

necessary to reimburse that Recovering Facility Party for its proportion of any interest on the Sharing Payment which that Recovering Facility Party is required to pay); and

- (b) that Recovering Facility Party's rights of subrogation in respect of any reimbursement shall be cancelled and the Borrower will be liable to the reimbursing Facility Party for the amount so reimbursed.

25.5 Exceptions

- (a) This Clause 25 shall not apply to the extent that the Recovering Facility Party would not, after making any payment pursuant to this Clause, have a valid and enforceable claim against the Borrower.
- (b) A Recovering Facility Party is not obliged to share with any other Facility Party any amount which the Recovering Facility Party has received or recovered as a result of taking legal or arbitration proceedings, if:
 - (i) it notified the other Facility Parties of the legal or arbitration proceedings; and
 - (ii) the other Facility Party had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice or did not take separate legal or arbitration proceedings.

SECTION 11

ADMINISTRATION

26. PAYMENT MECHANICS

26.1 Distributions by the Agent

Each payment received by the Agent under the Facility Documents for another Party shall, subject to Clause 26.2 (*Distributions to the Borrower*) and Clause 26.3 (*Clawback*), be made available by the Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement (in the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to the Agent by not less than five Business Days' notice with a bank in the principal financial centre of the country of that currency (or, in relation to euro, in the principal financial centre in a Participating Member State or London).

26.2 Distributions to the Borrower

The Agent may (with the consent of the Borrower) apply any amount received by it for that Borrower in or towards payment (on the date and in the currency and funds of receipt) of any amount due from that Borrower under the Facility Documents or in or towards purchase of any amount of any currency to be so applied.

26.3 Clawback

- (a) Where a sum is to be paid to the Agent under the Facility Documents for another Party, the Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.
- (b) If the Agent pays an amount to another Party and it proves to be the case that the Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid shall on demand refund the same to the Agent together with interest on that amount from the date of payment to the date of receipt by the Agent calculated by it to reflect its cost of funds.

26.4 Partial payments

- (a) Subject to the provisions of the Borrower STID, if the Agent receives a payment that is insufficient to discharge all the amounts then due and payable by the Borrower under the Facility Documents, the Agent shall apply that payment towards the obligations of the Borrower under the Facility Documents in the following order:
 - (i) **first**, in or towards payment pro rata of any unpaid fees, costs and expenses of the Agent under the Facility Documents;
 - (ii) **secondly**, in or towards payment pro rata of any accrued interest, fee or commission due but unpaid under this Agreement;

- (iii) **thirdly**, in or towards payment pro rata of any principal due but unpaid under this Agreement; and
 - (iv) **fourthly**, in or towards payment pro rata of any other sum due but unpaid under the Facility Documents.
- (b) The Agent shall, if so directed by the Lender, vary the order set out in paragraphs (a)(ii) to (a)(iv) above.
- (c) Paragraphs (a) and (b) above will override any appropriation made by the Borrower.

26.5 **No set-off by the Borrower**

All payments to be made by the Borrower under the Facility Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

26.6 **Business Days**

- (a) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).
- (b) During any extension of the due date for payment of any principal or an Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

26.7 **Currency of account**

- (a) Subject to paragraphs (b) to (e) below, sterling is the currency of account and payment for any sum due from the Borrower under any Facility Document.
- (b) A repayment of a Loan or Unpaid Sum or a part of a Loan or Unpaid Sum shall be made in the currency in which that Loan or Unpaid Sum is denominated on its due date.
- (c) Each payment of interest shall be made in the currency in which the sum in respect of which the interest is payable was denominated when that interest accrued.
- (d) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.
- (e) Any amount expressed to be payable in a currency other than sterling shall be paid in that other currency.

26.8 **Change of currency**

- (a) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:
- (i) any reference in the Facility Documents to, and any obligations arising under the Facility Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Agent (after consultation with the Borrower); and

- (ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Agent (acting reasonably).
- (b) If a change in any currency of a country occurs, this Agreement will, to the extent the Agent (acting reasonably and after consultation with the Borrower) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the Relevant Interbank Market and otherwise to reflect the change in currency.

27. NOTICES

- (a) Any communication to be made under or in connection with this Agreement shall be made in accordance with clause 16 (*Notices*) of the Borrower STID.
- (b) In addition to the provisions of paragraph (a) above, the address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of the Lender for any communication or document to be made or delivered under or in connection with this Agreement is that notified in writing to the Agent on or prior to the date on which it becomes a Party.

28. CALCULATIONS AND CERTIFICATES

28.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with a Facility Document, the entries made in the accounts maintained by a Facility Party are *prima facie* evidence of the matters to which they relate.

28.2 Certificates and determinations

Any certification or determination by a Facility Party of a rate or amount under any Facility Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

28.3 Day count convention

Any Default Interest, commission or fee accruing under a Facility Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed falls in a leap year, the sum of: (a) the number of those days falling in the leap year divided by 366; and (b) the number of those days falling in a non-leap year divided by 365).

29. PARTIAL INVALIDITY

If, at any time, any provision of the Facility Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

30. REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of any Facility Party, any right or remedy under the Facility Documents shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

31. AMENDMENTS AND WAIVERS

31.1 Required consents

- (a) Subject to Clause 31.2 (*Exceptions*) and the Borrower STID any term of the Facility Documents may be amended or waived only with the consent of the Lender and the Borrower and any such amendment or waiver will be binding on all Parties.
- (b) The Agent may effect, on behalf of any Facility Party, any amendment or waiver permitted by this Clause.

31.2 Exceptions

- (a) An amendment or waiver that has the effect of changing or which relates to:
 - (i) an extension to the date of payment of any amount under the Facility Documents;
 - (ii) a reduction in the Interest Rate or a reduction in the amount of any payment of principal, interest, fees or commission payable;
 - (iii) a change to the Borrower; or
 - (iv) Clause 3.2 (*Facility Parties' rights and obligations*), Clause 21 (*Changes to the Lender*), Clause 25 (*Sharing among the Facility Parties*) or this Clause 31,shall not be made without the prior consent of the Lender.
- (b) An amendment or waiver which relates to the rights or obligations of the Agent may not be effected without the consent of the Agent.

32. COUNTERPARTS

This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

SECTION 12
GOVERNING LAW AND ENFORCEMENT

33. GOVERNING LAW

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

34. JURISDICTION OF ENGLISH COURTS

- (a) The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement or any non-contractual obligations arising out of or in connection with this Agreement) (a "**Dispute**").
- (b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- (c) This Clause 34 is for the benefit of the Facility Parties only. As a result, no Facility Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Facility Parties may take concurrent proceedings in any number of jurisdictions.

THIS AGREEMENT has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1
CONDITIONS PRECEDENT

[Intentionally omitted]

SCHEDULE 2
UTILISATION REQUEST

[INTENTIONALLY OMITTED]

SCHEDULE 3
FORM OF TRANSFER CERTIFICATE
PART I

To: [] as Agent

From: [The Existing Lender] (the "**Existing Lender**") and [The New Lender] (the "**New Lender**")

Dated:

Severn Trent Water Limited - [] Facility Agreement
dated 19 June 2002 (as subsequently amended and restated) (the "Agreement")

1. We refer to the Agreement. Terms defined in the Agreement have the same meaning in this Transfer Certificate unless given a different meaning in this Transfer Certificate.
2. We refer to Clause 21.4 (*Procedure for transfer*):
 - (a) The Existing Lender and the New Lender agree to the Existing Lender and the New Lender transferring by novation all or part of the Existing Lender's rights and obligations referred to in the Schedule in accordance with Clause 21.4 (*Procedure for transfer*).
 - (b) The proposed Transfer Date is [].
 - (c) The Facility Office and address, fax number and attention details for notices of the New Lender for the purposes of Clause [•] (*Address for notices*) are set out in the Schedule.
3. The New Lender expressly acknowledges the limitations on the Existing Lender's obligations set out in Clause 21.3 (*Limitation of responsibility of Existing Lender*).
4. The New Lender confirms, for the benefit of the Agent and without liability to the Borrower, that it is:
 - (a) [a Qualifying Lender (other than a Treaty Lender);]
 - (b) [a Treaty Lender;]
 - (c) [not a Qualifying Lender].¹
- [5.] [The New Lender confirms that the person beneficially entitled to interest payable to that Lender in respect of an advance under a Facility Document is either:
 - (a) a company resident in the United Kingdom for United Kingdom tax purposes;
 - (b) a partnership each member of which is:
 - (i) a company so resident in the United Kingdom; or
 - (ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of

¹ Delete as applicable – each New Lender is required to confirm which of these three categories it falls within.

the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA; or

- (c) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company.²

5. [The New Lender confirms that it holds a passport under the HMRC DT Treaty Passport scheme (reference number [____]) and is tax resident in [____]³, so that interest payable to it by borrowers is generally subject to full exemption from UK withholding tax, and requests that the Agent notify each Borrower which is a Party as a Borrower as at the Transfer Date that it wishes that scheme to apply to this Agreement.]⁴

[5./6.] This Transfer Certificate may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Transfer Certificate.

[6./7.] This Transfer Certificate is governed by English law.

² Include if New Lender comes within paragraph (i)(B) of the definition of "Qualifying Lender" in Clause 12.1 (*Definitions*).

³ Insert jurisdiction of tax residence.

⁴ Include if New Lender holds a passport under the HMRC DT Treaty Passport scheme and wishes that scheme to apply to the Agreement.

THE SCHEDULE
Rights and obligations to be transferred

[insert relevant details]

[Facility Office address, fax number and attention details for notices and account details for payments.]

[Existing Lender]

[New Lender]

By:

By:

This Transfer Certificate is accepted by the Agent and the Transfer Date is confirmed as

[_____].

[Agent]

By:

PART II

[Intentionally omitted]

SCHEDULE 4

BOND CONDITIONS

TERMS AND CONDITIONS OF THE BONDS

*The following is the text of the terms and conditions (the "**Conditions**") which (subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement and Supplementary Listing Particulars (as defined below)) will be incorporated by reference into each Global Bond. Each Bond will have endorsed thereon or attached thereto such text (as so completed, amended, varied or supplemented). Further information with respect to each Series (as defined below) will be given in the relevant Pricing Supplement and Supplementary Listing Particulars which will provide for those aspects of these Conditions which are applicable to those Bonds including, inter alia, the form of Bond Policy and endorsement. References in the Conditions to "Bonds" are, unless specified to the contrary, to all Bonds which may be issued under the Programme. The Conditions for all Series shall be identical (except for the issue date and the first payment of interest). Terms used in the relevant Pricing Supplement and Supplementary Listing Particulars and not otherwise defined therein shall have the same meanings where used herein.*

The Bonds:

- (i) are constituted pursuant to a bond trust deed (as amended, supplemented or replaced from time to time, the "**Bond Trust Deed**") dated 19 June 2002 and made between Artesian Finance plc (the "**Issuer**"), Financial Security Assurance (U.K.) Limited ("**FSA**") and Capita IRG Trustees Limited (the "**Bond Trustee**", which expression shall include any successor to Capita IRG Trustees Limited as trustee for the time being of the holders of the Bonds under the trusts declared in the Bond Trust Deed);
- (ii) are the subject of a paying agency agreement (as amended, supplemented or replaced from time to time, the "**Paying Agency Agreement**") dated 19 June 2002 and made between the Issuer, Citibank, N.A. (the "**Principal Paying Agent**", which expression shall include any successor to Citibank, N.A. in its capacity as such) and the Bond Trustee;
- (iii) have the benefit of unconditional and irrevocable financial guaranty insurance policies (as amended, supplemented or endorsed, each a "**Bond Policy**") and issued by FSA pursuant to which the Bonds are unconditionally and irrevocably guaranteed as to scheduled payments of principal and interest. In accordance with each Bond Policy, the Issuer will enter into an insurance and indemnity agreement (each an "**Insurance and Indemnity Agreement**") with FSA and each Borrower (as defined below) and an indemnification agreement (each an "**Indemnification Agreement**") with FSA and The Royal Bank of Scotland plc, both dated on or about the date of the related Bond Policy;
- (iv) will be secured pursuant to a debenture (as amended, supplemented or replaced from time to time, the "**Issuer Debenture**") dated 19 June 2002 between the Issuer and Capita IRG Trustees Limited (the "**Issuer Security Trustee**", which expression shall include any successor to Capita IRG Trustees Limited as trustee under the trusts declared in the Issuer Security Trust and Intercreditor Deed referred to below) along with the Issuer's liabilities under the Dealership Agreement, the Paying Agency Agreement, the Administration Agreement, the Issuer Account Bank Agreement, the Cash Management Agreement, the Corporate Services Agreement (each such term, other than the Paying Agency Agreement, as defined below), each Indemnification Agreement, each Insurance and Indemnity Agreement and each Bond Policy by first fixed and floating security over the Issuer's assets (including an assignment of the Issuer's rights, title, interest and benefit in, under and to all the contracts, agreements and other documents it enters into and a first fixed charge over its operating account); and
- (v) will be subject to intercreditor arrangements set out in a security trust and intercreditor deed (as amended, supplemented or replaced, the "**Issuer Security Trust and Intercreditor Deed**") dated 19 June 2002 between, inter alios, the Issuer, FSA and the Issuer Security Trustee.

The Issuer has also entered into the following agreements (as amended, supplemented or replaced from time to time):

- (i) a dealership agreement (the "**Dealership Agreement**") dated 19 June 2002 with The Royal Bank of Scotland plc in respect of the Bonds;
- (ii) a cash management agreement (the "**Cash Management Agreement**") dated 19 June 2002 with The Royal Bank of Scotland plc as cash manager (the "**Cash Manager**");

- (iii) an account bank agreement (the "**Issuer Account Bank Agreement**") dated 19 June 2002 with The Royal Bank of Scotland plc as Issuer Account Bank (the "**Issuer Account Bank**");
- (iv) an administration agreement (the "**Administration Agreement**") dated 19 June 2002 with The Royal Bank of Scotland plc as administrator (the "**Administrator**"); and
- (v) a corporate services agreement (the "**Corporate Services Agreement**") dated 19 June 2002 with Capita Trust Company Limited as corporate services provider (the "**Corporate Services Provider**").

Copies of the Bond Trust Deed, the Paying Agency Agreement, the Dealership Agreement, the Issuer Debenture, the Issuer Security Trust and Intercreditor Deed, the Administration Agreement, the Issuer Account Bank Agreement, the Cash Management Agreement, the Corporate Services Agreement, each Insurance and Indemnity Agreement, each Indemnification Agreement and each Bond Policy are available for inspection during normal business hours at the specified office of the Principal Paying Agent (as defined in the Paying Agency Agreement) (the "**Specified Office**"), the Bond Trustee and of any additional paying agents appointed in accordance with the Paying Agency Agreement (each a "**Paying Agent**"). All persons from time to time entitled to the benefit of obligations under any Bonds shall be deemed to have notice of, and shall be subject to the terms of all of the provisions of the Bond Trust Deed, the Paying Agency Agreement, the Dealership Agreement, the Issuer Debenture, the Issuer Security Trust and Intercreditor Deed, the Administration Agreement, the Issuer Account Bank Agreement, the Cash Management Agreement, the Corporate Services Agreement, each Insurance and Indemnity Agreement, each Indemnification Agreement and each Bond Policy insofar as they relate to the relevant Series.

The Bonds are issued in series (each, a "**Series**"). Each Series will be the subject of a pricing supplement (each, a "**Pricing Supplement**"), and supplementary listing particulars ("**Supplementary Listing Particulars**"), copies of which will be available for inspection during normal business hours at the Specified Office of the Principal Paying Agent.

References in these Conditions to the Pricing Supplement or Supplementary Listing Particulars are to the Pricing Supplement or Pricing Supplement(s) or Supplementary Listing Particulars prepared in relation to the Bonds. In respect of any Bonds, references herein to these Conditions are to these Conditions as supplemented or modified or (to the extent thereof) replaced by the Pricing Supplement or Supplementary Listing Particulars.

Any reference in these Conditions to a matter being "**specified**" means as the same may be specified in the relevant Pricing Supplement or Supplementary Listing Particulars. The Bond Trustee has agreed in the Bond Trust Deed that it will, subject to being indemnified to its satisfaction, exercise any right which it may have in respect of the Bonds and the Bond Trust Deed (except in relation to certain limited matters including the right to enforce any Bond Policy and rights provided for its own personal benefit or protection and Reserved Matters (as defined in Condition 15.1)) only as directed by the Controlling Creditor.

1. Form and Denomination

1.1 Form of Bonds

Bonds are issued in bearer form and are serially numbered.

1.2 Coupons and Talons

Bonds have attached thereto at the time of their initial delivery coupons ("**Coupons**"), presentation of which will be a prerequisite to the payment of interest save in certain circumstances specified herein. In addition, if so specified in the Pricing Supplement, such Bonds have attached thereto at the time of their initial delivery, a talon ("**Talon**") for further coupons and the expression "**Coupons**" shall, where the context so requires, include Talons.

1.3 Denomination

Bonds are in the denominations of £1,000, £10,000 and £100,000 or such other denominations (each of which denomination is integrally divisible by each smaller denomination) specified in the relevant Pricing Supplement. Bonds of one denomination may not be exchanged for Bonds of any other denomination.

1.4 Index-Linked

Payments of principal and interest on the Bonds shall be subject to adjustment for indexation as and to the extent set out in these Conditions.

1.5 Reference Gilt

"Reference Gilt" as used in these Conditions means, on any day, such index-linked sterling obligation of the United Kingdom Government listed on the Official List maintained by the Financial Services Authority in its capacity as the UK Listing Authority and traded on London Stock Exchange plc's market for listed securities whose duration most closely matches that of the Bonds on such day as the Bond Trustee may from time to time determine to be appropriate on the advice of an index-linked gilt-edged market maker or other adviser selected by the Issuer and approved by the Bond Trustee or in the event that the Issuer fails to select such person within a reasonable period of time, such person as the Bond Trustee in its sole discretion may determine to be the most appropriate (in either case, an **"Indexation Adviser"**); and for which purpose duration shall mean Macauley Duration calculated on the basis of the formula set out on page 119 of *The Handbook of Fixed Income Securities Second Edition 1987*, published by Dow Jones-Irwin.

2. Title and Transfer

2.1 Holders

Title to Bonds, Coupons and Talons passes by delivery. References herein to the **"Holders"** of Bonds, Coupons or Talons are to the bearers of such Bonds, Coupons or Talons and references to **"Bondholders"** are to the Holders of Bonds.

2.2 Holder is absolute owner

The Holder of any Bond, Coupon or Talon will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

3. Status, Bond Policies and Security

3.1 Bond Policies

The Bonds have the benefit of one or more Bond Policies, under which FSA has unconditionally and irrevocably guaranteed to the Bond Trustee for the benefit of the Holders from time to time of the Bonds or Coupons all amounts due and payable but unpaid by the Issuer in respect of scheduled payments of principal and interest under the Bonds and Coupons, all as specified in the relevant Bond Policy.

3.2 Status of the Bonds

The Bonds constitute direct and unconditional obligations of the Issuer secured in the manner described in Condition 3.5 and rank *pari passu* without any preference among themselves and at least *pari passu* with all unsubordinated and unsecured obligations of the Issuer, present and future (save for certain mandatory exceptions provided by law).

3.3 Status of each Bond Policy

Each Bond Policy constitutes an unsecured direct, unconditional and unsubordinated obligation of FSA which ranks *pari passu* without any preference and at least *pari passu* with all other unsubordinated and unsecured obligations of FSA, present and future (save for certain mandatory exceptions provided by law).

3.4 Subrogation of FSA

Each Bond Policy provides that FSA shall be subrogated to the rights of the Bond Trustee and each Holder to receive payments from the Issuer in respect of the Bonds the subject of the relevant Bond Policy to the extent of any payment by FSA thereunder. As security for, *inter alia*, the payment of all amounts payable by the Issuer to FSA, the Issuer has charged and will from time to time charge all of its assets and revenues, including its rights in respect of loans acquired by the Issuer (each a **"Loan"**) in favour of the Issuer Security Trustee (as defined below) for the benefit of, *inter alios*, FSA and certain other creditors of the Issuer (including the Bond Trustee for its fees and expenses) in respect of obligations of the Issuer owed to them.

3.5 Security

The obligations of the Issuer under the Bonds are secured pursuant to the Issuer Debenture in favour of the Issuer Security Trustee for itself and on behalf of the Bond Trustee, the Bondholders, FSA, the Principal Paying Agent, the Calculation Agent, the Administrator, the Cash Manager, the Issuer Account Bank and the Corporate Services Provider (each as defined herein) and any creditor who accedes to the Issuer Security Trust and Intercreditor Deed (together the **"Secured Creditors"**). Pursuant to the Issuer Debenture, the Issuer will secure its obligations to the Secured Creditors by granting assignments of and fixed and floating charges over the Issuer's undertaking and assets (including the Issuer's rights in respect of Loans, the Issuer Finance Documents (as defined below), any other documents entered into by the Issuer, the Issuer's operating account and related security).

3.6 Issuer Security Trust and Intercreditor Deed

The Bonds are also subject to the terms of the Issuer Security Trust and Intercreditor Deed pursuant to which the exercise by the Issuer Security Trustee of rights under the Issuer Security Trust and Intercreditor Deed may, in certain circumstances, be directed by and is in most circumstances subject to the prior consent of the Controlling Creditor (as defined below).

When exercising rights in accordance with the instructions of the Controlling Creditor, the Issuer Security Trustee will not be required to have regard to the interests of the other Secured Creditors in relation to the exercise of such rights and will have no liability to the Bondholders as a consequence of so acting.

3.7 Enforcement by Issuer Security Trustee

The Issuer Security Trust and Intercreditor Deed provides that the Issuer Security Trustee will not take any steps to enforce the security created by the Issuer Debenture and/or any other security documents entered into by the Issuer unless so directed by the Controlling Creditor.

3.8 Controlling Creditor

For the purposes of these Conditions and the Bond Trust Deed, the Paying Agency Agreement, the Dealership Agreement, the Issuer Security Trust and Intercreditor Deed, the Issuer Debenture, the Cash Management Agreement, the Corporate Services Agreement, the Administration Agreement, the Issuer Account Bank Agreement, each Bond Policy, each Insurance and Indemnity Agreement, each Indemnification Agreement, each document entered into in connection with any Series Related Transaction (as defined in the Bond Trust Deed) and each other document which is defined or agreed to be an **"Issuer Finance Document"** under or in accordance with the Bond Trust Deed (together the **"Issuer Finance Documents"**), the **"Controlling Creditor"** shall be, until the full and complete payment by the Issuer of all sums under the Bonds, FSA unless and until: (i) such time as the Issuer Security Trustee has received notice (a copy of which shall be served on FSA) from the Bond Trustee stating that an FSA Default (as defined in Condition 8) has occurred and is continuing (and has not otherwise been waived or cured to the satisfaction of the Bond Trustee); or (ii) notwithstanding the absence of any FSA Default, no amounts could become payable by the Issuer to FSA under the Issuer Finance Documents, in which case in respect of each of (i) and (ii) the Controlling Creditor shall be the Bond Trustee. For so long as FSA is the Controlling Creditor, the rights and powers of the Bond Trustee, the Issuer Security Trustee and the Bondholders shall be subject to the rights, powers and discretions of the FSA as set out in these Conditions, the Bond Trust Deed and the Issuer Security Trust and Intercreditor Deed.

3.9 Negative Pledge

The Issuer agrees that it will not, at any time at which any of the Bonds remain outstanding, create or permit to subsist any encumbrance over any of its assets or any part of its business or undertaking other than as referred to in Condition 3.5 and save for encumbrances arising as a matter of law or out of contracts having the like effect.

3.10 Priorities

The order of application of funds and the priorities of entitlement to proceeds following enforcement as between the Bondholders and other creditors of the Issuer are as set out in the Issuer Security Trust and Intercreditor Deed.

4. Interest and Default Interest

4.1 Interest

The Bonds bear interest at the interest rate specified in the relevant Pricing Supplement.

4.2 Accrual & Payment

Interest will accrue from day to day on the Outstanding Principal Balance (as defined in Condition 4.7) of each Bond commencing from its date of issue (or, if different, any Interest Commencement Date specified in the relevant Pricing Supplement) and will (subject to Condition 10) be payable in arrear on each interest payment date (each a **"Scheduled Payment Date"**) as defined in such Pricing Supplement. Interest will cease to accrue as from the due date for redemption of a Bond unless upon due presentation or surrender thereof, payment in full of the redemption amount is improperly withheld or refused or default is otherwise made in the payment thereof, in which case default interest will be payable as described in Condition 4.3 (**"Default Interest"**). The amount of interest payable in respect of the Bonds on each Scheduled Payment Date (each a **"Scheduled Interest Payment"**) shall be specified in the relevant Pricing Supplement. The amount of interest payable in respect of the Bonds for any period ending other than on a Scheduled Payment Date shall be calculated by multiplying the product of the interest rate specified in the Pricing Supplement and the Outstanding Principal Balance by the Day Count Fraction (as defined in Condition 4.7).

4.3 Default Interest

Default Interest will accrue at the rate of interest specified in the Pricing Supplement plus one per cent. per annum (after as well as before judgement) until whichever is the earlier of:

- 4.3.1 the day on which all principal sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder; and
- 4.3.2 the day which is seven days after notice has been given to the Bondholders in accordance with Condition 14 that the Principal Paying Agent or the Bond Trustee has received the payment in respect of the Bonds up to such seventh day (except to the extent that there is any subsequent default in payment in which case interest shall continue to accrue on any principal amount until such payment amounts are received by or on behalf of the relevant Bondholders).

4.4 Default Interest Payment

Any amounts of Default Interest arising prior to a Scheduled Payment Date will be payable on the next Scheduled Payment Date (the **"Default Interest Payment Date"**). Any amounts of Default Interest arising after the final Scheduled Payment Date shall be immediately due and payable. Each period beginning on (and including) the date on which the relevant payment is improperly withheld or refused on any Default Interest Payment Date and ending on (but excluding) the next Default Interest Payment Date is a **"Default Interest Period"**.

4.5 Default Interest Calculation

The amount of Default Interest payable in respect of each Bond for any Default Interest Period shall be calculated by multiplying the product of the relevant interest rate calculated pursuant to Condition 4.3 and the Outstanding Principal Balance (as defined below) multiplied in each case by the Day Count Fraction.

4.6 Default Interest and each Bond Policy

The payment of any Default Interest is not guaranteed by FSA under any Bond Policy.

4.7 Day Count Fraction and Business Day Convention

For the purposes of these Conditions:

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Bond for any period ending other than on a Scheduled Payment Date and subject to Condition 18, the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (i) the number of those days falling in a leap year divided by 366 and (ii) the number of those days in a non-leap year divided by 365).

"Modified Following Business Day" means where the Scheduled Payment Date will be postponed to the next day which is a business day in London and New York, unless the Scheduled Payment Date falls into the next calendar month in which case it shall be brought forward to the immediately preceding business day in London and New York.

"Outstanding Principal Balance" means, in respect of a Bond, its principal amount less any amount of principal redeemed in part under Condition 7.2, 7.7, 7.14 or 7.15.

5. Indexation

5.1 Definitions

"Index" or **"Index Figure"** means, subject as provided in Condition 6, the United Kingdom All Items RPI as published by the Office for National Statistics (January 1987 = 100) contained in the Monthly Digest of Statistics (or contained in any official publication substituted therefor) (the **"Monthly Digest"**) or any comparable index which may replace the Index for the purpose of calculating the amount payable on repayment of the Reference Gilt.

Any reference to the Index Figure applicable to a particular month shall, subject as provided in Condition 6, be construed as a reference to the Index Figure published in the Monthly Digest in the seventh month prior to that particular month and relating to the month immediately before that of such publication.

"Index Ratio" applicable to any month means the Index Figure applicable to such month divided by the Base Index Figure.

"Base Index Figure" means (subject to Condition 6.1.2) 174.3 (being the United Kingdom All Items Retail Price Index (RPI) for October 2001).

5.2 Application of the Index Ratio and payments under the Bonds

Each payment of interest and repayment of principal in respect of the Bonds shall be the amount provided in or determined in accordance with the foregoing Conditions, multiplied by the Index Ratio applicable to the month in which such payment falls to be made and rounded to four decimal places (0.00005 being rounded upwards).

6. Changes in circumstances affecting the Index

6.1 Change in base

If at any time and from time to time the Index shall be changed by the substitution of a new base therefor, then with effect from the calendar month from and including that in which such substitution takes effect:

6.1.1 the definition of **"Index"** and **"Index Figure"** in Condition 5.1 shall be deemed to refer to the new date or month in substitution for January 1987 (or, as the case may be, to such other date or month as may have been substituted therefor); and

6.1.2 the new Base Index Figure shall be the product of the existing Base Index Figure and the Index Figure immediately following such substitution, divided by the Index Figure immediately prior to such substitution.

6.2 Delay in publication of Index

If, in relation to a particular Scheduled Payment Date or to the redemption of the Bonds in whole or in part and other than in circumstances which then appear to fall within Condition 6.3, the Index Figure which is normally published in the Monthly Digest in the seventh month and which relates to the eighth month (the **"relevant month"**) before the month in which a payment is due to be made is not published on or before the fourteenth business day before the date on which such payment is due (the **"date for payment"**), the Index Figure applicable to the month for which the date of payment falls shall be:

6.2.1 such substitute index figure (if any) as the Bond Trustee (acting solely on the advice of the Indexation Adviser), with the agreement of FSA (so long as FSA is the Controlling Creditor), determines to have been published by the Bank of England or such other body designated by the UK government for such purpose for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury stock selected by the Indexation Adviser (and approved by FSA (so long as FSA is the Controlling Creditor)); or

6.2.2 if no such determination or selection is made by the Bond Trustee or (as the case may be) the Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 6.2.1) before the date for payment. Where the provisions of this Condition 6.2 apply, the determination of the Indexation Adviser as to the Index Figure applicable to the month in which the date for payment falls shall be conclusive and binding.

If, an Index Figure having been applied pursuant to Condition 6.2.2, the Index Figure relating to the relevant month is subsequently published while a Bond is still outstanding, then:

6.2.3 in relation to a payment of principal or interest in respect of such Bond other than upon final redemption of such Bond, the principal or interest (as the case may be) next payable after the date of such subsequent publication shall be increased or reduced by an amount equal to (respectively) the shortfall or excess of the amount of the relevant payment made on the basis of the Index Figure applicable by virtue of Condition 6.2.2, below or above the amount of the relevant payment that would have been due if the Index Figure subsequently published had been published on or before the fourteenth business day before the date for payment; and

6.2.4 in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid will be made.

6.3 *Cessation of or fundamental changes to the Index*

6.3.1 If the Bond Trustee has been notified by the Principal Paying Agent or otherwise becomes aware that: (i) the Index has ceased to be published; or (ii) any change is made to the coverage or the basic calculation of the Index which constitutes a fundamental change which would, in the opinion of the Bond Trustee (acting solely on the advice of the Indexation Adviser), be materially prejudicial to the interests of the Bondholders, the Bond Trustee will give written notice of such occurrence to the Issuer and FSA (so long as FSA is the Controlling Creditor) (the "**Parties**"), and the Parties and the Bond Trustee together shall seek to agree for the purpose of the Bonds one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Parties and the Bondholders in no better and no worse a position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made.

6.3.2 If the Parties and the Bond Trustee fail to reach agreement as mentioned above within 20 business days following the giving of notice as mentioned in paragraph 6.3.1, an investment bank or other person in London shall be appointed by the Parties and the Bond Trustee, or, failing agreement on and the making of such appointment within 20 business days following the expiry of the 20 business day period referred to above, by the Bond Trustee (in either case, such investment bank or other person so appointed being referred to as the "**Expert**"), to determine for the purpose of the Bonds one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Parties and the Bondholders in no better and no worse a position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made. Any Expert so appointed shall act as an expert and not as an arbitrator and all fees, costs and expenses of the Expert and of the Indexation Adviser and of the other Party and the Bond Trustee in connection with such appointment shall be borne by the Issuer. The determination of any such investment bank shall be final and binding upon the Bondholders, the Parties and the Bond Trustee. In this Condition 6 "**business day**" means any day on which commercial banks and foreign exchange markets are open for business in London and New York.

6.3.3 The Index shall be adjusted or replaced by a substitute index as agreed by the Parties and the Bond Trustee or as determined by the Expert pursuant to the foregoing paragraphs, as the case may be, and references in these Conditions to the Index and to any Index Figure shall be deemed to be amended in such manner as the Issuer, the Bond Trustee and FSA (so long as FSA is the Controlling Creditor) agree, and the Issuer notifies to the Parties, as appropriate, and to the Bondholders in accordance with Condition 14 to give effect to such adjustment or replacement. Such amendments shall be effective from the date of such notification and shall be binding upon the Parties, the Bond Trustee and the Bondholders.

7. Redemption and Purchase

7.1 Scheduled Redemption

Each Bond shall, unless previously redeemed or purchased and cancelled, be redeemed at its Indexed Principal Balance on 30 September 2032.

"Indexed Principal Balance" means, in respect of a Bond, its Outstanding Principal Balance adjusted for indexation in accordance with Condition 5.

7.2 Optional Redemption and FSA Redemption Option

The Issuer:

7.2.1 may at any time (subject always to satisfying the requirements in Condition 7.3.1) give a Redemption Notice (as defined in Condition 7.4) and shall thereafter redeem the Bonds in whole or in part on the applicable Redemption Date (as defined in Condition 7.4.3) at the applicable Redemption Amount (calculated in accordance with Condition 7.5); and

7.2.2 shall, on the receipt of an FSA Redemption Option Notice (subject always to satisfying the requirements in Condition 7.3.2), as soon as reasonably practicable thereafter and in any event within five days of receipt of such FSA Redemption Option Notice, give a Redemption Notice and shall thereafter redeem the Bonds in whole or in part on the applicable Redemption Date at the applicable Redemption Amount (calculated in accordance with Condition 7.5).

"FSA Redemption Option Notice" means a notice in writing given by FSA to the Issuer and the Bond Trustee stating, *inter alia*, its intention to exercise an FSA Redemption Option.

"FSA Redemption Option" means the right of FSA, at any time following: (i) the occurrence of an acceleration event (which is continuing) under a Loan Agreement (as defined in Condition 7.8); or (ii) in the circumstances contemplated in the relevant Bond Policy, to direct the Issuer to redeem the Bonds, in the case of (i), in an amount referable to the whole or part of the relevant defaulted Loan, or, in the case of (ii), in whole or in part.

7.3 Conditions to Optional Redemption

The Issuer shall not:

7.3.1 give the Redemption Notice referred to in Condition 7.2.1 unless the Cash Manager has, at the Issuer's request, confirmed to the Bond Trustee that the Issuer has the funds to redeem the Bonds as contemplated in such Redemption Notice at the relevant Redemption Amount;

7.3.2 give the Redemption Notice referred to in Condition 7.2.2 unless the Cash Manager has, at the Issuer's request, confirmed to the Bond Trustee that either (i) FSA has deposited funds with the Issuer in an amount equal to the Redemption Amount referred to in Condition 7.2.2 (the **"FSA Redemption Sum"**) which funds are to be used solely to redeem the Bonds in accordance with Condition 7.2.2. or (ii) FSA has provided an unconditional and irrevocable undertaking to the Issuer and the Bond Trustee to pay the FSA Redemption Sum to the Issuer on or before the applicable Redemption Date.

The Bond Trustee shall be entitled to rely without further investigation upon a confirmation, signed by the Cash Manager, to the effect specified above.

7.4 Redemption Notice

The notice referred to in Conditions 7.2, 7.7, 7.14 and 7.15 (the **"Redemption Notice"**) is a notice given by the Issuer to the Bond Trustee, which notice shall be signed by an authorised signatory of the Issuer, be irrevocable and specify:

7.4.1 the Bonds which are to be subject to redemption;

7.4.2 the Outstanding Principal Balance of the Bonds which are to be redeemed;

7.4.3 the due date for such redemption (the **"Redemption Date"**), which shall be not less than thirty days nor more than sixty days after the date on which such notice is given and otherwise as specified in the relevant Pricing Supplement;

7.4.4 (in the case of a redemption in accordance with Condition 7.2) the Redemption Amount calculated in accordance with Condition 7.5 and (in the case of a redemption in accordance with Condition 7.7, 7.14 or 7.15) the Indexed Principal Balance of such Bonds on the Redemption Date; and

7.4.5 the amount of interest payable by the Issuer upon such redemption (expressed as an amount per £1,000 nominal amount),

and, be (where the Bond Trustee so requires) accompanied by a confirmation in conformity with Condition 7.3 or, as the case may be, Condition 7.8, 7.14 or 7.15.

7.5 Redemption Amount

The "**Redemption Amount**" shall be, in respect of each Bond being redeemed under Condition 7.2 or having become repayable under Condition 8.2.2, the aggregate of: (a) any payment of interest and principal due but unpaid on the Reference Date (as defined below); (b) any interest (other than under (a)) (accrued (but not due)) up to and including the relevant Redemption Date or the date on which notice is served under Condition 8.2.2 (an "**Acceleration Date**"), as applicable, and, in the case of both paragraphs (a) and (b), adjusted for indexation in accordance with Condition 5 to the relevant Redemption Date or applicable Acceleration Date; and (c) the higher of the following:

7.5.1 the Indexed Principal Balance of such Bonds on the relevant Redemption Date or applicable Acceleration Date; and

7.5.2 the price determined to be appropriate (without any additional indexation beyond the implicit indexation in such determined price) by the Financial Adviser as being the price at which the Gross Real Redemption Yield (as defined below) on the Bonds on the Reference Date is equal to the Gross Real Redemption Yield at 3.00 p.m. (London time) on the Reference Date on the Reference Gilt while that stock is in issue, and thereafter such UK government stock as the Relevant Person (as defined below in this Condition 7) may, with the advice of three investment banks in the gilt-edged market (selected by the Relevant Person and approved by the Bond Trustee), determine to be appropriate.

For these purposes:

"**Financial Adviser**" means an appropriate financial adviser in London: (i) selected by the Issuer (acting reasonably) and approved by the Bond Trustee for determining the relevant Redemption Amount pursuant to Condition 7.2.1; or (ii) selected by FSA (acting reasonably) for determining the relevant Redemption Amount pursuant to Condition 7.2.2 or 8.2.2 and in either case whose identity is to be notified by the Issuer or FSA, as appropriate, to the Calculation Agent.

"**Gross Real Redemption Yield**" means a yield expressed as a percentage and calculated on a basis consistent with the basis indicated by the United Kingdom Debt Management Office publication "Formulae for calculating Gilt Prices from Yields" published on 8 June 1998 with effect from 1 November 1998, page 5.

"**Reference Date**" means in respect of the calculation of Redemption Amount: (i) under Condition 7.2.1, the date which is two Business Days before the despatch of the Redemption Notice; (ii) under Condition 7.2.2, the date of the FSA Redemption Option Notice; and (iii) under Condition 8.2, the applicable Acceleration Date.

"**Relevant Person**" means: (i) the Issuer if the Redemption Amount is to be determined pursuant to Condition 7.2.1; or (ii) FSA if the Redemption Amount is to be determined pursuant to Condition 7.2.2 or 8.2.2.

7.6 Notice to Bondholders

Following the giving of a Redemption Notice (and not less than thirty days before the date specified in such notice for the relevant redemption), the Issuer will give notice of such redemption to the Bondholders in accordance with Condition 14.

7.7 Early Redemption for Borrower Taxation Reasons

The Issuer may, if the criteria in Condition 7.8 are satisfied, having given a Redemption Notice (as defined in Condition 7.4) redeem the Bonds in whole or in part at an amount representing the Indexed Principal Balance on the Redemption Date together with interest accrued up to and including the

Redemption Date specified in such notice (adjusted for indexation as provided for in Condition 5), the Index Ratio (as defined in Condition 5) for this purpose being that applicable to the month in which redemption takes place.

7.8 Conditions to Early Redemption for Borrower Taxation Reasons

The Issuer shall not be entitled to give the Redemption Notice referred to in Condition 7.7 unless each of the following circumstances has occurred:

7.8.1 a taxation event, specified in any loan agreement between the Original Lender and a borrower (each a "**Borrower**") novated to the Issuer (each a "**Loan Agreement**"), which entitles the relevant Borrower to repay its borrowing under such Loan Agreement to the Issuer in advance of its scheduled maturity date; and

7.8.2 the Cash Manager has confirmed at the Issuer's request to the Bond Trustee that the Issuer has the funds to redeem the Bonds as contemplated in the Redemption Notice.

The Bond Trustee shall be entitled to rely without further investigation upon a confirmation, signed by the Cash Manager, to the effect specified above.

7.9 Partial Redemption

If the Bonds are to be redeemed in part only on any date in accordance with Condition 7.2, 7.7, 7.14 or 7.15, such Bonds shall be redeemed (so far as may be practicable) pro rata to their nominal amounts subject always to compliance with all applicable laws and the requirements of any stock exchange on which such Bonds may be listed.

7.10 Purchase of Bonds

The Issuer and any Borrower may at any time purchase Bonds in the open market or otherwise and at any price provided that all unmatured Talons and Coupons appertaining thereto are purchased therewith. If purchases are made by tender, tenders must be available to all Bondholders alike.

7.11 Cancellation of Redeemed Bonds purchased by Issuer

All unmatured Bonds and Coupons and unexchanged Talons redeemed or purchased by the Issuer, otherwise than in the ordinary course of business of dealing in securities or as a nominee, in accordance with this Condition 7 will be cancelled forthwith and may not be reissued or resold.

7.12 Cancellation of Bonds Purchased by a Borrower

All unmatured Bonds and Coupons and unexchanged Talons purchased by a Borrower pursuant to a Loan Agreement must be surrendered to the Issuer for cancellation forthwith and may not be reissued or resold. Upon cancellation of any Bonds purchased by a Borrower, such Borrower shall be deemed to have prepaid its Loan in an amount (together with accrued interest on such amount up to the date of surrender) from which the Issuer would have derived the cashflows previously required to service its obligations under the Bonds surrendered for cancellation.

7.13 Early Redemption and the Bond Policies

Save where the Bonds are redeemed pursuant to the exercise by FSA of the FSA Redemption Option, to the extent that the Redemption Amount exceeds the Indexed Principal Balance of any Bonds to be redeemed, payment of any such excess is not guaranteed by FSA under any Bond Policy.

7.14 Early Redemption for Index Reasons

If either: (i) the Index Figure (as defined in Condition 5) for three consecutive months fails to be determined on the basis of an Index Figure previously published as provided in Condition 5 and the Bond Trustee has been notified by the Principal Paying Agent that publication of the Index (as defined in Condition 5) has ceased; or (ii) notice is published by Her Majesty's Treasury, or on its behalf, following a change in relation to the Index, offering a right of redemption to holders of the Reference Gilt, and (in either case) no amendment or substitution of the Index shall have been advised by the Indexation Adviser to the Issuer and such circumstances are continuing, then having given not more than 60 nor less than 30 days' notice to the Bond Trustee, the Bondholders and the Controlling Creditor in accordance with Condition 14, the Issuer may having given a Redemption Notice (as defined in Condition 7.4) redeem the Bonds in whole or in part at an amount representing the Indexed Principal

Balance on the Redemption Date together with interest accrued up to and including the Redemption Date (adjusted for indexation as provided in Condition 5), the Index Ratio (as defined in Condition 5) for this purpose being that applicable to the month in which redemption takes place.

The Issuer shall not be entitled to give the Redemption Notice referred to above in this Condition 7.14 unless the Cash Manager has confirmed at the Issuer's request to the Bond Trustee that the Issuer has the funds to redeem the Bonds as contemplated in the Redemption Notice. For this purpose, the Bond Trustee shall be entitled to rely without further investigation upon a confirmation, signed by Cash Manager, to the effect specified above.

7.15 Early Redemption for Issuer Taxation Reasons

If the Issuer satisfies the Bond Trustee that the Issuer would, on the next Scheduled Payment Date, become obliged to deduct or withhold from any payment of interest or principal in respect of the Bonds (other than Default Interest), any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political subdivision thereof, or any other authority thereof or any change in the application or official interpretation of such laws or regulations, then the Issuer shall, in order to avoid the relevant deduction or withholding, use its reasonable efforts to arrange its substitution of a company incorporated in another jurisdiction approved by the Bond Trustee as principal debtor under the Bonds upon satisfying the conditions for substitution of the Issuer as set out in the Bond Trust Deed. If the Issuer is unable to arrange such a substitution and, as a result, the obligation to make the relevant deduction or withholding is continuing, the Issuer may, having given not more than 60 days nor less than 30 days' notice to the Bond Trustee, the Bondholders and the Controlling Creditor in accordance with Condition 14, give a Redemption Notice and redeem the Bonds in whole or in part on any Scheduled Payment Date at their Indexed Principal Balance on the Redemption Date together with interest accrued up to and including the Redemption Date (adjusted for indexation as provided in Condition 5), the Index Ratio (as defined in Condition 5) for this purpose being that applicable to the month in which redemption takes place.

The Issuer shall not be entitled to give the notice referred to above in this Condition 7.15 unless the Cash Manager has confirmed, at the Issuer's request, to the Bond Trustee that the Issuer has the funds to redeem the Bonds as contemplated in such notice. For this purpose, the Bond Trustee shall be entitled to rely without further investigation upon a confirmation, signed by the Cash Manager, to the effect specified above.

8. Events of Default

8.1 Repayment rights following an Event of Default

While FSA is the Controlling Creditor neither the Bondholders nor the Bond Trustee will have any right to call for repayment of the Bonds following the occurrence of an Event of Default (as defined in Condition 8.3) or for any enforcement of the security created by the Issuer Debenture and/or any other security documents entered into by the Issuer.

8.2 Occurrence of an Event of Default

If an Event of Default (as defined in Condition 8.3) shall have occurred and is continuing, then:

- 8.2.1 if it is of the nature described in paragraph 8.3.1(i), the Bond Trustee shall (regardless of whether an Event of Default of the nature described in any of paragraphs (ii) to (vii) of Condition 8.3.1 is also continuing or not) convene a meeting of Bondholders and shall (but shall not otherwise): (i) if so directed by an Extraordinary Resolution (as defined in the Bond Trust Deed and described in Condition 15) of the Holders of such Bonds; and (ii) if indemnified and/or furnished with security to its satisfaction, give notice to the Issuer that all Bonds are, and they shall then become, immediately due and repayable at the Indexed Principal Balance at the date of such notice together with any accrued interest up to and including the date of such notice (adjusted for indexation as provided in Condition 5), the Index Ratio (as defined in Condition 5) for this purpose being that applicable to the month in which such notice is given; and
- 8.2.2 if it is of the nature described in any of paragraphs 8.3.1(ii) to 8.3.1(vii), the Bond Trustee shall (unless an Event of Default of the nature described in paragraph 8.3.1(i) is then continuing), upon being: (i) so directed by FSA in accordance with and subject to the terms of the Issuer Security Trust and Intercreditor Deed; and (ii) indemnified and/or furnished with security to its satisfaction,

give notice to the Issuer that all Bonds are, and they shall then become, immediately due and repayable at the Redemption Amount (calculated in accordance with Condition 7.5) at the date of such notice.

8.3 Definitions

For the purposes of these Conditions:

8.3.1 an “**Event of Default**” shall have occurred if:

- (i) an FSA Default (as defined in 8.3.2 below) shall have occurred and be continuing; or
- (ii) there is a failure to pay any amount of principal or interest in respect of any Bond on the due date for payment thereof; or
- (iii) the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Bonds or the Bond Trust Deed and such default (a) is, in the opinion of the Controlling Creditor, incapable of remedy; or (b) being a default which is, in the opinion of the Controlling Creditor, capable of remedy, remains unremedied for thirty days or such longer period as the Controlling Creditor may agree after the Bond Trustee has given written notice thereof to the Issuer; or
- (iv) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer save for the purposes of amalgamation, merger, consolidation, or other similar arrangement on terms previously approved by the Bond Trustee or by an Extraordinary Resolution of Bondholders; or
- (v) (a) any other proceedings are initiated against the Issuer under any applicable liquidation, bankruptcy, insolvency, composition, reorganisation, readjustment or other similar laws and such proceedings are not being disputed in good faith; or (b) an administrative receiver or other receiver, administrator or other similar official is appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer; or (c) an encumbrancer takes possession of the whole or any substantial part of the undertaking or assets of the Issuer; or (d) a distress or execution or other process is levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer and in any of the foregoing cases (other than in relation to the circumstances described in (b) where no grace period shall apply) such order, appointment, possession or process (as the case may be) is not discharged or stayed or does not cease to apply within 14 days; or
- (vi) if the Issuer initiates or consents to judicial proceedings relating to itself (except in accordance with paragraph (iv) above) under any applicable liquidation, bankruptcy, insolvency, composition, reorganisation, readjustment or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally; or
- (vii) anything analogous to any of the events specified in paragraphs 8.3.1(iv), 8.3.1(v) and 8.3.1(vi) occurs under the laws of any applicable jurisdiction.

8.3.2 An “**FSA Default**” shall have occurred if:

- (i) any amount which is due and payable by FSA under the terms of any Bond Policy is not paid by FSA on the date that it is due and payable thereunder; or
- (ii) FSA disclaims, disaffirms, repudiates and/or challenges the validity of any of its obligations under any Bond Policy or takes legal proceedings to do so; or
- (iii) any Bond Policy ceases to be in full force and effect; or
- (iv) FSA files any petition or commences any case or proceedings in respect of itself under any insolvency or bankruptcy law in any applicable jurisdiction; or
- (v) an encumbrancer takes possession of, or any receiver, administrative receiver, trustee, assignee, custodian, liquidator, administrator or similar official is appointed in respect of all or substantially all of the business or assets of FSA; or
- (vi) an administration order or a winding-up order is made against FSA (other than for the purpose of and followed by a reconstruction, unless during or following such reconstruction, FSA becomes or is declared to be insolvent); or

- (vii) anything analogous to any of the events specified in paragraph 8.3.2(iv), 8.3.2(v) or 8.3.2(vi) above occurs under the laws of any applicable jurisdiction.

8.4 Enforcement of Security

Following the occurrence of an Event of Default, the Controlling Creditor may, by notice to the Issuer Security Trustee, specify that security created by the Issuer Debenture and any other security documents entered into by the Issuer is enforceable, after which the Issuer Security Trustee shall enforce such security on the instructions of the Controlling Creditor.

9. Taxation

All amounts payable (whether in respect of principal, interest or otherwise) in respect of the Bonds will be paid free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless and save to the extent that the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event and to that extent, the relevant amount will be paid subject to such withholding or deduction. No additional payment will be made in respect of any withholding or deduction.

10. Payments

10.1 Payments (other than Interest)

Payment of amounts (other than interest) due in respect of Bonds will be made against presentation and surrender of the relevant Bond at the Specified Office of the Principal Paying Agent or other Paying Agent appointed.

10.2 Payment of Interest

Payment of amounts of interest due in respect of Bonds will be made against surrender of the relevant Coupons or, in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the relevant Bonds at the Specified Office of the Principal Paying Agent or other Paying Agent appointed.

10.3 Payment Date

Subject to Condition 18, if the due date for payment of any amount due in respect of any Bond is not:

- 10.3.1 a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in London and New York (a "**Business Day**"); and
- 10.3.2 a day (other than a Saturday or Sunday) on which banks are open for business in the place of presentation of the relevant Bond or, as the case may be, Coupon (a "**Local Banking Day**"),

then the Holder thereof will not be entitled to payment thereof until the next Local Banking Day (or as otherwise specified in the Pricing Supplement) and from such day and thereafter will be entitled to receive payment by cheque on any Local Banking Day, and will be entitled to payment by transfer to a designated account on any day which is a Business Day and a Local Banking Day and no further payment on account of interest or otherwise shall be due in respect of such delay or adjustment unless there is a subsequent failure to pay in accordance with these Conditions in which event interest shall continue to accrue as provided in Condition 4.2.

10.4 Unmatured Coupons and Talons Void

On early redemption in full of any Bond pursuant to Conditions 7.2, 7.7, 7.14 or 7.15 all unmatured Coupons and Talons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

10.5 Surrender of Talons

In relation to Bonds initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 12 below. Each Talon shall, for the purpose of these Conditions, be deemed to mature on the same date as the final Coupon comprised in the relative Coupon sheet.

10.6 Method of Payment

Payments of amounts due (whether principal or interest) in respect of Bonds will be made in the currency in which such amount is due (i) by cheque or (ii), at the option of the payee, by transfer to a sterling account specified by the payee.

10.7 No Commissions or Expenses

No commissions or expenses shall be charged to the Bondholders in respect of such payments.

11. Prescription

11.1 Time Limits on Claims for Payment

Claims against the Issuer for payment of principal and interest in respect of Bonds will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after the due date for payment thereof.

11.2 Coupons issued on exchange of Talons

In relation to Bonds initially delivered with Talons attached thereto, there shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to Condition 10. or the due date for the payment of which would fall after the due date for the redemption of the relevant Bond or which would be void pursuant to this Condition 11 or any Talon the maturity date of which would fall after the due date for redemption of the relevant Bond.

12. The Paying Agents

12.1 Appointment of Paying Agents

The Issuer reserves the right, subject to prior written approval by the Bond Trustee, at any time to vary or terminate the appointment of any Paying Agent (including the Principal Paying Agent) and to appoint additional or other Paying Agents provided that it will at all times maintain: (i) a Principal Paying Agent; and (ii) so long as the Bonds are listed on the Official List and admitted to trading on the London Stock Exchange's market for listed securities and/or any other stock exchange, a Paying Agent with a specified office in London and/or in such other place as may be required by the rules of such other stock exchange. The Paying Agents reserve the right at any time to change their respective specified offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of any Paying Agent will be given promptly by the Issuer to the Bondholders in accordance with Condition 14.

12.2 Agents of Issuer and Bond Trustee

The Paying Agents act solely as agents of the Issuer and, where specified in the Bond Trust Deed and the Paying Agency Agreement, as agents of the Bond Trustee and do not assume any obligations towards or relationship of agency or trust for any Holder of any Bond, Talon or Coupon and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Paying Agency Agreement.

13. Replacement of Bonds

If any Bond, Talon or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of any Paying Agent (each, for these purposes a "**Replacement Agent**"), subject to all applicable laws and the requirements of any stock exchange on which the Bonds are listed, upon payment by the claimant of all expenses incurred in connection with such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and the Replacement Agent may require. Mutilated or defaced Bonds, Talons and Coupons must be surrendered before replacements will be delivered therefor.

14. Notices

14.1 Form of Notice

Notices to Holders of Bonds will, save where another means of communication has been specified herein or in the Pricing Supplement, be deemed to be validly given if published in a leading daily newspaper having general circulation in London (which is expected to be the Financial Times) or, if such publication is not practicable (with the agreement of the Bond Trustee), if published in a leading English language daily newspaper having general circulation in Great Britain. The Issuer shall also ensure that notices are duly published in compliance with the requirements of each stock exchange on which the

Bonds are listed. Any notice so given will be deemed to have been validly given on the date of first such publication. Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Bonds in accordance with this Condition.

14.2 Notice to Clearing Systems

A. copy of all notices provided pursuant to this Condition 14 will also be given to Euroclear and Clearstream, Luxembourg, and any other relevant clearing system.

14.3 Notice when Bonds represented by a Global Bond

So long as any Bonds are represented by a Global Bond notices in respect of those Bonds may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg for communication by them to entitled accountholders in substitution for publication in a daily newspaper with general circulation in London.

15. Meetings of Holders, Modification and Substitution

15.1 The Bond Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the modification of, *inter alia*, these Conditions, the Bond Trust Deed, the Issuer Debenture, the Issuer Security Trust and Intercreditor Deed and each Bond Policy. Any modification may, subject to the prior written consent of FSA (if FSA is then the Controlling Creditor) and the Issuer, be made if sanctioned by a resolution passed at a meeting of Bondholders duly convened and held in accordance with the Bond Trust Deed by a majority of not less than three- quarters of the votes cast (an "**Extraordinary Resolution**") of the Bondholders. A meeting of Bondholders will also have the power (exercisable by Extraordinary Resolution) to advise or instruct the Bond Trustee in connection with the exercise by the Bond Trustee of any of its rights, powers and discretions under the Issuer Finance Documents including, where requested by the Bond Trustee, in respect of the Entrenched Rights and Reserved Matters (as defined in the Bond Trust Deed) of the Bond Trustee, to appoint any persons (whether Bondholders or not) as a committee to represent the interests of the Bondholders and to confer upon such committee any powers which the Bondholder could themselves exercise by Extraordinary Resolution.

15.2 So long as FSA is Controlling Creditor, the exercise by the Bond Trustee of its rights, powers and discretions other than in connection with a Reserved Matter or Entrenched Right, shall be controlled by FSA.

15.3 The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one quarter of the aggregate principal amount of the outstanding Bonds or, at any adjourned meeting, two or more persons being or representing Bondholders, whatever the principal amount of the Bonds held or represented, provided however, that the Reserved Matters (as defined in the Bond Trust Deed), which include any proposals:

- (i) to change any date fixed for payment of principal or interest in respect of the Bonds, to reduce the amount of principal or interest payable on any date in respect of the Bonds, to alter the method of calculating the amount of any payment in respect of the Bonds on redemption or maturity or the date for any such payment;
- (ii) (other than as permitted by Conditions 7.15 and 15.8 and clause 14.2 of the Bond Trust Deed) to effect the exchange or substitution of the Bonds for, or the conversion of the Bonds into shares, bonds or other obligations of the Issuer, FSA or any other person formed or to be formed;
- (iii) to change the currency in which amounts due in respect of the Bonds are payable other than any change made pursuant to Condition 18;
- (iv) to approve the release or termination of any Bond Policy otherwise than in accordance with its terms in relation to any Bonds or (other than as specified in the Bond Trust Deed) to approve the substitution of another entity in place of FSA as insurer thereunder;
- (v) to change the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution; or
- (vi) to amend any Reserved Matters,

may be sanctioned only by an Extraordinary Resolution passed at a meeting of Bondholders which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders and Couponholders whether present or not.

- 15.4 In addition, a resolution in writing signed by or on behalf of all Bondholders who for the time being are entitled to receive notice of a meeting of Bondholders under the Bond Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.
- 15.5 Subject as provided in the Bond Trust Deed, FSA and the Issuer are entitled to receive notice of and attend meetings of Bondholders but are not entitled to vote.
- 15.6 As more fully set forth in the Bond Trust Deed (and subject to the conditions and qualifications therein), the Bond Trustee may, without the consent of Bondholders, concur with the Issuer, FSA (if it is Controlling Creditor) or any other relevant parties in making: (i) any modification of these Conditions, the Bond Trust Deed, the Bond Policy or any other Issuer Finance Documents which is (in the opinion of the Bond Trustee) of a formal, minor or technical nature or is made to correct a manifest error; and (except as mentioned in the Bond Trust Deed) (ii) any other modification and any waiver or authorisation of any breach or proposed breach of these Conditions or any such document which is in the opinion of the Bond Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, waiver or authorisation shall be binding on the Holders of all Bonds and Coupons and, if the Bond Trustee so requires, notice thereof shall be given by the Issuer to the Bondholders as soon as practicable thereunder.
- 15.7 So long as FSA is then the Controlling Creditor, the Bond Trustee will, other than in respect of, or determining the occurrence of, a Reserved Matter or an Entrenched Right, act in accordance with the instructions of FSA in respect of any such modification, waiver or authorisation.
- 15.8 As more fully set forth in the Bond Trust Deed (and subject to the conditions and qualifications therein), the Bond Trustee may also agree with the Issuer, but subject to the prior written consent of FSA (if FSA is then the Controlling Creditor), without the consent of the Bondholders relating thereto to the substitution of another corporation in place of the Issuer as principal debtor in respect of the Bond Trust Deed and the Bonds, and subject to the Bonds and the Coupons relating thereto continuing to carry the unconditional guarantee of FSA.
- 15.9 In connection with the exercise of its powers, trusts and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Bond Trustee will have regard to the interests of the Bondholders relating thereto as a class and will not have regard to the consequences of such exercise for individual Bondholders relating thereto and the Bond Trustee shall not be entitled to require from the Issuer or FSA, nor shall any Bondholders relating thereto be entitled to claim from the Issuer, FSA or the Bond Trustee, any indemnification or other payment in respect of any consequence (including, without limitation, any tax consequence) for individual Bondholders relating thereto of any such exercise. When exercising any rights, powers, discretions relating to or contained in the Bond Trust Deed or the Bonds in accordance with the directions of FSA (if FSA is then the Controlling Creditor), the Bond Trustee shall not be required to have regard to the interests of the Bondholders in relation to the exercise of such rights, powers or discretions and shall have no liability to any Bondholders as a consequence of so acting.

16. Indemnification of the Bond Trustee and Issuer Security Trustee

16.1 Provisions of the Bond Trust Deed

The Bond Trust Deed contains provisions for the indemnification of the Bond Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified and/or secured to its satisfaction. The Bond Trustee is entitled to enter into business transactions with the Issuer, FSA and/or any entity controlling or controlled by either of them without accounting for any profit resulting therefrom.

16.2 Responsibilities of the Bond Trustee

The Bond Trust Deed contains provisions governing the responsibility of the Bond Trustee and providing for its indemnification in certain circumstances including provisions relieving it from taking proceedings against the Issuer, FSA and/or any other person unless indemnified and/or secured to its satisfaction.

16.3 Reliance on information and monitoring of compliance

The Bond Trustee may rely on the certificates signed by two directors of the Issuer or FSA, in each case delivered to it pursuant to the Bond Trust Deed, and shall not be responsible for any failure otherwise to monitor compliance with the obligations imposed on the Issuer or FSA under these Conditions, the Bond Trust Deed or the Bond Policy.

16.4 Responsibilities of Bond Trustee and Issuer Security Trustee

Under the Bond Trust Deed, the Bond Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and certain moneys received by the Bond Trustee will be applied to pay its remuneration, costs and expenses in priority to the claims of the Bondholders. In addition the Bond Trustee is entitled to enter into business transactions with the Issuer, the FSA, the Bondholders and any entity related to the Issuer or FSA without accounting for any profit.

Neither the Bond Trustee nor the Issuer Security Trustee have investigated, nor are they responsible or liable for any loss arising as a result of any failure to investigate, the validity, value, sufficiency or enforceability of the security created by the Issuer Finance Documents or the validity or enforceability of any contracts over which such security is created and both the Bond Trustee and the Issuer Security Trustee shall accept without investigation, requisition or objection and without any responsibility or liability for doing so such right and title as the Issuer has to the property, assets and rights over which security is created pursuant to the Issuer Finance Documents.

The Bond Trustee has no responsibility for the validity or enforceability of the Bond Policy against FSA or any permitted assignee of FSA under the Bond Policy. The Bond Trustee will not be liable to Bondholders for any loss they may suffer as a result of any violation of the Bond Policy resulting from any act or omission on the part of the Bond Trustee unless the consequences of such act or omission were actually known to the Bond Trustee prior to such act or omission occurring and the Bond Trustee so acted or omitted to do so negligently or in wilful default.

Neither the Bond Trustee nor the Issuer Security Trustee will be responsible for or liable for any loss which results should any deficiency arise between the amount realised in respect of the property, assets and rights over which security is given by the Issuer Finance Documents and sums due in respect of the Bonds because the Issuer Security Trustee or the Bond Trustee is liable to tax in respect of the property, assets and rights over which such security is created.

Neither the Issuer Security Trustee nor the Bond Trustee shall be responsible for monitoring the obligations of any person to the Issuer and each of them shall, until they have actual knowledge to the contrary, assume that all persons are duly performing the same.

Neither the Issuer Security Trustee nor the Bond Trustee will be obliged to take any action under the Bond Trust Deed or the Issuer Security Trust and Intercreditor Deed unless either or each is indemnified to its satisfaction in respect of any personal liability or expense which it may in its opinion incur. Protection and realisation of the security may be prevented or delayed as a result.

17. Exercise and Enforcement

17.1 Enforcement by Bond Trustee

Subject as provided in the Bond Trust Deed, and for so long as FSA is the Controlling Creditor, the Bond Trustee will exercise or enforce its rights under the Bond Trust Deed or in respect of the Bonds (other than in relation to Entrenched Rights or Reserved Matters) in accordance with the directions of FSA (provided that it has been indemnified and/or secured to its satisfaction) and will not be entitled to take any such action without the prior written consent of FSA. If FSA is not then the Controlling Creditor, the Bond Trustee will exercise or enforce its rights under the Bond Trust Deed or in respect of the Bonds in accordance with the directions of the Bondholders but the Bond Trustee shall not be bound as against the Bondholders to take any such action unless: (i) it has been so requested in writing by the holders of at least 25 per cent. in outstanding principal amount of the outstanding Bonds or has been so directed by an Extraordinary Resolution; and (ii) it has been indemnified and/or secured to its satisfaction.

The Bond Trustee is entitled to exercise its rights in relation to the Reserved Matters as it shall in its sole discretion determine.

17.2 Limits on enforcement by Bondholders

No Bondholder may take any action against the Issuer or FSA to enforce its rights in respect of the Bonds otherwise than through the Bond Trustee unless the Bond Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

18. Redenomination

18.1 Notice of Redenomination

The Issuer may, without the consent of the Bondholders, on giving at least 30 days' prior notice to FSA (so long as FSA is the Controlling Creditor), the Bondholders, the Bond Trustee and the Principal Paying Agent, designate a date (the "**Redenomination Date**"), being a Scheduled Payment Date under the Bonds falling on or after the date on which the United Kingdom becomes a Participating Member State (as defined below).

18.2 Redenomination

Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

18.2.1 the Bonds shall be deemed to be redenominated into euro in denominations which are integral multiples of euro 0.01 with an Outstanding Principal Balance for each Bond equal to the Outstanding Principal Balance of that Bond in sterling, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); provided, however, that if the Issuer determines that the then market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Bond Trustee, the Bondholders, each listing authority or stock exchange (if any) on which the Bonds are then listed or traded and the Principal Paying Agent of such deemed amendments;

18.2.2 if Bonds have been issued in definitive form:

- (i) all unmatured Coupons denominated in sterling (whether or not attached to the Bonds) will become void with effect from the date (the "**Euro Exchange Date**") on which the Issuer gives notice (the "**Euro Exchange Notice**") to the Bondholders and the Bond Trustee that replacement Bonds and Coupons denominated in euro are available for exchange (provided that such Bonds and Coupons are available) and no payments will be made in respect thereof;
- (ii) the payment obligations contained in all Bonds denominated in sterling will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Bonds in accordance with this Condition 18) shall remain in full force and effect; and
- (iii) new Bonds and Coupons denominated in euro will be issued in exchange for Bonds and Coupons denominated in sterling in such manner as the Principal Paying Agent may specify and as shall be notified to the Bondholder in the Euro Exchange Notice;

18.2.3 all payments in respect of the Bonds (other than, unless the Redenomination Date is on or after such date as sterling ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Communities; and

18.2.4 a Bond or Coupon may only be presented for payment on a day which is a business day in the place of presentation. In this Condition 18, "**business day**" means, in respect of any place of presentation, any day which is a day on which banks are open for business in such place of presentation and which is also a day on which the TARGET system is operating.

18.3 Interest

Following redenomination of the Bonds pursuant to this Condition 18:

18.3.1 where Bonds have been issued in definitive form, the amount of interest due in respect of the Bonds will be calculated by reference to the aggregate principal amount outstanding of the Bonds presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01; and

18.3.2 the amount of interest payable in respect of each Bond for any Scheduled Payment Date shall be calculated by applying the rate of interest specified in the relevant Pricing Supplement to the principal amount outstanding of such Bond, dividing the product by two and rounding the figure down to the nearest euro 0.01 and adjusting that amount for indexation in accordance with Condition 5. If interest is required to be calculated for any other period, it will be calculated on the basis (a) of the actual number of days in the period from and including the date when it started to accrue interest (the "**Accrual Date**") to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Scheduled Payment Date multiplied by two; provided, however, that, if the Issuer determines, with the agreement of the Bond Trustee, that the market practice in respect of internationally offered euro denominated securities is different from that specified above, the above shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Bondholders, each stock exchange (if any) on which the Bonds are then listed and the Principal Paying Agent of such deemed amendment.

18.4 Interpretation

In these Conditions:

"**EMU**" means European Economic and Monetary Union;

"**euro**" means the single currency introduced at the start of the third stage of EMU pursuant to the Treaty;

"**Participating Member State**" means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

the "**TARGET system**" means the Trans-European Automated Real-time Gross Settlement Express Transfer system; and

the "**Treaty**" means the Treaty establishing the European Communities, as amended by the Treaty on European Union.

19. Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further Bonds having identical terms and conditions as the Bonds already issued in all respects (except for the issue date and the first payment of interest on them) and so that such further issue shall be consolidated and be interchangeable with each other series of Bonds issued; provided that, unless otherwise approved by an Extraordinary Resolution of the Bondholders, the Issuer provides additional assets as security for such further securities. References in these Conditions to the Bonds include (unless the context requires otherwise) any other Bonds issued pursuant to this Condition.

20. Law and Jurisdiction

20.1 Issuer Finance Documents (excluding the Bond Policy)

The Issuer Finance Documents (excluding the Bond Policy) are governed by, and shall be construed in accordance with, English law.

20.2 Bond Policy

Each Bond Policy is governed by, and will be construed in accordance with, the laws of the State of New York but without giving effect to the conflict of law principles thereof.

21. Rights of Third Parties

No person shall have any right to enforce any term or condition of the Bonds or the Bond Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

SCHEDULE 5

INTEREST PAYMENT SCHEDULE

Unless previously repaid or prepaid, the Borrower will, in respect of each £100,000 original principal amount outstanding of the Loan (or proportion thereof), on each Loan Payment Date immediately preceding each Scheduled Payment Date listed in the Table below, make a payment of interest determined in accordance with Clause 11 (*Interest*) (subject to adjustment for indexation in accordance with Clause 10 (*Indexation*)) of the relevant amount set out in the table below (or proportion thereof).

Scheduled Payment Date*	Scheduled Interest Payments in relation to each £100,000 in nominal amount of Loan (or proportion thereof) subject to adjustment for indexation in accordance with Clause 10 (<i>Indexation</i>)) (£)
30 September 2002	387.34
31 March 2003	1817.50
30 September 2003	1817.50
31 March 2004	1817.50
30 September 2004	1817.50
31 March 2005	1817.50
30 September 2005	1817.50
31 March 2006	1817.50
30 September 2006	1817.50
31 March 2007	1817.50
30 September 2007	1817.50
31 March 2008	1817.50
30 September 2008	1817.50
31 March 2009	1817.50
30 September 2009	1817.50
31 March 2010	1817.50
30 September 2010	1817.50
31 March 2011	1817.50
30 September 2011	1817.50

Scheduled Payment Date***Scheduled Interest Payments in relation to
each £100,000 in nominal amount of Loan (or
proportion thereof) subject to adjustment for
indexation in accordance with Clause 10
(Indexation))****(£)**

31 March 2012	1817.50
30 September 2012	1817.50
31 March 2013	1817.50
30 September 2013	1817.50
31 March 2014	1817.50
30 September 2014	1817.50
31 March 2015	1817.50
30 September 2015	1817.50
31 March 2016	1817.50
30 September 2016	1817.50
31 March 2017	1817.50
30 September 2017	1817.50
31 March 2018	1817.50
30 September 2018	1817.50
31 March 2019	1817.50
30 September 2019	1817.50
31 March 2020	1817.50
30 September 2020	1817.50
31 March 2021	1817.50
30 September 2021	1817.50
31 March 2022	1817.50
30 September 2022	1817.50
31 March 2023	1817.50
30 September 2023	1817.50
31 March 2024	1817.50
30 September 2024	1817.50

Scheduled Payment Date***Scheduled Interest Payments in relation to
each £100,000 in nominal amount of Loan (or
proportion thereof) subject to adjustment for
indexation in accordance with Clause 10
(Indexation))****(£)**

31 March 2025	1817.50
30 September 2025	1817.50
31 March 2026	1817.50
30 September 2026	1817.50
31 March 2027	1817.50
30 September 2027	1817.50
31 March 2028	1817.50
30 September 2028	1817.50
31 March 2029	1817.50
30 September 2029	1817.50
31 March 2030	1817.50
30 September 2030	1817.50
31 March 2031	1817.50
30 September 2031	1817.50
31 March 2032	1817.50
30 September 2032	1817.50

* Dates shown are subject to adjustment as described in the definition of Scheduled Payment Dates in the case of non-Business Days.

Signature page to the Facility Agreement
[Intentionally omitted]

SCHEDULE 3
AGREED FORM OF DEED OF RELEASE

DEED OF RELEASE

dated [●] 2016

between

CAPITA IRG TRUSTEES LIMITED

as Borrower Security Trustee

and

DEE VALLEY WATER PLC

and

DEE VALLEY WATER (HOLDINGS) LIMITED

and

THE ROYAL BANK OF SCOTLAND PLC

Linklaters

Linklaters LLP

Ref: L-252512

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THIS DEED is dated [●] 2016 and made between:

- (1) **CAPITA IRG TRUSTEES LIMITED** a company incorporated with limited liability under the laws of England and Wales as Borrower Security Trustee for the Borrower Finance Parties (the "**Borrower Security Trustee**");
- (2) **DEE VALLEY WATER (HOLDINGS) LIMITED**, a company incorporated with limited liability under the laws of England and Wales (Registered Number 04421854) and having its registered office at Packsaddle, Wrexham Road, Rhostyllen, Wrexham, Clwyd, LL14 4EH ("**HoldCo**");
- (3) **DEE VALLEY WATER PLC**, a public limited company incorporated under the laws of England and Wales (Registered Number 03527628) and having its registered office at Packsaddle, Wrexham Road, Rhostyllen, Wrexham, Clwyd LL14 4EH (the "**Borrower**" and together with HoldCo the "**Chargors**" and each a "**Chargor**");
- (4) **THE ROYAL BANK OF SCOTLAND PLC**; and
- (5) **THE ROYAL BANK OF SCOTLAND PLC**, as agent of the other Facility Parties (the "**Agent**").

Whereas:

- (A) Each Chargor has granted certain covenants for payment, guarantees and indemnities under the Borrower Finance Documents.
- (B) Each Chargor has entered into the Security Agreements in order to secure the claims of the Borrower under the Borrower Finance Documents.
- (C) The Chargors request that the Borrower Security Trustee grant the releases pursuant to the terms of this Deed.
- (D) Each Party intends this document to take effect as a deed (even though a Party may execute it under hand).

IT IS AGREED as follows:

1. **INTERPRETATION**

1.1 **Definitions**

In this Deed:

"Amendment and Restatement Deed" means the deed of amendment and restatement relating to the Borrower STID dated the same date as this Deed between, inter alios, the Borrower Security Trustee, HoldCo and the Borrower.

"Borrower Debenture" means the debenture dated 19 June 2002 between Dee Valley Water PLC and the Borrower Security Trustee.

"Borrower STID" means the Borrower security trust and intercreditor deed dated 19 June 2002 between, inter alios, the Borrower Security Trustee, HoldCo and the Borrower.

"Business Day" has the meaning given to the term "Business Day" in the Borrower STID.

"Effective Date" has the meaning given to the term in the Amendment and Restatement Deed.

"HoldCo Debenture" means the debenture dated 25 June 2002 between HoldCo and the Borrower Security Trustee.

"Party" means a party to this Deed.

"Released Security Assets" means all of the assets subject to the Security Interests granted in favour of the Borrower Security Trustee pursuant to the Security Agreements.

"Security" means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"Security Agreements" means: (i) the HoldCo Debenture; (ii) the Borrower Debenture; and (iii) the Borrower STID, and each a **"Security Agreement"**.

"Security Interests" means all of the Security created or expressed to be created in favour of the Borrower Security Trustee by or pursuant to the Security Agreements.

1.2 **Incorporation of defined terms**

Unless a contrary indication appears, terms defined in the Security Agreements have the same meaning when used in this Deed.

1.3 **Construction**

- (a) Any reference in this Deed to a **"Borrower Finance Document"** or any other agreement or instrument is a reference to that Borrower Finance Document or other agreement or instrument as amended, novated, supplemented, extended, restated (however fundamentally and whether or not more onerously) and/or replaced and includes any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under that Borrower Finance Document or other agreement or instrument.
- (b) The provisions in Clause 1.2 (*Interpretation*) of the Borrower STID apply to this Deed, except that references to the Facility Agreement shall be construed as references to this "Deed".

1.4 **Third party rights**

A person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or enjoy the benefit of any term of this Deed.

2. **RELEASE**

- (a) With effect from the Effective Date, the Borrower Security Trustee unconditionally and irrevocably and notwithstanding any term of a Borrower Finance Document to the contrary, releases each Chargor from all obligations and liabilities however arising under the Borrower Finance Documents whether past, present or future, actual or contingent.
- (b) With effect from the Effective Date, the Borrower Security Trustee hereby unconditionally and irrevocably and notwithstanding any term of a Borrower Finance Document to the contrary:
 - (i) releases and discharges all Security Interests created pursuant to the Security Agreement and each Chargor's property, assets and undertaking from all Security Interests constituted, created, evidenced or conferred by or pursuant to the Security Agreements;
 - (ii) releases, discharges, waives, terminates, reassigns and retransfers to each Chargor free of the any Security Interests all its rights, title and interest in that Chargor's property, assets and undertaking, present or future, that were assigned, charged or otherwise provided as Security Interests to the Borrower Security Trustee and/or the Borrower Finance Parties by or pursuant to the Security Agreements; and

- (iii) consents to each Chargor (at the cost and expense of the relevant Chargor) giving notice of the releases, discharges, waivers, terminations, reassignments and retransfers under this Deed to any person to whom notice of any Security Interest created by or pursuant to the Security Agreements was given.
- (c) With effect from the Effective Date, the Agent unconditionally and irrevocably and notwithstanding any term of a Borrower Finance Document to the contrary, releases each Chargor from all obligations and liabilities however arising under the Borrower Finance Documents whether past, present or future, actual or contingent.
- (d) On the Effective Date, the Released Security Assets shall be held free and discharged from the Security Interests created by or pursuant to, and all claims arising under, the Security Agreements.
- (e) The Borrower Security Trustee confirms that it will, as soon as reasonably practicable after the Effective Date, deliver all documents and notices (including all certificates and other documents of title or evidence of ownership) in respect of the Released Security Assets to the Chargors or as a Chargor may reasonably request.

3. INDEMNITY

Each Chargor shall on demand, indemnify the Borrower Security Trustee against any cost, loss, liability or expense incurred by it as a result of the exercise or purported exercise of any of the rights, powers, discretions, authorities and remedies conferred on it or them by this Deed or otherwise relating to the Released Security Assets.

4. BORROWER SECURITY TRUSTEE'S RIGHTS

Notwithstanding the releases referred to in Clause 2 (*Release*), the provisions of the Borrower Finance Documents which provide for rights, powers, discretions, exclusions or limitations of liability, indemnities or other protections, in favour of the Borrower Security Trustee shall continue to apply in relation to the actions of the Borrower Security Trustee taken (or omitted to be taken) and the performance by the Borrower Security Trustee of its role and in relation to the matters contemplated by this Deed.

4. POWER OF ATTORNEY

4.1 Appointment

The Borrower Security Trustee irrevocably appoints the Borrower to be its attorney on its behalf and in its name or otherwise for the sole purpose of:

- (a) giving notice (at the cost and expense of the Chargors) of the releases, discharges, waivers, retransfers of title, reassignments and terminations pursuant to this Deed of the Security Interests created by or pursuant to the Security Agreements to any person to whom notice of any Security Interest created by or pursuant to the Security Agreements was given; and
- (b) making any filings and registrations required to be made in order to give effect to this Deed.

4.2 **Ratification**

The Borrower Security Trustee ratifies and confirms and agrees to ratify and confirm whatever any such attorney shall do in the exercise or purported exercise of the power of attorney granted by it in Clause 4.1 (*Appointment*).

5. **COSTS AND EXPENSES**

The Borrower shall (or shall procure that each Chargor will) within 10 Business Days of demand, pay to the Borrower Security Trustee the amount of all costs and expenses (including legal fees) properly incurred by the Borrower Security Trustee in connection with the negotiation, preparation, printing, execution and delivery of this Deed and any other document referred to in this Deed.

6. **FURTHER ASSURANCE**

6.1 The Borrower Security Trustee shall, as soon as reasonably practicable after the Effective Date and subject to each Chargor having complied with Clause 4 (*Costs and expenses*), do all such acts and execute all such documents (including reassignments, retransfers, notices or releases) as a Chargor may reasonably specify to give effect to the release and discharge of the Security Interests created by or pursuant to the Security Agreements in accordance with the provisions of Clause 2 (*Release*).

6.2 Each Chargor shall take all such action as is available to it (including making all filings and registrations) as may be necessary for the purpose of the release of any of the Released Security Assets from the Security Interests created by or pursuant to the Security Agreements.

7. **AMENDMENTS AND WAIVERS**

Any term of this Deed may be amended or waived only with the consent of the Borrower Security Trustee and each Chargor.

8. **PARTIAL INVALIDITY**

If, at any time, any provision of this Deed is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

9. **COUNTERPARTS**

This Deed may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Deed.

10. **GOVERNING LAW**

This Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

11. **ENFORCEMENT**

(a) The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Deed (including a dispute relating to the existence, validity or termination of

this Deed or any non-contractual obligation arising out of or in connection with this Deed) (a "**Dispute**").

- (b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- (c) This Clause 11 is for the benefit of the Borrower Security Trustee only. As a result, the Borrower Security Trustee shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Borrower Security Trustee may take concurrent proceedings in any number of jurisdictions.

This Deed has been delivered on the date stated at the beginning of this Deed.

SIGNATURES

The Borrower Security Trustee

SIGNED as a **DEED** by **CAPITA TRUST
COMPANY LIMITED as attorney for CAPITA IRG
TRUSTEES LIMITED** by its duly authorised
attorney in the presence of _____

Authorised Attorney

.....

Signature of witness

.....

Name:

Address:

Occupation:

Address:

Fax No:

Attention:

SIGNED as a **DEED** by **DEE VALLEY WATER**
PLC acting by _____ a
Director in the presence of

Signature of Director

.....

Signature of witness

.....

Name:

Address:

Occupation:

Address:

Fax No:

Attention:

SIGNED as a **DEED** by **DEE VALLEY WATER**
(HOLDINGS) LIMITED acting by
_____ a Director in the
presence of _____

Signature of Director

.....

Signature of witness

.....

Name:

Address:

Occupation:

Address:

Fax No:

Attention:

SIGNED as a **DEED** by **ROYAL BANK OF**
SCOTLAND PLC acting by
_____ a Director in the
presence of _____

Signature of Director

.....

Signature of witness

.....

Name:

Address:

Occupation:

Address:

Fax No:

Attention:

SCHEDULE 4
AGREED FORM OF INSTRUCTION LETTER

To:

Capita IRG Trustees Limited (in its capacity as “**Controlling Finance Party**”, “**Borrower Security Trustee**”, “**Issuer Security Trustee**”, “**Qualifying Debt Representative**” and “**Bond Trustee**”)
c/o Capita Trust Company Limited
4th Floor
40 Dukes Place
London EC3A 7NH
England

[•] 2016

Dear Sirs

Dee Valley Water PLC (the “Borrower”)

1 Introduction

- 1.1** We are the Controlling Creditor in respect of the Programme for the Guaranteed Secured Bonds issued by Artesian Finance plc (the “**Issuer**”) pursuant thereto. We acknowledge that Capita IRG Trustees Limited is the Controlling Finance Party and is the Issuer Security Trustee under and/or referred to in the Borrower Finance Documents.
- 1.2** The Controlling Creditor acknowledges and agrees that the Issuer Security Trustee is the Qualifying Debt Representative under and for the purposes of the Borrower Finance Documents.
- 1.3** We refer to the:
- 1.3.1** Secured Index-Linked Term Facility Agreement dated 19 June 2002, as amended from time to time between, *inter alia*, the Borrower, Dee Valley Water (Holdings) Limited (“**Holdco**”) and the Lender (the “**Facility Agreement**”);
 - 1.3.2** Borrower Security Trust and Intercreditor Deed dated 19 June 2002, as amended from time to time between, *inter alia*, the Borrower, the Borrower Security Trustee and the Agent (the “**Borrower STID**”);
 - 1.3.3** Holdco Debenture dated 25 June 2002 between Holdco and the Borrower Security Trustee (the “**Holdco Debenture**”); and
 - 1.3.4** Borrower Debenture dated 19 June 2002 between the Borrower and the Borrower Security Trustee (the “**Borrower Debenture**”).

2 Definitions

Terms used but not defined herein shall have the meanings given to them in the Facility Agreement and the Borrower STID.

3 Restructuring steps

- 3.1** The following restructuring is proposed to take place following the acquisition by Severn Trent Water Limited (“**Severn Trent**”) of the entire share capital of Dee Valley Group plc (“**Share Acquisition**”):

- 3.1.1 release of all security under the Holdco Debenture and Borrower Debenture (“**Security Releases**”);
 - 3.1.2 novation of the obligations of the Borrower under the Facility Agreement to Severn Trent (“**Change of Obligor**”); and
 - 3.1.3 amendment of the covenant package under the Facility Agreement and the Borrower STID to reflect an unsecured corporate credit risk against Severn Trent (“**Amendment to Unsecured Covenant Package**”),
- together the (“**Restructuring**”).

- 3.2 The granting and scope of consents for the Restructuring is controlled by the Controlling Finance Party under the Borrower Finance Documents acting in accordance with instructions from Assured Guaranty (Europe) Ltd. (formerly known as Financial Security Assurance (U.K.) Limited) (the “**Controlling Creditor**”) under the Issuer Finance Documents (as defined in the bond trust deed dated 19 June 2002 between the Issuer, Capita IRG Trustees Limited as bond trustee, and the Controlling Creditor relating to the Programme).
- 3.3 The Controlling Creditor approves and instructs the Issuer Security Trustee as the Controlling Finance Party to approve, and the Controlling Finance Party grants its approval of, the Restructuring (such approval and instruction is evidenced by the signature of the Controlling Creditor and the Controlling Finance Party as set out below).

4 Approval and Instruction

- 4.1 Notwithstanding any other provisions in the Borrower Finance Documents or the Borrower Security Documents, with effect from the date hereof, we, the undersigned, as Controlling Creditor,
 - 4.1.1 hereby approve and instruct the Issuer Security Trustee (as Controlling Finance Party) to approve the Security Releases;
 - 4.1.2 hereby approve and instruct the Issuer Security Trustee (as Controlling Finance Party) to approve Severn Trent as the new borrower and the Change of Obligor;
 - 4.1.3 hereby approve and instruct the Issuer Security Trustee (as Controlling Finance Party) to approve the Amendment to Unsecured Covenant Package; and
 - 4.1.4 hereby instruct the Issuer Security Trustee (as Controlling Finance Party) to execute and enter into the Amendment Deed to the Borrower STID.

5 Amendment documentation

- 5.1 We, as Controlling Creditor, hereby instruct the Controlling Finance Party to instruct the Borrower Security Trustee to execute and enter into:
 - 5.1.1 the Amendment Deed to the Borrower STID in the form attached to this letter as Schedule 1 (the “**Amendment Deed to the Borrower STID**”); and
 - 5.1.2 the Security Deed of Release in the form attached to this letter as Schedule 2 (the “**Deed of Release**”),

(together, the “**Relevant Documents**”) in each case to give effect to the Restructuring.

6 Directions and requests

6.1 On the basis of, and in reliance upon, the above instructions of Assured Guaranty (Europe) Ltd. as Controlling Creditor in relation to the Bonds, the Controlling Finance Party, by counter-signing this letter:

6.1.1 approves Severn Trent as the new borrower and the Change of Obligor; and

6.1.2 instructs and directs the Borrower Security Trustee to execute and enter into the Relevant Documents.

7 We, as two Authorised Signatories of Assured Guaranty (Europe) Ltd. as Controlling Creditor, certify as follows:

7.1.1 no FSA Default (as defined in the Bond Trust Deed), or, to our knowledge, Event of Default exists or will result from the Restructuring or implementation of the Restructuring or entry into the Relevant Documents;

7.1.2 for the purposes of the Issuer Security Trust and Intercreditor Deed, none of the steps contemplated by the Restructuring, the giving of approval thereof or the entry into the Relevant Documents will give rise to or constitute an Entrenched Right of the Issuer Security Trustee or an Entrenched Right of the Bond Trustee; and

7.1.3 none of the steps contemplated by the Restructuring or implementation thereof will necessitate release of any Security created or purported to be created by the Issuer Debenture which Security shall continue in full force and effect.

8 Counterparts

This letter may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this letter.

9 Governing law

This letter and any non-contractual obligations arising out of or in connection with it are governed by English law.

Please kindly acknowledge receipt of this letter by signing and returning the enclosed duplicate copy.

Yours faithfully,

Authorised Signatory

Authorised Signatory

For and on behalf of

ASSURED GUARANTY (EUROPE) LTD
(as Controlling Creditor)

We, as Controlling Finance Party and Issuer Security Trustee, hereby acknowledge the letter dated [●] 2016 from Assured Guaranty (Europe) Ltd and accordingly agree to enter into the Amendment Deed to the Borrower STID.

**CAPITA TRUST COMPANY LIMITED as
attorney for CAPITA IRG TRUSTEES
LIMITED
as Controlling Finance Party and Issuer
Security Trustee**

}

By:

Name:

Title:

We, as Borrower Security Trustee, hereby acknowledge the letter from Assured Guaranty (Europe) Ltd. dated [●] 2016 and accordingly agree to enter into the Relevant Documents.

**CAPITA TRUST COMPANY LIMITED as
attorney for CAPITA IRG TRUSTEES
LIMITED
as Borrower Security Trustee**

}

By:

Name:

Title:

SCHEDULE 1
AMENDMENT DEED TO THE BORROWER STID

SCHEDULE 2
DEED OF RELEASE