

AUTHORITY SECURITY CONSENT LETTER

- To:
1. West Transmission Limited ("**WTL**") of First Floor, The Arena Building, 85 Ormeau Road, Belfast B7 1SH;
 2. West Transmission Financing plc (the "**Issuer**") of First Floor, The Arena Building, 85 Ormeau Road, Belfast B7 1SH;
 3. West Transmission Holdings Limited ("**Holdings**") of First Floor, The Arena Building, 85 Ormeau Road, Belfast B7 1SH;
 4. Mutual Energy Limited ("**MEL**") and, together with WTL, the Issuer and Holdings, the "**Companies**") of First Floor, The Arena Building, 85 Ormeau Road, Belfast B7 1SH; and
 5. The Law Debenture Trust Corporation p.l.c. of Fifth Floor, 100 Wood Street, London, EC2V 7EX (the "**Security Trustee**").

19 July 2018

Dear Sirs

Consent to disposal of assets pursuant to Condition 1.12 of the Conveyance Licence granted to West Transmission Limited

1. We refer to the financing of the Gas to the West Project which the Companies have informed us will be by way of an issue of notes (the "**Financing**") by the Issuer, which the Companies have confirmed is an indirect wholly-owned subsidiary of MEL, a company limited by guarantee with no shareholders.

2. Pursuant to the Financing, the Companies have informed us that WTL, the Issuer and Holdings each intend to enter into the security documents listed in Part 1 of Schedule 1 hereto ("**Security Documents**") to which they are respectively expressed to be a party, whereby:

- (a) in the case of WTL, it will grant security over, *inter alia*, the Network (as defined in Condition 1.1.6 of the conveyance licence granted to WTL on 11 February 2015 (the "**WTL Licence**"));
- (b) in the case of the Issuer, it will grant security over; *inter alia*, the issued share capital of WTL; and
- (c) in the case of Holdings, it will grant security over, *inter alia*, the issued share capital of the Issuer,

in each case in favour of the Security Trustee on behalf of, *inter alia*, the holders of the notes to be issued pursuant to the Financing.

3. The Companies have provided us with drafts of the Security Documents and with a Summary of the Principal Terms of the Financing (which is attached at Schedule 2 hereto, and which includes at its section 5 a summary of the Security Documents).

4. We have been assured by the Companies that the terms of the Security Documents at the time at which they are entered into will not be materially different from the terms set out in the drafts that were provided to us, and that the Summary of the Principal Terms of the Financing is complete and factually accurate in all material respects.

5. We have reviewed these documents in the light of the assurances given to us, and the consent set out in this letter is granted on the basis that those assurances are reliable.

Chief Executive Office

6. Condition 1.12 of the WTL Licence provides that, subject to certain exceptions, WTL may not, without the consent of the Northern Ireland Authority for Utility Regulation (the "**Authority**"), dispose of a relevant asset or relinquish operational control over a relevant asset if the disposal or relinquishing of control would materially affect WTL's ability to discharge its obligations under the Gas (Northern Ireland) Order 1996 or the Energy (Northern Ireland) Order 2003 or the carrying on of the activities authorised or required by the WTL Licence.
7. Notwithstanding that the Companies have confirmed to us that the entering into by WTL of the Security Document identified in Part 2 of Schedule 1 hereto (the "**WTL Security Document**") – whereby WTL will grant security over, *inter alia*, the Network – will not materially affect WTL's ability to discharge its obligations under the Gas (Northern Ireland) Order 1996 or the Energy (Northern Ireland) Order 2003 or the carrying on of the activities authorised or required by the WTL Licence, the Companies have sought the consent of the Authority to the entering into by WTL of the WTL Security Document.
8. To the extent that the entering into of the WTL Security Document represents a disposal of or a relinquishment of operational control over a relevant asset having a material effect on WTL's ability to discharge its obligations under the Gas (Northern Ireland) Order 1996 or the Energy (Northern Ireland) Order 2003 or the carrying on of the activities authorised or required by the WTL Licence, the Authority hereby consents to the entry into the WTL Security Document by WTL.
9. This consent shall have effect on the date of this letter.
10. In addition, we confirm that the granting of the security created by the Security Documents will not be taken to constitute a transfer by WTL to another person of part or all of its gas conveyance business within the meaning of Condition 1.11 of the WTL Licence.
11. Terms used in this letter which are not defined herein but are defined in the WTL Licence shall have the same meaning as they have in the WTL Licence.

12. References in this letter to "we" and "us" are references to the Authority.

Yours faithfully



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For and on behalf of the Northern Ireland Authority for Utility Regulation

SCHEDULE 1

PART 1

List of Security Documents

1. the Holdings Northern Irish Debenture entered into between Holdings and the Security Trustee;
2. the WTL Northern Irish Debenture entered into between WTL and the Security Trustee (the "**WTL NI Debenture**");
3. the Issuer Northern Irish Debenture entered into between the Issuer and the Security Trustee;
4. the WTL Security Assignment entered into between WTL and the Security Trustee (the "**WTL Security Assignment**");
5. the Issuer Security Assignment entered into between the Issuer and the Security Trustee;
6. the Security Trust and Intercreditor Deed entered into between, inter alia, the Issuer, Holdings and the Security Trustee.

Part 2

WTL Security Document

The WTL NI Debenture.

SCHEDULE 2

Summary of Principal Terms of the Financing

1 Introduction

- 1.1 This summary of the Principal Terms of the Financing has been prepared on behalf of WTL solely for the purpose of the letter from the Northern Ireland Authority for Utility Regulation (the "Authority") to which it is attached. It may not be used for any other purpose or disclosed to any other person.
- 1.2 This summary is intended only to highlight some principal features of the Financing documentation. It is selective in its nature and cannot be comprehensive. The detailed terms of the documents referred to herein should be referred to for their full effect.
- 1.3 In certain circumstances, included those outlined herein, security may be enforced over the assets of the Obligors (including the Gas to the West Project).
- 1.4 Capitalised terms used in this summary are defined in paragraph 10 below.

2 General

The financing will be provided by way of consideration paid by the Noteholders in respect of purchasing Notes issued by the Issuer.

The net proceeds of the Notes will be applied by the Issuer:

- 2.1 in payment of an amount equal to the senior debt service for the next 12 months into a Debt Service Reserve Account;
- 2.2 in payment of at least £50,000,000 into the Secured IP Works Account in security for payment to SGN of amounts to be paid in respect of IP Works;
- 2.3 in making a payment by way of an on-loan to WTL of £100,420,435.22 into the Secured HP Works Account in security for payment to SGN of amounts to be paid in respect of HP Works;
- 2.4 in making a payment by way of on-loan to WTL of £36,100,000.00 into the Phoenix Account for payment to Phoenix Natural Gas Limited in relation to works forming part of the Gas to the East Project; and
- 2.5 in making an on-loan to WTL of the balance of the net Note proceeds (being not less than £5,000,000) to the WTL Operating Account.

The Issuer or (in the event that WTL applies part of the advance under the Intercompany Loan Agreement for the payment of such fees, commissions and costs) WTL will on or about the Issue Date pay, *inter alia*, (i) fees to the Security Trustee, Registrar and Noteholder Agent in consideration for each of them acting in their respective capacities in connection with the Notes, (ii) a management commission to the Joint Lead Managers, (iii) all costs payable in connection with the structuring of the Notes, (iv) the respective fees of the legal counsel to the Issuer, WTL, the Noteholders, the Joint Lead Managers, the Liquidity Facility Providers, the Noteholder Agent, the Registrar and the Security Trustee, (v) fees payable to The Law Debenture Trust Corporation p.l.c. as escrow agent in respect of the Secured HP Works Account and the Secured IP Works Account as referred to be low and (vi) fees payable to the Liquidity Facility Providers pursuant to the Liquidity Facility Agreements.

3 Principal Terms of the Notes and Other Financing Arrangements

Issuer	West Transmission Financing plc
Guarantors	West Transmission Limited ("WTL") and WTL Holdings Limited ("Holdings" and together with WTL, the "Obligors")
Issue	£180,700,000 0 per cent. index-linked Secured Guaranteed Notes due 2054
Issue Price	112.043 per cent.
Coupon	Gilt yield on Treasury 1.125% Index-Linked 2037 + credit spread of 105bps [Coupon shall not be less than 0.000 per cent]
Gross real yield	-0.608 per cent
Joint Lead Managers	Barclays Bank PLC BNP Paribas
Interest and Redemption	<p>Subject to the indexation below, the Notes will bear interest at a rate of 0 (zero) per cent. per annum on their outstanding principal amount payable semi-annually in arrear on each Scheduled Payment Date. <i>See clause 10 (Interest) of the Note Purchase Agreement.</i> The first Scheduled Payment Date will be 31 March 2019 and will be in respect of the period from, and including, the Issue Date to, and including, 31 March 2019.</p> <p>Subject to "<i>Early Redemption</i>" below, the Notes will be redeemed on an amortising basis on each Scheduled Payment Date from and including 31 March 2019 or in full or in part on the occurrence of certain events. <i>See clause 6 (Redemption) of the Note Purchase Agreement.</i></p>
Early Redemption	<p>The Issuer may at any time, by no more than 60 days, but no less than 30 days notice, redeem all or part of the Notes at the amount calculated in accordance with clause 6.2 (Redemption of the Option of the Issuer) of the Note Purchase Agreement, together with any accrued interest thereon.</p> <p>The Issuer shall also redeem the Notes of a Noteholder if it becomes unlawful for that Noteholder to hold the Notes.</p>

In addition, the Issuer has the option to redeem an affected Note if the Issuer is obliged to (i) increase the amount payable to the Noteholder to compensate for deductions for tax (a tax gross up) (unless the relevant Noteholder waives the right to receive tax gross up amounts) or (ii) indemnify that Noteholder for increased costs.

The Issuer would also be required to redeem the Notes in the event Mutual Energy Limited demutualised at a redemption amount calculated in accordance with clause 6.7 (Redemption on a Demutualisation Event) of the Note Purchase Agreement, together with any accrued interest thereon.

Indexation	Debt service payments (principal and interest) will be indexed to United Kingdom retail price inflation at the time of payment. <i>See clause 9 (Indexation) of the Note Purchase Agreement.</i>
Index Ratio	<p>The Index Ratio will be calculated initially using the Base Index Figure of 280.50645 (being the United Kingdom All Items RPI as published by the Office for National Statistics (January 1987=100) for April 2018 and published in May 2018 (currently contained in the Monthly Digest of Statistics available online at http://www.statistics.gov.uk/onlineproducts). Details of historic and most recently published RPI data can be found on that website.</p> <p>The United Kingdom All Items RPI measures the average change from month to month in the prices of goods and services in the United Kingdom. The spending pattern on which this index is based is revised each year. The expenditure of certain higher income households, and of pensioner households mainly dependent on state pensions, is excluded. The index is compiled using a selection of more than 650 separate goods and services intended to be representative for most United Kingdom households and price movements are regularly measured in 150 areas throughout the United Kingdom.</p>
Final Maturity	30 September 2054
Note Purchase Agreement	The terms on which the Noteholders will purchase the Notes are set out in the Note Purchase Agreement
Status of Notes	The Notes will constitute direct, secured obligations of the Issuer which will rank rateably, without any preference or priority, among themselves and will rank in priority to all unsecured obligations of the Obligors, save for such obligations as may be preferred by mandatory provisions of law.
Status of WTL and Holdings	
Guarantees	The guarantee of the Notes from WTL and Holdings will constitute a direct, secured obligation of WTL and Holdings which will rank in priority to all unsecured obligations of WTL and Holdings, save for such obligations as may be preferred by mandatory provisions of law.
Liquidity Facility Providers	Barclays Bank PLC and BNP Paribas.
Liquidity Facilities	WTL will enter into liquidity facility agreements with the Liquidity Facility Providers and the Security Trustee pursuant to which

the Liquidity Facility Providers will provide to WTL liquidity facilities of £5,000,000 (indexed) in aggregate. Such facilities will constitute a direct secured obligation of WTL which will rank in priority to the Notes.

Account Bank	Barclays Bank PLC
Acceleration of Notes	Following the occurrence of an Acceleration Event (as defined in the Common Term Agreement), the Noteholder Agent may accelerate the Notes, by declaring them immediately due and repayable, in whole but not in part. The amount payable by the Issuer on any such acceleration will be the outstanding principal amount of the Notes together with accrued interest in each case adjusted for indexation up to that date.
Security	The payment obligations of the Issuer under the Notes shall have the benefit of security interests granted by (i) the Issuer over all or substantially all of its undertaking, property and assets, both present and future (including, the shares in WTL and the Issuer's bank accounts (other than the Secured IP Works Account), (ii) WTL over substantially all of its undertaking, property and assets, both present and future (including all the bank accounts of WTL other than the Secured HP Works Account, the Grant Account and the Phoenix Account) and (iii) Holdings over all or substantially all of its undertaking, property and assets, both present and future (including its shares in the Issuer) (see " <i>Security Arrangements</i> " below).
Covenants, etc.	The representations, warranties, covenants (positive, negative and financial) and events of default which will apply to, <i>inter alia</i> , the Notes will be set out in the Common Terms Agreement. (See " <i>Common Terms Agreement</i> " below).
Ratings	The Notes are expected to be privately rated upon issue A1 by Moody's Investors Service, Inc. (" Moody's ").
Noteholder Agent	Law Debenture Corporate Services Limited
Security Trustee	The Law Debenture Trust Corporation p.l.c.
Registrar	Law Debenture Corporation Services Limited
Form and Denomination	The Notes will be in registered form.
Taxes	All payments of principal, premium and interest under the Notes will be made free and clear of, and without withholding or deduction for, United Kingdom taxes, unless required by law. In the event of any such withholding or deduction, additional payments will be made in respect of such amounts withheld under the Notes. See clause 11 (<i>Tax gross up and indemnities</i>) of the Note Purchase Agreement.
Indebtedness/Further Issues	The Obligors will be restricted from incurring further financial indebtedness other than in the case of WTL, by way of drawings under the Liquidity Facilities and certain other <i>de minimis</i> amounts.
Governing Law	The Notes, Note Purchase Agreement, Common Terms Agreement, Security Trust and Intercreditor Deed, the WTL

Security Assignment, the Issuer Security Assignment, the Accounts Agreement, the Accounts Mandate Agreement and the Liquidity Facility Agreements will be governed by English law.

The WTL Debenture, Issuer Debenture and Holdings Debenture will be governed by the law of Northern Ireland.

The Security Trustee shall not be responsible for, or under any obligation to monitor or supervise, the observance and performance by the Issuer or any other person of their obligations under the Finance Documents.

4 The Common Terms Agreement

- (a) The Issuer, WTL, Holdings, the Security Trustee and the Noteholder Agent will, on the Issue Date, enter into the Common Terms Agreement. Pursuant to the Common Terms Agreement the Issuer and WTL will give certain representations and covenants to the Noteholder Agent and the Security Trustee.
- (b) The covenants contained in the Common Terms Agreement will, *inter alia*, require the Obligors (subject, in some cases, to agreed exceptions, *de minimis* amounts and qualifications as to materiality and reservations of law):
 - (i) to supply to the Noteholder Agent within 180 days after the end of its financial year its financial statements which should be in the required form together with such supporting evidence as may reasonably be required;
 - (ii) to supply to the Noteholder Agent a statement confirming that it has calculated its financial ratios as at each Ratio Test Date or Retest Date, as required by the Common Terms Agreement, specifying the results of such calculations and providing a short summary of the manner in which these ratios were calculated;
 - (iii) to supply to the Noteholder Agent its Operating Budget within 30 days of the date of its preparation (and in any event at least 30 days before the commencement of the period to which it relates) and also supply information on any material variation from the Operating Budget, a cashflow statement for each Relevant Year within 30 days of the end of such Relevant Year upon becoming aware of the same and details of any event which constitutes a Trigger Event, Potential Acceleration Event (as defined in the Common Terms Agreement), Acceleration Event or Adverse Regulatory Event and steps being taken to remedy the same;
 - (iv) to not make (or agree to make) any amendment, variation, assignment or waiver in respect of the Relevant Documents which would have a Material Adverse Effect (as defined in the Common Terms Agreement) except as expressly permitted by the Common Terms Agreement or required by law nor to amend (or consent to the amendment of) any authorisations, approvals or licences (including the Transaction Authorisations or Relevant Authorisations);
 - (v) to comply in all material respects with the Relevant Documents, the Transaction Authorisations and any Relevant Authorisations (and maintain such Relevant Authorisations);
 - (vi) in the case of the WTL, to maintain at all times one or more liquidity facility agreements on commercial terms reasonably available at the time provided that

the Liquidity Facility Agreements (or any part of the commitments thereunder) may be cancelled if immediately after such cancellation the aggregate of (A) amounts standing to the credit of the Liquidity Reserve Account and (B) the uncanceled commitments under the Liquidity Facility Agreements are not less than the Required Liquidity Amount and only if the Noteholder Agent is satisfied that the relevant liquidity facility agreement (or that part of the commitments which is proposed to be cancelled) are not necessary to meet any future increase in the Required Liquidity Amount;

- (vii) to maintain specified levels of insurance and to apply proceeds of the insurance in a specified manner;
- (viii) not to create or permit to subsist any security interest over any of its assets or revenues other than permitted security interests;
- (ix) not to incur any financial indebtedness other than permitted indebtedness;
- (x) not to enter into any transaction other than on an arm's length basis except as contemplated in the Relevant Documents;
- (xi) not to carry on any business other than the WTL Business, the Issuer Business or the Holdings Business or as contemplated by the Relevant Documents;
- (xii) not to make loans except as permitted in the Relevant Documents;
- (xiii) not to make any transfers to the Social Enhancement Account following the occurrence of certain specified circumstances unless permitted in accordance with the Common Terms Agreement and the Accounts Agreements;
- (xiv) not to permit or agree without the prior written consent of the Noteholder Agent to any unavailability, suspension or cancellation of all or any part of the WTL Business if this would have a Project Material Adverse Effect; except if so required for the purposes of maintenance and repairs in accordance with the Relevant Documents, or if required by any Regulatory Authority or for the purposes of complying with any law;
- (xv) not to enter voluntarily into liquidation;
- (xvi) not to dispose of its assets otherwise than in accordance with the Finance Documents;
- (xvii) not to increase or agree to increase its liability under the Liquidity Facility Agreements by an aggregate of more than £1,000,000 (indexed) without the consent of the Noteholder Agent;
- (xviii) to conduct its business applicable anti-bribery, anti-corruption and anti money laundering laws and regulations; and
- (xix) to ensure that none of the proceeds of the Notes will, directly or indirectly, be used or paid for the purposes of any transaction related to either:

- 1) any person which is listed on a sanctions list, or is owned or controlled, directly or indirectly, by any person listed on the sanctions list; or
 - 2) in any country which is subject of sanctions.
- (c) The Common Terms Agreement will provide that, *inter alia*, the following events shall constitute a "**Material Entity Event**" in respect of any Material Entity or any Obligor under a Tier 2 Project Contract (subject in some cases, to agreed exceptions, materiality qualifications and grace periods):
- (i) failure to make a payment in excess of £200,000 (indexed) when due under a Tier 2 Project Contract unless such payment is made within 15 days of an Obligor becoming aware of such failure or such payment is disputed in good faith;
 - (ii) failure to comply with any other obligations in a Tier 2 Project Contract unless the non compliance is capable of remedy and is so remedied within 15 business days;
 - (iii) a representation or warranty made by a Material Entity or an Obligor under any Tier 2 Project Contract is incorrect or misleading in any material respect unless the circumstances giving rise to the misrepresentation are capable of remedy and are so remedied within 15 days;
 - (iv) insolvency, winding-up or an analogous event occurs in relation to a Material Entity;
 - (v) a Tier 2 Project Contract is terminated prior to its stated maturity by an Obligor or Material Entity without the prior written approval of the Noteholder Agent except that such approval shall not be required for the periodic re-tendering of the maintenance and Emergency Response Contract on a basis which does not contravene any of WTL's obligations under any of the conditions in the WTL Licence; or
 - (vi) it becomes unlawful for an Obligor or Material Entity to perform any of its material obligations under any Tier 2 Project Contract, an Obligor or any Material Entity does not have the legal power to perform its material obligations under any Tier 2 Project Contract or any Tier 2 Project Contract is repudiated or an Obligor evidences an intention to repudiate.
- (d) The Common Terms Agreement will provide that, *inter alia*, the occurrence of any of the following events shall be a "**Trigger Event**":
- (i) specified coverage ratios are not met on the dates they are required by the Common Terms Agreement to be tested;
 - (ii) specified amounts do not stand to the credit of certain bank accounts;
 - (iii) drawn down requests in respect of the Liquidity Facilities or drawings from the Liquidity Reserve Account or a Liquidity Facility Standby Account exceed, in aggregate, 50% of the Required Liquidity Amount.

- (iv) if a Liquidity Facility Agreement is withdrawn or any mandatory prepayment is made and, in certain circumstances, is not replaced by an agreement on substantially similar terms unless the Required Liquidity Amount is standing to the credit of the Liquidity Reserve Account;
- (v) the occurrence of any Acceleration Event or certain potential Acceleration Events;
- (vi) the auditors of either of the Obligor qualify their report or any financial statement which causes the Noteholder Agent (acting reasonably) to believe that the financial ratios may not reflect the true position of such Obligor;
- (vii) any Obligor fails to comply with its information/reporting obligations in the Common Terms Agreement and such failure has not been remedied within 30 days of notice to the Obligor;
- (viii) a Material Entity Event occurs which has a Company Material Adverse Effect or a Project Material Adverse Effect and which continues unremedied for 60 days after WTL became aware of it;
- (ix) an event or circumstance arises which is an Adverse Project Event;
- (x) any insurances required to be effected under the Common Terms Agreement or any Project Contract are not in full force and effect or are avoided in circumstances where this is likely to have a Company Material Adverse Effect or a Project Material Adverse Effect;
- (xi) receipt by an Obligor of notice from the Authority or the Secretary of State that it intends to apply for an Energy Administration Order in respect of WTL; and
- (xii) a final order, direction or decision under the Gas Order or the Energy Order (a "Final Order") is issued by any governmental authority or industry regulator (including the Authority) which would have a Material Adverse Effect if not complied with if WTL is not in the process of taking reasonable steps to comply with such Final Order.

Upon the occurrence of any of the Trigger Events and at any time thereafter until such Trigger Event has been waived or authorised by the Noteholder Agent or determined by the Noteholder Agent not to be treated as such or remedied in accordance with the Common Terms Agreement or otherwise remedied to the satisfaction of the Noteholder Agent will have certain additional rights to investigate, monitor and influence certain of the activities (including, in certain circumstances, approving the Operating Budget) of the Issuer and WTL. WTL will also be restricted from transferring any money into the Social Enhancement Account.

- (e) The Common Terms Agreement will provide that, *inter alia*, each of the following events shall constitute an "Adverse Regulatory Event":
 - (i) any Regulatory Authority or Government Agency having authority or responsibility for or in respect of the Gas to the West Project or the WTL Business indicates or states that:
 - 1) it will not or may not observe any of the terms of the Transaction Authorisations; or

- 2) it will or may act in a manner which is inconsistent with the terms of the Transaction Authorisations; or
- (ii) any draft legislation (whether primary or secondary) or draft regulation is prepared, promulgated or comes into effect or any direction or guidance is given which effects or provides for the removal, qualification or change (other than a change which is of a formal, minor or immaterial nature) to any of the Transaction Authorisations; or
- (iii) any Regulatory Authority or Government Agency having authority or responsibility for or in respect of the Gas to the West Project or the WTL Business indicates or states that it will or may do any thing (including, without limitation, certain things specifically mentioned in the Common Terms Agreement) which, either on its own or when taken together with any of the things previously indicated or stated:
 - 1) could have a material adverse effect on any aspect of the Issuer's financing arrangements; or
 - 2) could materially increase the level of risk undertaken Designated Pipeline Operators in any manner whatsoever; or
- (iv) any draft legislation (whether primary or secondary) or draft regulation is prepared, promulgated or comes into effect or any direction or guidance is given which could have a material adverse effect, as referred to in paragraph (iii)(1) above or could materially increase the level of risk undertaken by Designated Pipeline Operators, as referred to in paragraph (iii)(2) above,

but it shall not be an Adverse Regulatory Event within the meaning of the paragraphs (i) and (ii) above if a Regulatory Authority or Government Agency indicates or states that it wishes to exercise any function or power assigned or transferred to it under the Gas Order or Energy Order (including any power to revoke any Transaction Authorisation on grounds upon which its revocation is permitted); indicates or states that it wishes to modify any Transaction Authorisation by the exercise of its powers under the Gas Order; or does exercise any function or power assigned or transferred to it under the Gas Order or the Energy Order.

- (f) Following the occurrence of an Adverse Regulatory Event and at any time until such Adverse Regulatory Event has been waived by the Noteholder Agent or remedied the following provisions will apply (and the Noteholder Agent may also exercise the same rights and remedies which it would have had if the Adverse Regulatory Event were a Trigger Event):

- (i) no amounts may be transferred to the Social Enhancement Account;
- (ii) on the Required Date applicable to the Adverse Regulatory Event, WTL shall transfer or procure the transfer to the ARE Suspense Account of an amount equal to the Net Debt Service for the Gas Year in which the Adverse Regulatory Event occurs (but so that this requirement shall not apply in respect of any Adverse Regulatory Event if (i) another Adverse Regulatory Event (an "Other ARE") has occurred prior to the date of occurrence of such Adverse Regulatory Event and the Other ARE is continuing on the Required Date for such Adverse Regulatory Event and (ii) an amount equal to the Net Debt Service for the Gas Year in which the Other ARE occurred has been or is transferred to the ARE Suspense Account on the Required Date for the Other ARE);
- (iii) then, pursuant to the WTL Licence:

- 1) if the Adverse Regulatory Event is continuing at the time at which WTL prepares its statement of forecast required revenue ("**Forecast Required Revenue**") for the forthcoming Gas Year and if WTL has, *inter alia*, consulted with the Authority prior to that time as to the events or circumstances which constitute the Adverse Regulatory Event, such Forecast Required Revenue will be calculated on the assumption that the Ratio Account Credit (see paragraph (g) below) in respect of such Gas Year will be zero thereby effectively increasing the Forecast Required Revenue and (assuming that the Adverse Regulatory Event has not been remedied or waived by the end of such Gas Year) the Actual Required Revenue of WTL for such forthcoming Gas Year by an amount equal to the amount of the Net Debt Service for such Gas Year;
- 2) the revenue entitlement ("**Actual Required Revenue**") of WTL for the Gas Year in which the Adverse Regulatory Event occurs shall be increased by an amount calculated according to the point of time during the Gas Year at which the Adverse Regulatory Event occurs - for example, if it occurs one-quarter of the way through the Gas Year, the value to be ascribed to the Ratio Account Credit term in WTL's revenue entitlement formula will be reduced to an amount equal to one-quarter of the Net Debt Service for the Gas Year in question (with a corresponding increase in the Actual Required Revenue for such Gas Year) and if it occurs at the mid-point of the Gas Year, the Ratio Account Credit would be reduced to one-half of the Net Debt Service (with a corresponding increase in the Actual Required Revenue for such Gas Year). Likewise, if the Adverse Regulatory Event occurs after WTL submits its statement of Forecast Required Revenue for the forthcoming Gas Year and is not remedied by the end of such Gas Year, the Actual Required Revenue for such forthcoming Gas Year will be increased by an amount equal to the Net Debt Service for such Gas Year;
- 3) the additional revenues received by WTL in respect of Postalised Charges as a result of the Ratio Account Credit being reduced in accordance with the above provisions will be credited to the ARE Suspense Account;
- 4) no amounts may be transferred out of the ARE Suspense Account other than for the purpose of funding the payment of certain debt service obligations of the Issuer or Eligible Pass-Through Costs in circumstances where the Liquidity Facilities and Liquidity Reserve Account are fully drawn down;
- 5) notwithstanding paragraph 4 above, unless the Adverse Regulatory Event has been waived or remedied by the end of the Gas Year which immediately succeeds the Gas Year in which the Adverse Regulatory Event occurred (a) no amount may be transferred by WTL out of the ARE Suspense Account for the purposes specified in paragraph 4 above without the prior consent of the Noteholder Agent until the Adverse Regulatory Event is waived or remedied and (b) the Noteholder Agent may at any time thereafter, unless and until the Adverse Regulatory Event in question is waived or remedied, give notice to WTL requiring that all or part of the credit balance on the ARE Suspense Account be transferred by WTL to the Issuer to be

applied by the Issuer in redeeming the Notes, in which case there will be an appropriate reduction (calculated in accordance with the provisions of the WTL Direction) in the fixed amount recoverable by WTL pursuant to the WTL Licence and WTL Direction in subsequent Gas Years.

- (g) Pursuant to the WTL Licence, save in the case of Gas Years which are affected by Adverse Regulatory Events or as otherwise agreed with the Authority, the revenue entitlement of WTL in respect of each Gas Year will be calculated on the basis that the Ratio Account Credit is equal to the Net Debt Service for the Gas Year. Under the revenue entitlement formula in the WTL Licence, the effect of reducing the Ratio Account Credit for any given Gas Year is that the revenue entitlement for the Gas Year is increased by an amount corresponding to the reduction. The probability of a year-end reconciliation being payable to WTL in respect of a Gas Year (see further under "*Regulatory Framework - Postalisation - Year-End Reconciliation*") will be increased where, in accordance with the provisions described in paragraph (f) above, the Actual Required Revenue (but not the Forecast Required Revenue) of WTL for the Gas Year is increased by the amount of the reduction in the Ratio Account Credit for the Gas Year.
- (h) Pursuant to the Accounts Agreement, if the Adverse Regulatory Event is remedied in accordance with the provisions of the Common Terms Agreement (and no other Adverse Regulatory Event remains outstanding), the credit balance in the ARE Suspense Account shall be transferred to the WTL Operating Account and an amount equal to (a) the credit balance so transferred less (b) the Net Debt Service for the Gas Year in which the credit balance is so transferred shall be applied in accordance with the WTL Licence and WTL Direction in the making of reconciliation payments to (or in reducing the postalisation charges which would otherwise be payable by) Shippers on the Postalised System following the end of the Gas Year in which the Adverse Regulatory Event is remedied.
- (i) The Common Terms Agreement will provide that the following events shall constitute an "Acceleration Event" (subject, in some cases, to agreed exceptions, materiality qualifications and grace periods):
 - (i) failure by any Obligor to make any payment when due under the Finance Documents subject to a grace period of 30 days for Debt Expenses (as defined in the Common Term Agreement);
 - (ii) failure by any Obligor to comply with any of its obligations in the Finance Documents and Tier 1 Project Contracts (where non-compliance has a material adverse effect), subject in each case to specified grace periods;
 - (iii) any representation or warranty made by or on behalf of an Obligor in the Finance Documents or Tier 1 Project Contracts is incorrect or misleading in any material respect subject to specified grace periods;
 - (iv) any of its financial indebtedness in excess of £200,000 (indexed) in aggregate is not paid when due or is declared due and payable subject to specified grace periods;
 - (v) insolvency, winding-up or an analogous event occurs with respect to any Obligor;
 - (vi) any Transaction Authorisation is terminated or is amended in a manner which is material and adverse to the ability of the Obligors to recover Eligible Pass Through Costs under the WTL Direction and/or under the WTL Licence, except

in circumstances where it is replaced immediately by a further Transaction Authorisation on equivalent terms;

- (vii) there is a change in environmental law which would in the reasonable opinion of the Noteholder Agent be reasonably likely to result in the imposition of any material liability in relation to the WTL Business on a Finance Party for which it has not received a full indemnity under the Common Terms Agreement or in the rights of any person in relation to any material claim in relation to non-compliance with an environmental law ranking ahead of the rights of any Finance Parties against the Obligors unless in each case such event is insured against to the satisfaction of the Noteholder Agent;
- (viii) WTL becomes subject to an Environmental Claim which if successfully prosecuted and, in the opinion of the Noteholder Agent, is reasonably likely to be successfully prosecuted, would be materially adverse to the interests of the Finance Parties under the Finance Documents;
- (ix) a government agency takes or states officially that it proposes to take steps to displace the management of an Obligor or to seize or nationalise a substantial part of the rights or assets of the Obligors;
- (x) it becomes unlawful for any Obligor to perform its obligations under any Finance Document, Tier 1 Project Contract, Postalisation Agreement or any such agreement is or becomes unlawful, ineffective, terminated or cancelled prior to its stated maturity (subject, in the case of Tier 1 Project Contracts or Postalisation Agreements to various detailed and agreed materiality qualifications);
- (xi) Holdings or the Issuer cease to hold 100 per cent, of the beneficial interest in the shares of the Issuer and WTL respectively;
- (xii) all or part of the Security created by the Security Documents becomes invalid, unenforceable or unlawful;
- (xiii) failure to comply with certain remedial plans or the results of certain independent reviews;
- (xiv) an Obligor ceases or threatens to cease to carry on the WTL Business;
- (xv) any litigation is started against an Obligor which is reasonably likely to be adversely determined and would have a Material Adverse Effect;
- (xvi) specified financial ratios are not met on the dates they are required by the Common Terms Agreement to be tested;
- (xvii) an Obligor amends its constitutional documents in a manner which will have a Material Adverse Effect or is reasonably likely to diminish effectiveness of a Security Interest;
- (xviii) a Material Entity Event occurs which has a Regulatory Material Adverse Effect;
or
- (xix) any event or circumstance arises which has a Regulatory Material Adverse Effect.

If an Acceleration Event occurs and has not been waived or authorised by, or remedied to the satisfaction of, the Noteholder Agent may or may instruct the acceleration and repayment of the Notes in accordance with their terms and may instruct the Security Trustee to enforce the security granted to the Security Trustee and/or to exercise all or any other rights granted to the Security Trustee pursuant to the Finance Documents.

5 Security Arrangements

The obligations of the Obligor under the Notes, and the other Finance Documents will be secured as summarised below. However, attention is drawn to the Security Trust and Intercreditor Deed (see "*Intercreditor Arrangements*" below). The ability of the Security Trustee and the Noteholder Agent to exercise rights in respect of such security arrangements will be restricted by the Security Trust and Intercreditor Deed and the Common Terms Agreement. No Noteholder will have an independent entitlement to exercise such rights.

In addition, as required under the WTL Licence, WTL will, prior to the Issue Date, obtain the consent of the Authority for the granting of the Security (the letter granting such consent being the "**Authority Consent Letter**"). Subsequent enforcement of the Security would require further consultation with and consent from the Authority. Please also refer to the comfort letter from the Authority dated on or around the date of this letter on this topic.

As security for the Obligor's obligations under the Finance Documents, the Issuer, Holdings and WTL will grant security (the "**Security**") pursuant to, *inter alia*, the following documents (the "**Security Documents**");

(a) *WTL Debenture*

A debenture (the "**WTL Debenture**"), governed by the laws of Northern Ireland, to be entered into by WTL with the Security Trustee, on behalf of the Finance Parties, This will create the following security:

- (i) a first fixed charge over certain of WTL's real assets, bank accounts (except for the Secured HP Works Account, the Grant Account and the Phoenix Account), plant and machinery, benefits in respect of compensation, book debts, rights and benefits under certain agreements and collateral warranties; and
- (ii) a first floating charge over all of WTL's present and future undertaking and assets (subject to the first fixed charge referred to above).

(b) *Issuer Debenture*

A debenture (the "**Issuer Debenture**"), governed by the laws of Northern Ireland, to be entered into by the Issuer with the Security Trustee, on behalf of the Finance Parties. This will create the following security;

- (i) a first fixed charge over the Issuer's assets, including but not limited to, the shares held in WTL by the Issuer and all associated rights; and

- (ii) a first floating charge over all of the Issuer's present and future undertaking and assets (subject to the first fixed charge referred to above).

(c) *WTL Security Assignment*

An assignment (the "**WTL Security Assignment**"), governed by the laws of England to be entered into by WTL with the Security Trustee, on behalf of the Finance Parties. This will be an assignment of WTL's rights and benefits under certain of the Relevant Documents and an assignment of WTL's rights and benefits under its insurances.

(d) *Issuer Security Assignment*

An assignment (the "**Issuer Security Assignment**"), governed by the laws of England, to be entered into by the Issuer with the Security Trustee, on behalf of the Finance Parties. This will be an assignment of, *inter alia*, the Issuer's rights and benefits under certain of the Relevant Documents.

(e) *Holdings Debenture*

A debenture (the "**Holdings Debenture**"), governed by the laws of Northern Ireland, to be entered into by Holdings with the Security Trustee, on behalf of the Finance Parties. This will create the following security:

- (i) a first fixed charge over the shares held in the Issuer by Holdings and all associated rights;
- (ii) a first fixed charge over all rights and benefits of Holdings under any agreements to which Holdings is a party; and
- (iii) a first floating charge over all of Holdings' present and future undertaking and assets (subject to the first fixed charge referred to above).

(f) *SGN security*

WTL and the Issuer will hold sums in the Secured HP Works Account and the Secured IP Works Account (each as defined in the Common Terms Agreement), and once the grant is received, in a Grant Account in respect of payments to be made to SGN under the Project Agreement.

The Secured HP Works Account and Secured IP Works Account will be held by The Law Debenture Trust Corporation p.l.c. on trust for SGN and WTL or the Issuer, as applicable. SGN will also receive an assignment in security over WTL/the Issuer's interest in the relevant account and escrow agreement.

SGN will also receive an assignment in security over the Grant Account and, in respect of any true-up amounts due under the Project Agreement, a third ranking floating charge.

(g) *The Department for the Economy security*

The Department for the Economy will receive a second ranking security over the network and related property interests in respect of repayment of the grant.

6 Liquidity Facilities

WTL will enter into a liquidity facility agreement (a "**Liquidity Facility Agreement**") with each Liquidity Facility Provider and the Security Trustee under which each Liquidity Facility Provider will agree to make available to WTL a 364-day (subject to extension) committed revolving advances facilities (the "**Liquidity Facilities**") in an aggregate amount of £5,000,000 (indexed) (the "**Liquidity Facility Commitments**").

The Liquidity Facility Agreements will provide that WTL may irrevocably request, not more than 60 days and not less than 40 days before the end of each 364-day period for which each Liquidity Facility has been made available, that such Liquidity Facility be made available for a further period not exceeding 364 days from the expiry of the previous 364-day period. No Liquidity Facility Provider will be obliged to agree to extend this commitment period.

Interest will accrue on any drawing under the Liquidity Facilities at the rate per annum equal to LIBOR plus in each case a margin. WTL shall be obliged to pay a commitment fee in respect of the undrawn, uncanceled amount of the Liquidity Facility Commitments.

WTL will repay each drawing on the next succeeding Scheduled Payment Date. Amounts repaid may be redrawn.

WTL's obligations to the Liquidity Facility Providers will be secured on the terms of and pursuant to the Security Documents. The Liquidity Facility Providers will have no independent right of enforcement (save as expressly provided under the Security Trust and Intercreditor Deed). On enforcement of the Security, the Liquidity Facilities will rank in priority to interest and principal on the Notes.

If (a) a Liquidity Facility Provider ceases to have short-term ratings of at least A-2 by S&P and P-2 by Moody's (the "**Requisite Ratings**"), or (b) a Liquidity Facility Provider does not extend the Liquidity Facility Commitment Period (as defined in its Liquidity Facility Agreement), then WTL will (and the Security Trustee shall agree) either (x) to appoint a replacement liquidity facility provider which meets certain requirements, including having the Requisite Ratings (the "**Replacement Liquidity Facility Provider**") or (y) to make a drawing (a "**Stand-by Drawing**") equal to the amount then available for drawing under the relevant Liquidity Facility and place the same in an interest-bearing deposit account (the "**Liquidity Facility Stand-by Account**") with that Liquidity Facility Provider or another appropriately rated bank so that the same may be drawn upon by WTL for the same purposes as drawings permitted under the relevant Liquidity Facility. While a Stand-by Drawing has been made, WTL shall not be entitled to make a further drawing under that Liquidity Facility and any amount withdrawn from the Liquidity Facility Stand-by Account shall be repaid to that account as if it were a drawing under a Liquidity Facility. Such repayment will not reduce the drawing under the relevant Liquidity Facility. A Stand-by Drawing will be repayable (a) if WTL cancels the Liquidity Facility Commitment, (b) if a Replacement Liquidity Facility Provider is appointed, (c) if the Liquidity Facility Provider regains the Requisite Ratings, (d) if the Liquidity Facility Provider enters into a novation Certificate with a Qualifying lender (as defined in

the Liquidity Facility Agreement) having the Requisite Ratings, (e) on the Final Scheduled Payment Date, (f) on the date falling 5 years after the date of making the Stand-by Drawing and (g) at WTL's election, if it does not have available to it sufficient funds to pay interest and other amounts due and payable in respect of the Stand-by Drawing.

A Liquidity Facility will have to be prepaid if it becomes unlawful for the relevant Liquidity Facility Provider to perform its obligations under its Liquidity Facility Agreement,

7 Intercreditor Arrangements

The Security Trust and Intercreditor Deed sets out the relationship of various senior and subordinated creditors of the Obligors, including the Noteholders, the Liquidity Facility Providers and the various other parties noted below. The Security Trust and Intercreditor Deed regulates, among other things, the ranking of debt and security, access to the collateral and forbearance in case of default on certain obligations.

The parties to the Security Trust and Intercreditor Deed are;

- (a) the Security Trustee, as trustee holding the security for the Senior Creditors;
- (b) the Noteholder Agent;
- (c) the Noteholders;
- (d) the Registrar;
- (e) Holdings as the holder of shares in the Issuer charged under the Holdings Debenture;
- (f) the Issuer;
- (g) WTL;
- (h) the Liquidity Facility Providers; and
- (i) the Account Bank.

The security described above will be granted to the Security Trustee, which will hold the benefit of such security on trust for the Senior Creditors pursuant to the Intercreditor and Security Trust Deed.

The "**Senior Creditors**" will consist of the Noteholder Agent, the Registrar, the Noteholders, the Liquidity Facility Providers, the Security Trustee (in its own capacity and as trustee for, and on behalf of, the Senior Creditors) and the Account Bank at and any successor, transferee, replacement or assignee of any of the above.

The Issuer, WTL and Holdings will constitute the "**Junior Creditors**".

The Security Trustee will be obliged to consent to any amendment of a Relevant Document to which it is a party if directed to do so by the Noteholder Agent and the consent of each other party to a Relevant Agreement will also be required in accordance with the terms of such Agreement.

Each Senior Creditor and each Junior Creditor will have certain entrenched rights (the "Entrenched Rights") which cannot be exercised without the consent of the person having such Entrenched Rights. The Security Trustee, the Junior Creditors and the Liquidity Facility Providers will also have certain reserved matters (the "Reserved Matters") which such persons will be free to exercise notwithstanding the other terms of the intercreditor arrangements.

The Noteholder Agent will exercise rights, power, authority and discretions, and make determinations, based on the instructions of the Majority Noteholders (provided a quorum of Noteholders holding 20% of the Outstanding Principal Amount of the Notes have voted) or, in the case of certain matters requiring consent of all Noteholders, all of the Noteholders.

The pre-enforcement cashflow waterfall will be in accordance with the provisions of the Accounts Agreements and the Common Terms Agreement. The post-enforcement cashflow waterfall will be, in summary, as follows - in or towards payment of:

- (a) *pro rata and pari passu*, all fees, costs and expenses payable to the Security Trustee, any Receiver, and Appointee appointed by it any Finance Document;
- (b) *pro rata and pari passu*, all fees, costs and expenses payable to the Noteholder Agent and the Registrar;
- (c) *pro rata and pari passu*, any amounts due to the Liquidity Facility Providers under the Liquidity Facility Agreements or the Liquidity Facility Fee Letters;
- (d) all scheduled interest due on the Notes including any Default Interest;
- (e) any amounts other than scheduled interest due on the Notes for which the Issuer is liable under or in connection with the Note Purchase Agreement and/or the Notes;
- (f) *pro rata and pari passu*, all remaining sums or liabilities due or owed by the Issuer, WTL or Holdings to the Finance Parties; and
- (g) the surplus (if any), after the payment in full of the amounts referred to above, to or to the order of WTL or to such other person as WTL may notify to the Security Trustee (taking into account, without limitation, the Enabling Loan Agreement and the Intercompany Loan Agreement), or as otherwise required by any court of competent jurisdiction or applicable law.

Neither the Liquidity Facility Providers nor the Account Bank will have an independent right of enforcement, including rights of set-off (save as expressly provided under the Finance Documents).

The Department will undertake pursuant to a letter addressed to WTL to subordinate its rights to reclaim the grants made available in relation to the Gas to the West Project to the rights of the Finance Parties under the Finance Documents.

Pursuant to a deed of priority with SGN, the Security Trustee will agree that SGN's claims in relation to the Secured IP Works Account, the Secured HP Works Account (and the related escrow agreements) and the Grant Account will have priority over the security in favour of the Finance Parties. In the event that the opening asset value relating to the Gas to the West Project is in excess of the amounts paid to SGN from the Secured IP Works Account, Secured HP Works Account and

the Grant Account, such excess will be paid to SGN over 36 equal monthly instalments under the Project Agreement and SGN will receive a third ranking floating charge in respect of payment of such excess up to the OAV Excess (as defined in the Project Agreement).

8 Accounts Arrangements

The accounts agreement to be dated the Issue Date between WTL, the Issuer, the Noteholder Agent and the Security Trustee (the "**Accounts Agreement**") and the accounts mandate agreement to be dated the Issue Date between WTL, the Issuer, the Account Bank, the Noteholder Agent and the Security Trustee (the "**Accounts Mandate Agreement**" and together with the Accounts Agreement, the "**Accounts Agreements**") will govern the operation of certain bank accounts held by WTL and the Issuer (the "**Accounts**").

Pursuant to the Accounts Agreements, the Issuer will open an operating account (the "**Issuer Operating Account**"), into which the net proceeds of the Notes will be paid and from which, after payment of an amount equal to the senior debt service for the next 12 months into a Debt Service Reserve Account and payment of £50,00,000 into the Secured IP Works Account in security for payment to SGN of amounts to be paid in respect of the IP Works (as defined in the Project Agreement) and certain fees and expenses, the balance will be advanced to WTL under the terms of the Intercompany Loan Agreement.

Pursuant to the Accounts Agreements, WTL will open certain accounts, including;

- (a) an operating account (the "**WTL Operating Account**");
- (b) a debt service reserve account (the "**Debt Service Reserve Account**"), which will be funded initially on the Issue Date and will be subject to the maintenance of a minimum balance equal to the Required DRSA Balance, or without prejudice to the terms of the Common Terms Agreement, (if less) the amount standing to the credit of the WTL Operating Account (no withdrawals in respect of that minimum balance are to be made from this account except with the consent of the Noteholder Agent);
- (c) an insurance proceeds account (the "**Insurance Account**"), into which all insurance proceeds (other than insurance proceeds in respect of business interruption, anticipated loss of revenue and third party liability) and compensation will be paid and may be applied in repair or reinstatement of the Gas to the West Project or, if there is no Trigger Event outstanding, may be transferred into the WTL Operating Account;
- (d) a debt service payment account (the "**Debt Service Payment Account**"), which is to be funded 6 business days prior to each Scheduled Payment Date in an amount equal to the Scheduled Interest Payment and Scheduled Principal Payment falling due on such Scheduled Payment Date;
- (e) a social enhancement account (the "**Social Enhancement Account**"), which will be funded by payments to WTL pursuant to the WTL Licence and the WTL Direction (amounts standing to the credit of the Social Enhancement Account shall only be applied in accordance with a direction of the Authority);
- (f) a liquidity reserve account (the "**Liquidity Reserve Account**"), which may be funded from free cash balances standing to the credit of the WTL Operating Account on an annual basis to replace wholly or partially a Liquidity Facility;

- (g) a reconciliation account (the "**Reconciliation Account**");
- (h) a suspense account (the "**ARE Suspense Account**"), into which, upon the occurrence of an Adverse Regulatory Event, certain amounts (as described in paragraph (f) of "*Common Terms Agreement*" above) will be transferred. If an Adverse Regulatory Event is outstanding for a period which extends beyond the end of the Gas Year immediately succeeding the Gas Year in which the Adverse Regulatory Event occurred, withdrawals may only be made from the ARE Suspense Account in accordance with the requirements of the Noteholder Agent and the Noteholder Agent shall be entitled to instruct WTL to transfer all or any part of the credit balance on the ARE Suspense Account to the Issuer for application by the Issuer in redeeming the Notes; and
- (i) a BBR_e account (the "**BBR_e Account**") which will be funded in order for the Account Bank to make Authorised Investments (as defined in the Accounts Mandate Agreement) by the Account Bank on behalf of WTL and/or the Issuer.

WTL and the Issuer will also open accounts in respect of payments to be made to SGN and Phoenix Natural Gas Limited as described above.

The revenues received by WTL from the Postalised System, amounts advanced under the Intercompany Loan Agreement and certain other income will be paid into the WTL Operating Account. These monies will be applied by WTL, prior to an Acceleration Event, in accordance with the following cashflow waterfall:

- (a) to fund the Reconciliation Account;
- (b) payments in respect of Expenses, including by way of transfer to the Issuer Operating Account in respect of Expenses which are payable by the Issuer;
- (c) to make end-of-year payments as may be required by the Postalisation Regime;
- (d) amounts due to the Liquidity Facility Providers;
- (e) certain specified transfers to the Debt Service Payment Account, including to make guarantee payments under the Finance Documents;
- (f) certain specified transfers to the Liquidity Reserve Account;
- (g) transfers to the Debt Service Reserve Account;
- (h) to pay third party liabilities from relevant insurance proceeds;
- (i) where applicable, transfers to the ARE Suspense Account; and
- (j) certain specified transfers to the Social Enhancement Account where the same may be made pursuant to the WTL Direction;
- (k) transfers, at WTL's option, of an amount not exceeding the SEA Surplus Amount to the Social Enhancement Account; and

- (l) transfers, at WTL's option, of an amount not exceeding the SEA Surplus Amount less any amount transferred as contemplated by paragraph (m) above to the Liquidity Reserve Account.

All amounts received by the Issuer will be paid into the Issuer Operating Account. Following the Issue Date, these monies will be applied by the Issuer, prior to an Acceleration Event, in accordance with the following cashflow waterfall:

- (a) *pro rata* and *pari passu* payments due to the Security Trustee, the Noteholder Agent, the Registrar, Account Bank and the Escrow Agent;
- (b) meeting tax liabilities of the Issuer;
- (c) payment of scheduled principal, scheduled interest and indexation amounts thereon in respect of the Notes;
- (d) payment of any other debt costs other than in relation to the Liquidity Facility Agreements or other than specified in this cashflow waterfall;
- (e) payment of interest due on overdue amounts under the Notes; and
- (f) repayments under the Enabling Loan Agreement.

Amounts standing to the credit of the Accounts (other than the Issuer Operating Account, the Insurance Account and the Debt Service Payment Account) may be invested in Authorised Investments (as defined in the Accounts Mandate Agreement).

The Account Bank may be replaced in certain circumstances.

9 Group Loan Arrangements

(a) *Intercompany Loan*

The Issuer, WTL and the Security Trustee will enter into an intercompany loan agreement (the "**Intercompany Loan Agreement**") pursuant to which the Issuer will, *inter alia*, advance a loan to WTL (the "**Intercompany Loan**") in an amount equal to the proceeds of issue of the Notes, net of the fees payable to the Joint Lead Managers, amounts retained in the Secured IP Works Account and all other related fees, costs and expenses. The Issuer will advance an Intercompany Loan to WTL on the Issue Date in order to provide finance to fund the Debt Service Reserve Account and WTL Operating Account and to cover other expenditure (including fees and incidental costs and expenses).

(b) *Enabling Loan*

WTL and the Issuer will enter into an enabling loan agreement (the "**Enabling Loan Agreement**") which will enable WTL to make advances to the Issuer on an interest free basis from time to time as may be necessary. It is envisaged that WTL may, from time to time, make such loans to the Issuer to ensure that the Issuer is in funds to make payments of interest and repayments of principal on the Notes when they fall due.

Certain Definitions relating to the Financing Arrangements

"Adverse Project Event" means:

- (a) the unavailability of the Gas to the West Project for a period exceeding 90 consecutive days in any Financial Year; or
- (b) the capacity of the Gas to the West Project falling below 70 per cent of the firm capacity booked on the Gas to the West Project for a period exceeding 180 consecutive days in any Gas Year,

but excluding:

- (i) any such event where either the insurers of the Gas to the West Project, any Regulatory Authority or Government Agency or any Material Entity has agreed to compensate WTL for substantially the whole of the capital cost of all necessary repairs and for substantially the whole of its lost income during the continuance of that event; or
- (ii) where any such unavailability or lack of capacity is caused by any modification made to the Gas to the West Project at the direction of any Regulatory Authority or Government Agency where either WTL has sufficient available reserves or any Regulatory Authority or Government Agency or any Material Entity has agreed to compensate WTL for substantially the whole of the capital cost of the modification and for substantially the whole of its lost income during any period of unavailability necessary to effect the modification,

provided, in each case, WTL has demonstrated to the reasonable satisfaction of the Noteholder Agent that it is taking and has taken all reasonable steps to ensure that the Gas to the West Project is brought back into full operation at the earliest possible opportunity;

"Company Material Adverse Effect" means an event, matter or circumstance the effect of which (taking into account the Obligors' cash reserves (including the balances standing to the credit of the Liquidity Reserve Account) and the undrawn amount of the Liquidity Facility Commitment but not taking into account the then current legal and economic effect of the Transaction Authorisations) is, or is likely to be, materially adverse to the present or future ability of the Obligors to perform or comply with their material obligations under the Finance Documents;

"Debt Expenses" means, in respect of any period, any amounts (other than principal, interest and indexation amounts) payable by the Issuer or WTL under the Finance Documents other than in relation to the Intercompany Loan Agreement or the Enabling Loan Agreement;

"Debt Service" means in respect of any period, any principal and interest (and indexation amounts) which falls due or which has fallen due to be paid during such period (including principal, and interest and indexation amounts which has fallen due but remains unpaid) in each case under the Finance Documents (other than in relation to the Liquidity Facility Agreements, the Intercompany Loan Agreement or the Enabling Loan Agreement);

"Designation Order" means:-

- (a) the Gas (Designation of Pipelines) Order (Northern Ireland) 2016 (No. 2016 No. 364) and
- (b) any other order made at any time or from time to time by Department for the Economy in the exercise of the powers conferred on it by Article 59 of the Energy Order in relation to the Gas to the West Project or any part thereof;

"Eligible Pass-Through Costs" has the meaning given to it in the WTL Direction;

"Expenses" in respect of any period means (without double counting) the aggregate of;

- (a) Eligible Pass-Through Costs paid by WTL;
- (b) amounts reasonably projected to be paid by WTL by way of payments to the PoT Account in respect of Year-End Amounts in the Gas Year which immediately succeeds that period but not including any amounts included under this paragraph (b) in respect of the immediately preceding period: for the avoidance of doubt this amount will exclude any amounts in respect of Ht as defined in conditions 6.4.2 and 6.4.3 of the WTL Licence;
- (c) to the extent not otherwise covered by paragraph (a), amounts which have been paid by WTL in order to meet its tax liabilities falling due in that period;
- (d) to the extent not otherwise covered by paragraph (a), Debt Expenses;
- (e) to the extent not otherwise covered by paragraph (a), any amounts which have been paid by WTL from amounts released from the Insurance Account; and
- (f) to the extent not otherwise covered by paragraph (a), any other costs or expenditure which have been paid by WTL in connection with the WTL Business during that period (excluding, for the avoidance of doubt, Debt Service);

"Finance Documents" means certain documents, including the Common Terms Agreement, the Accounts Agreements, the Notes, the Note Purchase Agreement, the Enabling Loan Agreement, the Intercompany Loan Agreement, the Liquidity Facility Agreements, the Grant Document, the Authority Comfort Letter, the Authority Security Consent Letter, the Department for the Economy Comfort Letter and the Security Documents;

"Finance Parties" means the Noteholder Agent, the Registrar, the Noteholders, the Security Trustee, the Liquidity Facility Providers and the Account Bank and their successors and assigns;

"Financial Year" means the period of 12 months ending on 31 March in each year or such other period as may be approved by the Noteholder Agent;

"First Relevant Year" means the period starting on the date of issue of the WTL Directions and ending on 31 March 2019;

"Gas to the West Project" means, together:-

(a) the Network (as at the date of this Agreement) as defined in the WTL Licence and

(b) all gas plant (as defined in the Gas Order) which is owned and/or operated and/or utilised by or for WTL;

"GMO Agreement" means the agreement entitled the single system operator agreement entered into between WTL and the Other DPOs in relation to the single system operation arrangements in Northern Ireland for the Postalised System and entered into on or around 29 September 2017, as amended from time to time;

"GMO Network Code" the single system network code entitled the NI Network Gas Transmission Code which governs the operation of the Gas to the West Project and the respective networks of the Other DPOs in Northern Ireland, as amended from time to time;

"GMO Network Code Framework Agreement" means the Framework Agreement dated 29 September 2017 and entered into between WTL and the Other DPOs;

"Government Agency" means any agency, authority, department, government, legislature, minister, ministry, official or other public person (whether autonomous or not) of, or of the government of, any state or supranational organisation;

"Grant Document" means the letter of offer from the Department for the Economy and WTL dated 20 June 2018 in relation to any capital grant(s) which is/are made available in respect of the Gas to the West Project and accepted by WTL (as amended from time to time);

"Holdings Business" means the business of Holdings in acting as a holding company in respect of the Issuer

"Issuer Business" means the business of WTF in issuing the Notes, lending the proceeds of the Note to WTL, acting as a holding company of WTL and all matters incidental or connected thereto, including the entering into and performance of the finance documents;

"Liquidity Reserve Account" means the account designated as the Liquidity Reserve Account in the name of WTL with the Account Bank and maintained pursuant to the Accounts Mandate Agreement;

"Majority Noteholders" means Noteholders representing more than 50 per cent (50%) of the total Outstanding Principal Amount of the Notes

"Material Adverse Effect" means a Project Material Adverse Effect and/or a Regulatory Material Adverse Effect and/or a Company Material Adverse Effect;

"Material Entity" means:

- (a) SGN (in relation to its obligations under the Maintenance and Emergency Response Contract only);
- (b) until the date on which it unconditionally and irrevocably ceases to be subject to any obligations or liabilities to WTL under the Project Agreement, SGN;

"Net Debt Service" has the meaning given to it in the WTL Direction;

"Operating Budget" means, at any time, the most recent one year operating budget prepared by WTL and, in certain circumstances, approved by the Noteholder Agent;

"Ordinary Voting Matter" means any matter contemplated by any Finance Document in respect of which any right or obligation of the Noteholder Agent to take any step or action or to exercise any right in connection with such matter is expressed in terms such that the Noteholder Agent is required or entitled to take such step or action or exercise such right if, or in the manner in which, it is instructed or directed to do so, save for a matter requiring consent of all Noteholders;

"Phoenix Account" means the account designated as the Phoenix Account in the name of WTL with the Account Bank and maintained pursuant to the Accounts Mandate Agreement

"Project Agreement" means an agreement (entitled Project Agreement relating to Gas to the West Project) dated 27 April 2017 (as amended and restated on or around the Issue Date Agreement) entered into between WTL and SGN

"Project Contracts" means the Tier 1 Project Contracts and the Tier 2 Project Contracts;

"Project Material Adverse Effect" means any event or circumstance the effect of which, in the reasonable opinion of the Noteholder Agent (having taken, where appropriate, the advice of the Technical Adviser (as defined in the Common Terms Agreement) and after consultation with WTL), is likely to result in either:

- (a) the unavailability of the Gas to the West Project for a substantial period; or

- (b) the capacity of the Gas to the West Project falling below 70 per cent of the firm capacity booked on the Gas to the West for a substantial period,

in circumstances where it is unlikely that the capital cost of any necessary repairs and/or lost income would be compensated by a credit-worthy entity and the aggregate of the undrawn amount of the Liquidity Facility Commitment and the Liquidity Reserve Account;

"Rating Agencies" means Moody's and S&P and any further or replacement rating agency appointed by the Issuer and approved in writing by the Noteholder Agent;

"Ratio Account Credit" has the meaning given to it in the WTL Direction;

"Ratio Test Date" means the Scheduled Payment Date occurring in September 2019 and each Scheduled Payment Date occurring in September of each Relevant Year thereafter;

"Regulatory Authority" means the Authority, the Department for the Economy, the Gas and Electricity Markets Authority, the Department of Business, Energy and Industrial Strategy, and any future body or person with equivalent authority or responsibility to any of the foregoing;

"Regulatory Material Adverse Effect" means an event or circumstance which in the reasonable opinion of the Noteholder Agent:

- (a) will, or is likely to, or the effect of which is likely to, give grounds under the terms of any of the Transaction Authorisations for revocation or termination of the same; or
- (b) will, or is likely to, result in a Regulatory Authority taking steps to amend any of the same, without the consent of the Obligors, with the result that the ability of the Obligors to recover Eligible Pass Through Costs under the WTL Direction and/or under the WTL Licence is likely to be materially and adversely affected;

"Relevant Authorisations" means any authorisation required by WTL under any applicable law or regulation to permit the entry into or performance of or to ensure the validity or enforceability of the Relevant Documents and the transactions contemplated thereunder;

"Relevant Documents" means in relation to any person, each Project Contract and Finance Document to which that person is expressed to be a party and any other document which is agreed by the Noteholder Agent and such person to be a Relevant Document;

"Relevant Year" means (as the context requires) the First Relevant Year or, in the case, of subsequent Relevant Years, the 12 month period beginning on 1 April in the relevant calendar year;

"Required Date" means, in relation to any Adverse Regulatory Event, the 30 September immediately following the date of occurrence of the Adverse Regulatory Event or (if that day is not a business day) the business day which immediately precedes such 30 September;

"Required Liquidity Amount" means an amount equal to £5,000,000 indexed on the same basis as the Liquidity Facility Commitment under (and as defined in) each Liquidity Facility Agreement, provided that such indexation shall only apply on the same basis notwithstanding that the Liquidity Facility Agreements may have expired or been terminated;

"Retest Date" means the eighteenth business day in January of each calendar year;

"SEA Surplus Amount" means the amount outstanding to the credit of the WTL Operating Account following the transfers and payments set out in paragraphs (a) to (l) from the WTL Operating Account (as detailed on page 21 above) or, if the transfer of such amount would contravene a financial ratio test, such lesser amount as can be transferred without causing a contravention of that test;

"Secured HP Works Account" means the escrow account held on behalf of the WTL and SGN by The Law Debenture Trust Corporation p.l.c.

"Secured IP Works Account" means the escrow account held on behalf of the Issuer and SGN by The Law Debenture Trust Corporation p.l.c.

"Security Interest" means any mortgage, standard security, pledge, lien, charge, assignment, hypothecation, security interest or any other agreement or arrangement having a similar effect;

"SGN" means SGN Commercial Services Limited;

"Tier 1 Project Contracts" means:

- (c) the Postalisation Agreements;
- (d) any guarantee given by any person and any letters of credit in respect of any of the obligations of any party (other than an Obligor) under any of the agreements listed above;
- (e) any other document designated as such by the Noteholder Agent and WTL; and
- (f) any other document that amends any of the documents listed above;

"Tier 2 Project Contracts" means:

- (a) the Project Agreement;
- (b) the GMO Network Code;
- (c) the GMO Network Code Framework Agreement;
- (d) the GMO Agreement
- (e) the Maintenance and Emergency Response Contract;

- (f) any guarantee given by any person and any letters of credit in respect of any of the obligations of any party (other than an Obligor) under any of the agreements listed above;
- (g) any other document designated as such by the Noteholder Agent and WTL; and
- (h) any other document that amends any of the documents listed above;

"Transaction Authorisations" means;

- (a) the Authority Comfort Letter;
- (b) the Authority Security Consent Letter;
- (c) the Department for the Economy Comfort Letter;
- (d) the WTL Direction;
- (e) the WTL Licence or any document entered into by WTL pursuant to the WTL Licence;
and
- (f) the Designation Order.

"WTL Business" means the business of WTL in conveying, or participating in the conveyance of, gas through WTL and all activities and matters connected or incidental thereto (including the entering into and performance of the Finance Documents) and any other activities and matters (including social enhancement projects) approved by the Authority and the Noteholder Agent from time to time;

"Year-End Amounts" has the meaning given to it in the WTL Licence.