



HERBERT  
SMITH  
FREEHILLS

DRAFT: 9 January 2017

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**INSTRUMENT**  
constituting  
**[●]**  
**0.85 PER CENT. UNLISTED**  
**UNSECURED LOAN NOTES 2022**  
of  
**SEVERN TRENT WATER LIMITED**

Herbert Smith Freehills LLP

**THIS INSTRUMENT** is made [date] by Severn Trent Water Limited a company incorporated in England and Wales (Registered No.02366686) (the "**Company**") whose registered office is at Severn Trent Centre, 2 St John's Street, Coventry, CV1 2LZ, United Kingdom

**WHEREAS:**

- (A) The Company has, in accordance with its articles of association, by a resolution of its board of directors passed on [●] created [●] 0.85% Unsecured Loan Notes 2022 to be constituted as hereinafter provided.
- (B) The Loan Notes are to be issued as consideration for those shares of Dee Valley Group plc ("**Dee Valley**") in respect of which eligible ordinary shareholders of Dee Valley elect to receive loan notes as an alternative to cash consideration in connection with the recommended acquisition of the entire issued and to be issued ordinary voting share capital of Dee Valley.
- (C) No application has been or will be made to any stock exchange for the Loan Notes to be listed or dealt in.
- (D) The Loan Notes will not be issued to any persons who are Restricted Overseas Persons.

**NOW THIS INSTRUMENT WITNESSES** as follows:

1. **DEFINITIONS**

1.1 In this Instrument the following expressions have the following meanings:

"**Acquisition**" means the recommended acquisition of the entire issued and to be issued ordinary share capital of Dee Valley by the Company;

"**Admission**" means admission of a majority of the issued ordinary share capital of Dee Valley to the Official List of the UK Listing Authority or to any other Recognised Investment Exchange and to trading on the London Stock Exchange, or any other Recognised Investment Exchange, and "**Admitted**" shall be construed accordingly;

"**business day**" means a day (other than a Saturday or Sunday) on which banks are open for general business in London;

"**Company's Group**" means the Company and all other companies which from time to time are members of the same group as the Company for the purposes of Chapter 4 of Part 5 of the Corporation Tax Act 2009 (loan relationships: continuity of treatment on transfers within groups or on reorganisations);

"**Conditions**" means the conditions in the form set out in Schedule 2 (as from time to time modified in accordance with the provisions herein contained) to be endorsed on each Loan Note certificate;

"**Control**" means:

- (a) the power (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) to appoint or remove all or such of the members of the board or other governing body of a person as are able to cast the majority of the votes capable of being cast by the members of that board or body on all, or substantially all, matters, or otherwise to control or have the power to control the policies and affairs of that person (and for the purposes of determining whether the power to appoint or remove directors exists the provisions of section 1159(3) and Schedule 6 of the Companies Act 2006 shall apply); or
- (b) the holding or possession of the beneficial interest in or the ability to exercise the voting rights applicable to shares or other securities in any person (whether directly or indirectly) which confer in aggregate on the holders thereof more than 50% of the total voting rights exercisable at general meetings of that person on all, or substantially all, matters;

"**Extraordinary Resolution**" has the meaning set out in paragraph 11 of Schedule 4;

**"Family Trust"** means, as regards any individual, a trust under which no immediate beneficial interest in any of the Loan Notes is for the time being vested in any person other than the individual or Relatives of the individual and by virtue of which no voting or other rights attaching thereto are or may become liable to be exercisable by or as directed by or subject to the consent of any person other than the individual and Relatives of the individual or the trustees as trustees of such trust;

**"Instrument"** means this instrument and its Schedules (including the Conditions) as from time to time modified in accordance with the provisions herein contained;

**"interest payment date"** has the meaning given in Condition 2;

**"interest periods"** has the meaning given in Condition 2.3;

**"Loan Note Alternative"** means the alternative whereby ordinary shareholders of Dee Valley (other than Restricted Overseas Persons) may elect, subject to certain limitations and conditions, to receive Loan Notes instead of all or part of the cash consideration to which they would otherwise be entitled pursuant to the terms of the Acquisition;

**"Loan Notes"** means the amount for the time being issued and outstanding of the issue of [•] 0.85% Unsecured Loan Notes 2022 hereby constituted and any further Loan Notes created pursuant to Clause 3.1 to form a single issue with the original Loan Notes;

**"Noteholder"** means a person whose name is entered in the Register as the holder of a Loan Note from time to time;

**"Permitted Transferee"** means, as regards any Noteholder or deceased Noteholder, a Relative of the Noteholder or deceased Noteholder or the trustees of a Family Trust of the Noteholder or deceased Noteholder or of a Relative of the Noteholder or deceased Noteholder;

**"Recognised Investment Exchange"** means an investment exchange that is recognised under the Financial Services and Markets Act 2000;

**"redemption date"** has the meaning given in Condition 3.3;

**"Register"** means the register of holders of the Loan Notes referred to in Clause 8.1;

**"Relative"** means a spouse/civil partner, a widower/widow/surviving civil partner, a parent, a child, a stepchild, an adopted child or an illegitimate child;

**"Restricted Overseas Person"** means a person (including an individual, partnership, unincorporated syndicate, limited liability company, unincorporated organisation, trust, trustee, executor, administrator or other legal representative) in, or resident in, or any person whom the Company reasonably believes to be in or resident in or with a registered address in any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Acquisition is sent or made available to Dee Valley shareholders in that jurisdiction and any custodian, nominee or trustee for persons in such jurisdictions and any person in any other jurisdiction (other than persons in the United Kingdom) whom the Company is advised to treat as a restricted overseas person in order to observe the laws of such jurisdiction or to avoid any requirement to comply with any governmental or other consent or any registration, filing or other formality which the Company regards as unduly onerous;

**"Sale Event"** means a change of Control of the Company;

**"Substituted Instrument"** has the meaning given in Condition 7.1; and

**"Substituted Issuer"** has the meaning given in Condition 7.1.

1.2 In this Instrument, including the recitals:

1.2.1 a reference to a Recital, Clause or Schedule is a reference to a Recital or Clause of, or Schedule to, this Instrument;

1.2.2 a reference to a statute or statutory provision shall include a reference:

- (A) to that statute or provision as from time to time consolidated, modified, re-enacted, or replaced by any statute or statutory provision;
  - (B) to any repealed statute or statutory provision which it re-enacts (with or without modification); and
  - (C) to any subordinate legislation made under the relevant statute;
- 1.2.3 words in the singular include the plural and vice versa;
- 1.2.4 a reference to any gender includes a reference to all genders;
- 1.2.5 a reference to a person include a reference to a firm, a body corporate, an unincorporated association or to a person's executors or administrators;
- 1.2.6 save where expressly defined in this Instrument, any words and expressions defined in the Companies Act 2006 shall have the meaning therein ascribed to them; and
- 1.2.7 any reference to the "Company" shall be deemed to include any company substituted as principal debtor or debtors in accordance with Clause 6 and the Conditions.

## **2. ISSUE OF LOAN NOTES**

- 2.1 The Loan Notes shall be known as "Severn Trent Water 0.85% Unsecured Loan Notes 2022" and shall be issued by the Company fully paid in amounts and integral multiples of 10 pence.
- 2.2 The Loan Notes shall be held subject to and with the benefit of the Conditions and the provisions set out in this Instrument.
- 2.3 Save as otherwise provided in Clause 7 below, each Noteholder shall be entitled to one certificate stating the principal amount of the Loan Notes issued to him. Every Loan Note certificate shall be issued under the seal of the Company or bearing an imprint or representation of the seal or such other form of authentication as the directors of the Company shall determine, and shall be substantially in the form set out in Schedule 1 with the Conditions endorsed thereon.
- 2.4 The balance of any entitlement to Loan Notes which is not a whole multiple of 10 pence will be disregarded and not issued.

## **3. PRINCIPAL AMOUNT AND RANKING OF LOAN NOTES**

- 3.1 The aggregate principal amount of the original issue of the Loan Notes is limited to £[•]. The Company may from time to time by resolution of its board of directors create and issue further Loan Notes (on arm's length terms and not merely to reduce the voting rights of existing Noteholders), to be constituted by deed or instrument expressed to be supplemental hereto so as to form a single issue with the original Loan Notes, or cancel any Loan Notes created but unissued.
- 3.2 The Loan Notes shall rank pari passu amongst themselves and pari passu with all other unsecured and unsubordinated obligations of the Company, except for those obligations which are preferred by insolvency laws or laws relating to creditors' rights generally.

## **4. REPAYMENT**

The Company shall pay to each Noteholder on the date specified in the Conditions for the repayment of the Loan Notes the principal amount of his Loan Notes outstanding at that

date together with all accrued interest (less any tax which is required by law to be deducted or withheld) up to and including the date of repayment, as specified in the Conditions.

5. **INTEREST**

Pending repayment of the Loan Notes in accordance with the Conditions the Company will pay interest to each Noteholder (less any tax which is required by law to be deducted or withheld) on the principal amount of the Loan Notes for the time being outstanding as provided in the Conditions. Neither the Company nor any Substituted Issuer shall be obliged to increase its payments to Noteholders in respect of any tax deducted or withheld in respect of any payment.

6. **SUBSTITUTION OF THE COMPANY WITH ANOTHER COMPANY**

The Company may, in accordance with the Conditions, substitute as the principal debtor or debtors under some or all of these Loan Notes, any other member of the Company's Group, without the consent of or prior notice to the Noteholders.

7. **JOINT NOTEHOLDERS**

7.1 The Company shall not be obliged to register more than four persons as the joint holders of any Loan Note.

7.2 Joint holders of Loan Notes will be entitled only to one Loan Note certificate in respect of their joint holding which will be sent to the joint holder whose name appears first in the Register.

8. **REGISTER OF NOTEHOLDERS**

8.1 The Company shall maintain at all times a register at Severn Trent Centre, 2 St John's Street, Coventry, CV1 2LZ, United Kingdom (or at such other place within the United Kingdom as the Company may from time to time notify to the Noteholders), showing in respect of each holder of the Loan Notes:

8.1.1 his name and address from time to time;

8.1.2 the principal amount of the Loan Notes held by him from time to time;

8.1.3 the date on which his name was entered in the Register;

8.1.4 the serial number of his Loan Note certificate(s);

8.1.5 the date on which the Loan Notes held by him were issued; and

8.1.6 the date on which he ceased to hold any Loan Notes.

8.2 A Noteholder may inspect the Register at the location referred to in Clause 8.1 at any reasonable time during office hours, except during such period or periods (not exceeding 30 days in total in any year) as the Register is closed.

9. **COVENANT BY THE COMPANY**

The Company hereby covenants with each Noteholder duly to perform and observe the obligations imposed on it in this Instrument and any Noteholder may sue for the performance or observance of the provisions hereof in relation to his Loan Notes. The terms set out in this Instrument shall enure for the benefit of each Noteholder, their successors, and Permitted Transferees.

10. **COVENANT BY NOTEHOLDERS**

10.1 Each Noteholder hereby covenants with the Company that it will pay an amount calculated in accordance with Clause 10.2 in respect of any tax due on any payment made by the

Company, without deduction or withholding of any tax, under this Loan Note, where such payment should have been made after deduction or withholding of any tax.

10.2 The amount due under Clause 10.1 above shall be the amount of any tax which should have been deducted or withheld from the payment made plus any interest and penalties due in respect of such tax.

10.3 Any payment required under this Clause 10 shall be made within three business days of receiving notification from the Company that such payment is due.

10.4 If payment is not made in accordance with Clause 10.3, the Company shall be entitled to set off any payment due under Clause 10.2 against subsequent payment or payments made to the Noteholder under this Loan Note.

11. **SCHEDULES**

The Conditions and the other provisions of the Schedules shall have effect as if they were set out herein.

12. **SUPPLEMENTAL INSTRUMENTS**

A memorandum of execution of any instrument supplemental to this Instrument shall be endorsed by the Company on this Instrument.

13. **COUNTERPARTS**

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

14. **GOVERNING LAW AND JURISDICTION**

14.1 This Instrument and the Loan Notes and any dispute or claim arising out of, or in connection with, any of them (whether contractual or non-contractual in nature) shall be governed by and construed in all respects in accordance with English law.

14.2 The Courts of England shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning this Instrument and the Loan Notes and any matter arising therefrom and the Company and the Noteholders waive any right to object to an action being brought in those courts, to claim that the action has been brought in an inconvenient forum or to claim that those Courts do not have jurisdiction.

This Instrument has been executed as a Deed and is delivered on the date shown above.

**SCHEDULE 1**

**Certificate No.**

**Amount £[•]**

**SEVERN TRENT WATER LIMITED**

(the "**Company**")

(Incorporated under the Companies Act 2006

and registered in

England and Wales No. 02366686)

**SEVERN TRENT WATER LIMITED**

**0.85% UNSECURED LOAN NOTES 2022**

issued pursuant to the Company's Articles of Association and created pursuant to a resolution of its board of directors (or a duly authorised committee thereof) passed on [date], with power reserved to create and issue further Loan Notes.

**THIS IS TO CERTIFY THAT [NAME]**

(the "**Noteholder**") is/are the registered holder(s) of £[•] in principal amount of 0.85% Unsecured Loan Notes 2022 (the "**Loan Notes**") constituted by an Instrument entered into by the Company on [Date] (the "**Instrument**") and issued with the benefit of, and subject to the provisions contained in, such Instrument and the Conditions endorsed hereon (the "**Conditions**").

Interest is payable on the Loan Notes in accordance with Condition 2. The Loan Notes are repayable in accordance with Condition 3.

The Loan Notes are non-transferable. This certificate must be surrendered before any transfer of the Loan Notes can be registered or any new Loan Note certificate can be issued.

Schedule 3 to the Instrument contains provisions relating to registration, transfer and other matters of an administrative nature relating to the Loan Notes. Schedule 4 to the Instrument contains provisions relating to meetings of Noteholders.

A copy of the Instrument is available for inspection at the registered office of the Company at Severn Trent Centre, 2 St John's Street, Coventry, CV1 2LZ, United Kingdom. Copies may be obtained by any Noteholder upon request.

The Loan Notes are governed by and are to be construed in accordance with English law.

**IN WITNESS** whereof this certificate has been executed by the Issuer.

Executed as a Deed by .....

Severn Trent Water Limited acting by (Signature of director)

[insert name of director]

in the presence of

.....

(Name of witness)

.....

.....

.....

(Address of witness)

.....

(Signature of witness)



**REDEMPTION NOTICE**

To: **Severn Trent Water Limited**

I/We, being the registered holder(s) of the Loan Notes represented by this certificate, hereby give notice that I/we require the Company to redeem \*all/£ only of the said Loan Notes on \*\*

I/We hereby authorise the redemption money to be sent to me/us (by cheque) by ordinary post at my/our risk to:

\*\*\*Name and address:

.....  
.....  
.....

Signature(s) of Noteholder(s) .....  
.....  
.....

\*Delete or complete as appropriate. Holdings of Loan Notes are redeemable in whole or in part, in the latter case only in amounts or integral multiples of £1,000. If no figure is inserted in this space the notice will be deemed to relate to all the Loan Notes represented by this certificate.

\*\*Insert a date being either 1 January or 1 July in any year between 1 January 2018 and 1 July 2022 (See Note 2). A business day is a day (other than a Saturday or Sunday) on which banks are open for general business in London.

\*\*\*If no name or address is inserted, payment will be made and sent to the address of the Noteholder shown in the Register mentioned in Clause 8 of the Instrument (or, in the case of joint holders, to the Noteholder whose name appears first in the Register).

**Notes:**

- (1) In the case of joint holders all must sign. A corporation must execute by the signature of a duly authorised officer.
- (2) This certificate with the above notice duly completed and executed must be received by the Company at Severn Trent Centre, 2 St John's Street, Coventry, CV1 2LZ (or such other place within the United Kingdom as the Company may from time to time notify to the Noteholders) not less than 20 business days prior to the date for redemption specified in the notice.
- (3) In the case of redemption of part only of a holding of Loan Notes the Noteholder (or, in the case of joint holders, the one whose name appears first in the Register) will be sent a certificate for the balance.

## SCHEDULE 2

### THE CONDITIONS

#### 1. STATUS

The Loan Notes are issued in amounts and multiples of 10 pence and constitute unsecured obligations of the Company.

#### 2. INTEREST

- 2.1 Interest on the Loan Notes will accrue from day to day and will be calculated on the basis of a 365 day year. Interest will be payable (less any tax which is required by law to be deducted or withheld) at the rate specified in Condition 2.5 six monthly in arrears on 1 January and 1 July in each year (each an "**interest payment date**") in respect of the interest periods (as defined in Condition 2.3). Neither the Company nor any Substituted Issuer shall be obliged to increase any payment to Noteholders in respect of any tax deducted or withheld in respect of such interest payment. Any payment of interest which is due to be made on a day which is not a business day will be made on the next business day (for the avoidance of doubt, during any such extension of the next due date for payment of principal no additional interest is payable in respect of such principal).
- 2.2 Each payment of interest provided for in Condition 2.1 above shall relate to the period from (and including) the first day of the relevant interest period to (and including) the last day of such period and shall be paid as provided in Condition 2.6.
- 2.3 "**interest periods**" shall in respect of any Loan Note be:
- (A) the period commencing on the date of issue of the Loan Note and ending on the next following interest payment date; and
  - (B) any subsequent period commencing on the day following an interest payment date and ending on the next interest payment date.
- 2.4 Interest shall cease to accrue on any Loan Notes becoming due for redemption, purchase or repayment as from the relevant due date for payment, unless payment of the moneys due to the Noteholder shall be refused by the Company otherwise than as permitted by Condition 6.1 below.
- 2.5 The rate of interest on the Loan Notes in respect of an interest period will be 0.85 per cent..
- 2.6 Save in the case of a repayment under Condition 3.1, interest shall be paid to those Noteholders who are on the Register at the close of business on the fourteenth day preceding the relevant interest payment date and for the purposes of the payment of interest any transfer or transmission of any of Loan Notes between such date and the relevant interest payment date shall be ignored.
- 2.7 Where it appears to the Company that the person beneficially entitled to the interest on the Loan Notes is a company liable to corporation tax in respect of that interest the Noteholder shall on written request from the Company provide the Company with such information as may reasonably be requested so as to enable the Company to pay interest without deduction or withholding of tax in respect of such Loan Note and shall keep the Company fully informed of any change in circumstance which may give rise to an obligation on the Company to withhold or deduct tax in respect of the interest on the Loan Notes.

#### 3. REDEMPTION

- 3.1 Save to the extent previously redeemed, purchased or cancelled pursuant to Conditions 3 or 4, the Loan Notes will be redeemed at par on 1 July 2022 together with accrued interest

- up to (and including) such date (less any tax which is required to be deducted or withheld by law).
- 3.2 A Noteholder shall be entitled by notice in writing to the Company to call for immediate redemption of any of his Loan Notes at par together with accrued interest (less any tax which is required by law to be deducted or withheld) if:
- 3.2.1 the principal amount of, or any interest on, such Loan Notes shall not have been paid in full within 30 days after the due date; or
- 3.2.2 an order is made or an effective resolution is passed for the winding up of the Company (other than a members' voluntary winding up previously approved by an Extraordinary Resolution of the Noteholders);
- 3.3 A Noteholder may, by completing and signing the redemption notice set out on the reverse of his Loan Note certificate (a "**redemption notice**") and delivering the same (together with his Loan Note certificate) in accordance with the instructions thereon not less than 20 business days prior to the redemption date specified therein (being any 1 January and 1 July provided that the earliest date that may be so specified is 1 January 2018) (a "**redemption date**"), require the Company to redeem for cash at par the whole or a part of his holding of Loan Notes, in the latter case only in amounts or integral multiples of £1,000, on the redemption date provided that no such notice may be given in respect of any Loan Notes:
- 3.3.1 if a redemption notice has previously been given by the Company pursuant to Condition 3.5 below; or
- 3.3.2 before the expiry of six months from the date of issue of such Loan Notes.
- 3.4 Subject to Condition 6.3, following service of a redemption notice, the Company shall, on the redemption date, redeem the Loan Notes to which it relates at par together with accrued interest (less any tax which is required by law to be deducted or withheld) up to (and including) such date. If any redemption date falls on a day which is not a business day, payments provided for in this Condition 3.4 shall be made on the next business day (for the avoidance of doubt, no additional interest shall be payable on respect of any such extension). Payments shall be made in accordance with the provisions of paragraph 12 of Schedule 3.
- 3.5 The Company or any subsidiary of the Company may at any time on or after 1 January 2018 purchase any Loan Notes at any price by tender available to all Noteholders alike or otherwise by agreement with any Noteholder.
- 3.6 If at any time on or after 1 January 2018 less than 50 per cent of the nominal amount of all of the Loan Notes shall remain outstanding the Company may, by giving to the remaining Noteholders not less than 30 days' prior notice in writing, redeem all (but not some only) of the outstanding Loan Notes at par together with accrued interest (less any tax which is required by law to be deducted or withheld) up to (and including) the date of redemption.
4. **CANCELLATION**
- 4.1 Any Loan Notes redeemed or purchased pursuant to Condition 3 shall be available for reissue by the Company.
- 4.2 Save as otherwise provided in Condition 3.3 above, every Noteholder part or all of whose holding of Loan Notes is due to be redeemed or purchased in accordance with these Conditions shall deliver to the Company at the address at which the Register of Noteholders is held the relevant Loan Note certificate(s) not later than the due date for redemption or purchase in order that they may be cancelled, whereupon the Company shall pay to the Noteholder the amount of principal and interest (less any tax which is

required to be deducted or withheld by law) to which he is entitled. If any such certificate delivered to the Company includes Loan Notes which are not to be redeemed or purchased the Company shall issue to the Noteholder, without charge, a new certificate for the balance of such Loan Notes.

## 5. **MODIFICATION OF RIGHTS**

- 5.1 The Company may amend the provisions of the Loan Note Instrument without the sanction or consent of the Noteholders (as provided for in Schedule 4) if, in the opinion of a financial adviser to the Company, such amendment would not be prejudicial to the interests of the Noteholders or is of a formal, minor or technical nature or corrects a manifest error, unless such amendment would, under the laws in force at the time the amendment was intended to take effect, constitute a disposal (deemed or actual) of the Loan Notes (or any of them) by the Noteholders for the purposes of United Kingdom taxation chargeable gains.
- 5.2 Any opinion of a financial adviser for the purposes of Condition 5.1 shall be arrived at in its absolute discretion without consulting the Noteholders and no liability shall attach to it in such respect.

## 6. **FAILURE TO DELIVER CERTIFICATE OR ACCEPT PAYMENT AND FORFEITURE**

- 6.1 If any Noteholder whose Loan Notes are due to be redeemed, purchased or repaid in whole or in part under these Conditions shall fail or refuse to deliver up the relevant certificate(s) at the time and place fixed by these Conditions, to accept payment of or give a receipt for such payment, the amount payable to such Noteholder shall be deposited in a separate bank account and, subject to Condition 6.2 below, retained by the Company on trust for such Noteholder pending the acceptance or the giving of a receipt as aforesaid, which deposit shall be deemed for all the purposes of these Conditions to be a payment to such Noteholder, and the Company shall thereby be discharged from all further obligations in respect of such Loan Notes.
- 6.2 If the Company shall deposit the relevant funds as provided in Condition 6.1 above, the Company shall not be responsible for the safe custody of such moneys nor for the payment of any interest accrued thereon to the Noteholder. The Noteholder shall cease to be entitled to any amount so deposited which has remained unclaimed after a period of 10 years from the making of the deposit and, on the expiry of such period, any such amount shall, if the directors of the Company so resolve, be forfeited and cease to remain owing by the Company.
- 6.3 Accrued interest on any Loan Note which has remained unclaimed for a period of 5 years and the principal amount of any Loan Notes which has remained unclaimed for a period of 10 years, in each case from the due date for payment of the same, shall if the directors of the Company so resolve be forfeited and cease to remain owing by the Company.

## 7. **SUBSTITUTION OF COMPANY WITH ANOTHER GROUP COMPANY**

- 7.1 The Company (and any previous Substituted Issuer) may, without the consent of the Noteholders, substitute, in place of the Company (or in place of any such previous Substituted Issuer) as the principal debtor or debtors under this Instrument or any instrument expressed to be supplemental to this Instrument in respect of some or all of the Loan Notes, any other member of members of the Company's Group (hereinafter, and where relevant together, called a "**Substituted Issuer**") by means of an instrument (a "**Substituted Instrument**") executed by (a) the Company or (insofar as relevant) any current Substituted Issuer at the relevant time and (b) the Substituted Issuer(s) which is (or are) to replace it or them, in such form as they may agree, a copy of which shall be made available for inspection by Noteholders.
- 7.2 Compliance with the provisions of Condition 7.1 will (subject as provided in the next sentence) operate to release the Company and any other prior Substituted Issuer from all,

or some only, of its obligations under this Instrument and to transfer (subject as aforesaid) to the new Substituted Issuer all, or some only, of its or their rights and obligations under this Instrument and, insofar as relevant, under any Substituted Instrument and the Loan Notes and all provisions of this Instrument which operate by reference to matters or circumstances pertaining to the Company shall (subject as aforesaid) operate as if references to the Company were references to the new Substituted Issuer. Where a substitution pursuant to Condition 7.1 relates to some only of the Loan Notes, the release or (as the case may be) transfer referred to in the preceding sentence shall only take effect to the extent of the Loan Notes so substituted and the provisions of this Instrument which operate by reference to matters or circumstances pertaining to the Company shall operate as if (in relation only to the Loan Notes so substituted) references to the Company were references to the new Substituted Issuer.

- 7.3 Upon the execution of a Substituted Instrument and compliance with the other provisions of Condition 7.1, the Substituted Issuer will be deemed to be named in this Instrument and in the relevant Loan Notes as the principal debtor in the place of the Company (and in place of any other prior Substituted Issuer) in respect of the substituted Loan Notes. The existing certificates in respect of the substituted Loan Notes held by the relevant Noteholders (including the Conditions endorsed thereon) shall not be cancelled but shall be effective in relation to the Substituted Issuer.
- 7.4 Not later than 28 days after the execution of any Substituted Instrument and after compliance with all such requirements as are set out in Condition 7.1, the new Substituted Issuer shall give notice of the substitution to the relevant Noteholders.

## 8. **OVERSEAS RESTRICTIONS**

- 8.1 The Loan Notes have not been, and will not be, registered under the US Securities Act or under the applicable securities laws of any state, district or other jurisdiction of the United States.
- 8.2 Neither the US Securities and Exchange Commission nor any US state securities commission has approved or disapproved of the Loan Notes or determined if this Instrument is accurate or complete.
- 8.3 The relevant clearances have not been, and will not be, sought to enable the Loan Notes to be offered in compliance with the applicable securities laws of United States, Australia, Canada or Japan (or any province or territory thereof, if applicable) or any other jurisdiction.
- 8.4 The Loan Notes may not be offered, sold, resold or delivered, directly or indirectly, in, into or from the United States, Australia, Canada or Japan (or to any residents thereof) or any other jurisdiction (or to residents of that jurisdiction) if to do so would constitute a violation of the relevant laws of such jurisdiction.

## 9. **CURRENCY ELECTION**

- 9.1 Subject to Conditions 9.2, 9.3 and 9.4 below, a Noteholder may elect that the principal amount of the Loan Notes shall be redeemed in US dollars. The election must be submitted by the Noteholder in writing to the Company not less than 28 days and no more than 6 months before the redemption of all or any part of the Loan Notes held by the Noteholder in accordance with Condition 3. In each case the Company shall, on the relevant redemption date, pay to the Noteholder an amount in US dollars obtained by converting the principal amount outstanding of such Loan Notes into US dollars (at the spot rate for the purchase of US dollars with sterling prevailing at the date 30 days before the redemption date).
- 9.2 If the amount payable in US dollars under this Condition would otherwise be less than the amount in US dollars obtained by converting 99.75% of the sterling principal amount

outstanding of such Loan Notes into US dollars at the spot rate for the purchase of US dollars with sterling at 12.00 am on the redemption date, the latter amount shall be substituted therefor.

- 9.3 If the amount payable in US dollars under this Condition would otherwise exceed the amount in US dollars obtained by converting 100.25% of the sterling principal amount outstanding of such Loan Notes into US dollars at the spot rate for the purchase of US dollars with sterling at 12.00am on the redemption date, the latter amount shall be substituted therefor.
- 9.4 The Company shall determine the spot rate in good faith for the purpose of this Condition.

## **SCHEDULE 3**

### **PROVISIONS AS TO REGISTRATION, TRANSFER AND OTHER ADMINISTRATIVE MATTERS**

#### **1. RECOGNITION OF NOTEHOLDERS**

- 1.1 Except as required by law, no person shall be recognised by the Company as holding any Loan Notes upon any trust and (except as otherwise provided by these Conditions or by law) the Company shall not be bound by or recognise any interest in any Loan Note except an absolute right to the entirety of it in the holder. The receipt by a Noteholder, or of any joint Noteholder, for any interest from time to time accruing or due or for any other moneys payable in respect of any Loan Notes shall be a good discharge of the Company, notwithstanding any notice the Company may have, whether express or otherwise, of any right, title, interest or claim of any other person to or in such Loan Notes, interest or moneys.
- 1.2 Every Noteholder will be recognised by the Company as entitled to his Loan Notes free from any equity, set-off or counter-claim on the part of the Company against the original or any Noteholder.
- 1.3 No person other than a Noteholder or the Company shall have any right to rely on or enforce any term or Condition of the Loan Notes.

#### **2. NO LISTING**

No application has been or will be made for the Loan Notes to be admitted to listing or be dealt with in any stock exchange or other trading facility.

#### **3. TRANSFER**

- 3.1 No assignment, transfer, sale or other disposal of any Loan Notes will be registered.

#### **4. DEATH OR BANKRUPTCY**

- 4.1 If a Noteholder dies his personal representatives (where he was a sole holder or the only survivor of joint holders) or his survivors (where he was a joint holder) shall be the only persons recognised by the Company as having any title to his Loan Notes.
- 4.2 Any person becoming entitled to Loan Notes in consequence of the death or bankruptcy of a Noteholder may, upon such evidence being produced as the directors of the Company may properly require, elect to be registered himself as the holder of such Loan Notes or to have some person nominated by him so registered. If such person elects to become the Noteholder himself he shall give notice to the Company to that effect but if he elects to have another person registered he shall execute an instrument of transfer of the Loan Notes to that person. All the provisions of these Conditions relating to the transfer of Loan Notes shall apply to the notice or instrument of transfer as if it were an instrument of transfer signed by the Noteholder and the death or bankruptcy of the Noteholder had not occurred.

#### **5. REPLACEMENT LOAN NOTES**

If any Loan Note certificate is defaced, worn out, lost or destroyed, it may be renewed on such terms (if any) as to evidence, indemnity and payment of any expenses incurred by the Company in investigating any relevant evidence as the directors of the Company may determine, but otherwise free of charge and (in the case of defacement or wearing out) on delivery up of the old Loan Note certificate.

#### **6. METHOD OF PAYMENT**

Any interest or other money payable in respect of any Loan Note, including the principal amount of the Loan Note, or any part thereof may be paid by cheque or warrant sent by

post to the registered address of, and at the risk of, the Noteholder, or, in the case of joint holders or to persons jointly entitled to the Loan Note by reason of the death or bankruptcy of the Noteholder, to the registered address of that one of them who is first named in the Register in respect of the Loan Note, or to such person and to such address as the person entitled may direct in writing. Every cheque or warrant shall be made payable to or to the order of the person entitled thereto or to such other person as the person entitled may direct in writing and payment of the cheque or warrant shall be a good discharge of the Company. Any such interest or other money may also be paid by any other method (including bank transfer) which the directors of the Company consider appropriate. Any joint holder or any other person jointly entitled to a Loan Note as aforesaid may give receipts for any interest or other money payable in respect of the Loan Note.

## **7. NOTICES**

- 7.1 The Company may give any notice, or may send any Loan Note certificate or other document, to a Noteholder either personally or by sending it by email or by post in a pre-paid envelope addressed to the Noteholder at his address or email address as shown in the Register or by leaving it at that address. In the case of joint holders of a Loan Note, all notices shall be given to the holder who is first named in the Register in respect of the joint holding and notice so given shall be sufficient notice to all the joint holders. A Noteholder whose address as shown in the Register is not within the United Kingdom and who gives to the Company an address within the United Kingdom at which notices may be given to him shall be entitled to have notices given to him at that address, but otherwise no such Noteholder shall be entitled to receive any notice from the Company.
- 7.2 (A) Any notice to be given to a Noteholder may be given by reference to the Register as it stands at any time within the period of 15 days before the notice is given and no change in the Register after that time shall invalidate the giving of the notice.
- (B) Every person who becomes entitled to a Loan Note shall be bound by any notice in respect of that Loan Note which, before his name is entered in the Register has been given to the person from whom he derives his title.
- 7.3 Where, by reason of the suspension or curtailment of postal services within the United Kingdom, the Company is unable effectively to convene a meeting of Noteholders by notice sent by post, notice of the meeting shall be sufficiently given if given by advertisement in two leading national daily newspapers published in the United Kingdom. The Company shall send a copy of the notice to Noteholders by post if at least seven clear days before the meeting, the posting of notices to addresses throughout the United Kingdom again becomes practicable.
- 7.4 Any notice to be given by the Company to the Noteholders or any of them and not provided for by or pursuant to these Conditions shall be sufficiently given if given by advertisement in at least one leading national daily newspaper published in the United Kingdom.
- 7.5 Any notice required to be given to the Company by the Noteholder under the Instrument may be given either personally or by sending it by post to the address referred to in Clause 8 of the Instrument.
- 7.6 A notice sent by post shall be deemed to have been given on the day following that on which it was posted unless it was sent by second class post or there is only one class of post in which case it shall be deemed to have been given on the day next but one after it was posted. Proof that the envelope containing the notice was properly addressed, pre-paid and posted shall be conclusive evidence that notice was given. A notice given by advertisement shall be deemed to have been served on the day on which the advertisement appears.
- 7.7 A notice may be given by the Company to a person entitled to a Loan Note in consequence of the death or bankruptcy of a Noteholder by sending or delivering it in any manner



authorised by these Conditions for the giving of notice to a Noteholder addressed to that person by name, or by the title of representative of the deceased or trustee of the bankrupt or by any like description, at the address, if any, within the United Kingdom supplied for that purpose by the person claiming to be so entitled. Until such an address has been supplied, a notice may be given in any manner in which it might have been given if the death or bankruptcy of the Noteholder had not occurred.

- 7.8 A notice sent by email shall be deemed to have been given on the date on which it enters the recipients inbox.

## **SCHEDULE 4**

### **PROVISIONS FOR MEETINGS OF THE NOTEHOLDERS**

#### **1. CONVENING A MEETING**

- 1.1 The directors of the Company may at any time and shall, upon a request in writing signed by Noteholders holding not less than one tenth of the aggregate principal amount of the Loan Notes for the time being outstanding, convene a meeting of the Noteholders.
- 1.2 A general meeting called for the passing of an Extraordinary Resolution (as defined in paragraph 24 below) shall be called by at least 21 clear days' notice, and all other general meetings shall be called by at least 14 clear days' notice. The notice shall specify the place, the day and the time of meeting and the general nature of the business to be transacted but, except in the case of a resolution to be proposed as an Extraordinary Resolution, it shall not be necessary to specify the terms of any resolutions to be proposed. Subject to the provisions of this Schedule 4, notices shall be given to all Noteholders, to all persons entitled to Loan Notes in consequence of the death or bankruptcy of a Noteholder and to the directors and auditors of the Company. The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive it shall not invalidate the proceedings at the relevant meeting.

#### **2. QUORUM**

- 2.1 At any meeting convened for any purpose other than the passing of an Extraordinary Resolution persons (being at least two in number) holding or representing by proxy one tenth of the aggregate principal amount of the Loan Notes for the time being outstanding shall form a quorum. At any meeting convened for the purpose of passing an Extraordinary Resolution persons (being at least two in number) holding or representing by proxy in aggregate a clear majority in principal amount of the Loan Notes for the time being outstanding shall form a quorum. No business (other than the choosing of a chairman) shall be transacted at any meeting unless the requisite quorum is present.
- 2.2 If a quorum is not present within half an hour after the time appointed for holding the meeting, or if during a meeting a quorum ceases to be present, the meeting shall stand adjourned to the same day in the next week at the same time and place, or to such other day, time and place as the directors of the Company may determine unless the meeting was convened upon the requisition of the Noteholders, in which case it shall be dissolved. At the adjourned meeting the Noteholders present in person or by proxy and entitled to vote shall, whatever the principal amount of Loan Notes held by them then outstanding, form a quorum and shall have power to pass any Extraordinary Resolution and to decide upon all matters which could properly have been transacted at the meeting from which the adjournment took place.

#### **3. CHAIRMAN**

The chairman (if any) of the board of directors of the Company, or in his absence the vice chairman or in the absence of both of them some other director nominated by the directors, shall preside as chairman of the meeting but if no such person is present within 15 minutes after the time appointed for holding the meeting and willing to act, the directors present shall elect one of their number present to be chairman and if there is only one director present and willing to act he shall be chairman. If no director is willing to act as chairman, or if no director is present within 15 minutes after the time appointed for holding the meeting, the Noteholders present and entitled to vote shall choose one of their number to be chairman.

**4. PERSONS ENTITLED TO ATTEND AND SPEAK**

A director or the secretary of the Company and any other person authorised for that purpose by the directors of the Company shall, notwithstanding that he is not a Noteholder, be entitled to attend and speak at any meeting of Noteholders.

**5. ADJOURNMENT**

The chairman may with the consent of a meeting at which a quorum is present, and shall if so directed by the meeting, adjourn the meeting from time to time and from place to place but no business shall be transacted at an adjourned meeting other than business which might properly have been transacted at the meeting had the adjournment not taken place. When a meeting is adjourned for 14 days or more, at least seven clear days' notice shall be given specifying the time and place of the adjourned meeting and the general nature of the business to be transacted. Otherwise it shall not be necessary to give notice of an adjournment.

**6. PASSING OF RESOLUTIONS**

6.1 A resolution put to the vote of a meeting shall be decided by a show of hands and in case of an equality of votes, the chairman shall, both on a show of hands and on a poll, have a casting vote in addition to the votes (if any) to which he may be entitled as a Noteholder.

6.2 At any meeting of Noteholders (unless a poll is demanded by the Chairman or by one or more Noteholders present in person or by proxy, entitled to vote and holding or representing in aggregate not less than one tenth in principal amount of the Loan Notes then outstanding) a declaration by the chairman that a resolution has been carried, whether or not carried unanimously or by a particular majority, or lost or not carried by a particular majority and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact.

**7. POLLS**

7.1 If at any meeting a poll is so demanded it shall, unless withdrawn, be taken in such manner and either at once or after such adjournment as the chairman may direct (not being more than 30 days after the poll is demanded) and the result of such poll shall be deemed to be the relevant resolution of the meeting at which the poll was demanded. Any poll demanded at any meeting on the election of a chairman or on any question of adjournment shall be taken at the meeting without adjournment. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than in relation to the resolution on which the poll was demanded. In the case of any poll not taken immediately at least seven days' notice shall be given specifying the time, date and place at which the poll is to be taken.

7.2 The demand for a poll may, before the poll is taken, be withdrawn with the consent of the chairman and a demand so withdrawn shall be taken not to have invalidated the result of any show of hands declared before the demand was made and, if the demand is made before the declaration of the result of a show of hands and the demand is duly withdrawn, the meeting shall continue as if the demand had not been made.

7.3 A poll shall be taken as the chairman may direct and he may appoint scrutineers (who need not be Noteholders) and fix a time, date and place for declaring the result of the poll. The result of the poll shall be deemed to be the relevant resolution of the meeting at which the poll was demanded.

**8. VOTES**

8.1 On a show of hands every Noteholder who (being an individual) is present in person or (being a corporation) is present by a proxy who is not himself a Noteholder entitled to vote

shall have one vote and on a poll every Noteholder present in person or by proxy shall have one vote for every £1 in nominal amount of Loan Notes of which he is the holder.

- 8.2 In the case of joint holders the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders and seniority shall be determined by the order in which the names of the holders stand in the Register.
- 8.3 No objection shall be raised to the qualification of any voter or to the counting of, or failure to count, any vote except at the meeting or adjourned meeting at which the vote objected to is tendered. Subject to any objection made in due time, every vote counted and not disallowed at the meeting shall be valid and every vote disallowed or not counted shall be invalid. Any objection made in due time shall be referred to the chairman whose decision shall be final and conclusive.
- 8.4 A Noteholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses the same way.

## 9. PROXIES

- 9.1 A proxy need not be a Noteholder. An instrument appointing a proxy shall be in writing in any usual form or in any other form which the directors of the Company may approve and shall be executed by or on behalf of the appointor. A corporation may execute a form of proxy either under its common seal or under the hand of a duly authorised officer. A Noteholder may appoint more than one proxy to attend on the same occasion. Deposit of an instrument of proxy shall not preclude a Noteholder from attending and voting at the meeting or at any adjournment of it.
- 9.2 The form of proxy and any authority under which it is executed or a copy of the authority certified notarially or in some other way approved by the directors of the Company shall:
- (A) be deposited at the address specified in Clause 8 of the Instrument or at such other place in the United Kingdom as is specified in the notice convening the meeting or in any form of proxy sent out by the Company in relation to the meeting, not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the form of proxy proposes to vote; or
  - (B) in the case of a poll taken more than 48 hours after it was demanded, be deposited as aforesaid after the poll has been demanded and not less than 24 hours before the time appointed for taking the poll; or
  - (C) where the poll is not taken forthwith but is taken not more than 48 hours after it was demanded, be delivered at the meeting to the chairman or to the secretary or to any other director of the Company,
- and a form of proxy which is not deposited or delivered in a manner so permitted shall be invalid.
- 9.3 A vote given or poll demanded by a proxy shall be valid notwithstanding the previous termination of the authority of the person voting or demanding a poll, unless notice of the termination was received by the Company at its registered office, or at such other place at which the form of proxy was duly deposited, before the commencement of the meeting or adjourned meeting at which the vote is given or the poll demanded or (in the case of a poll not taken on the same day as the meeting or adjourned meeting) the time appointed for taking the poll.
- 9.4 The form of proxy in relation to a meeting shall be deemed also to confer authority to demand or join in demanding a poll (and for the purposes of these Conditions a demand for a poll made by a person as proxy for a Noteholder shall be the same as a demand made

by the Noteholder) and such instrument shall also be valid for use at any adjournment of the meeting.

- 9.5 The directors of the Company may at its expense send forms of proxy to Noteholders by post or otherwise (with or without provision for their return prepaid) for use at any meeting either in blank or nominating in the alternative any one or more of the directors or any other person. If for the purpose of any meeting, forms of proxy are issued at the Company's expense, they shall be issued to all (and not to some only) of the Noteholders entitled to be sent a notice of the meeting and to vote at it. The accidental omission to send such a form of proxy or give such an invitation to, or the non-receipt thereof by, any Noteholder entitled to attend and vote at a meeting shall not invalidate the proceedings at that meeting.

10. **CORPORATE REPRESENTATIVES**

Any company or corporation which is a Noteholder may authorise any person to act as its representative at any meeting of Noteholders and such representative shall be entitled to exercise the same powers on behalf of such company or corporation as if he were the Noteholder. The Company may require the representative to produce appropriate evidence of his appointment before permitting him to exercise such powers.

11. **EXTRAORDINARY RESOLUTIONS**

- 11.1 A meeting of the Noteholders may by Extraordinary Resolution sanction any modification, abrogation, compromise or release previously approved in writing by the Company of any provisions of the Instrument or the rights of the Noteholders against the Company whether such rights shall arise under the Instrument or otherwise and in particular (but without limiting in any way the general power conferred hereby) shall have power to sanction any agreement for postponing or advancing the time for the payment of the principal amount or interest payable in respect of the Loan Notes or for reducing their rate of interest or for the capitalisation thereof or for the exchange of Loan Notes for, or conversion of Loan Notes into, other securities of the Company or any other company.

- 11.2 An Extraordinary Resolution shall be binding upon all the Noteholders whether present or not present at the meeting at which it is passed and each of the Noteholders shall be bound to give effect thereto accordingly and the passing of any such resolution shall be conclusive evidence without appeal that the circumstances justify the passing thereof.

- 11.3 The expression "**Extraordinary Resolution**" means a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions herein contained by a majority consisting of not less than three fourths of the persons voting thereat upon a show of hands or if a poll is demanded on the resolution then by majority consisting of not less than three fourths of the votes given on such poll.

- 11.4 A resolution in writing previously approved in writing by the Company and signed by the holders of 95 per cent. of the aggregate principal amount of the Loan Notes for the time being outstanding who are for the time being entitled to receive notice of meetings in accordance with the provisions herein contained shall for all purposes be as valid and effective as an Extraordinary Resolution. Such a resolution in writing may be contained in one document or in several documents in like form each signed by one or more Noteholders.

12. **MINUTES**

Minutes of all resolutions and proceedings at every such meeting as aforesaid shall be made and duly entered in books to be from time to time provided for that purpose by the Company.

Executed as a Deed by  
Severn Trent Water Limited acting by

.....  
**(Signature of director)**

in the presence of:

.....

**(Name of witness)**

.....

.....

.....

**(Address of witness)**

.....

**(Signature of witness)**