

IMPORTANT NOTICE

IMPORTANT: YOU MUST READ THE FOLLOWING BEFORE CONTINUING. THE FOLLOWING NOTICE APPLIES TO THE PROSPECTUS (THE **PROSPECTUS**) FOLLOWING THIS PAGE, WHETHER RECEIVED BY EMAIL, ACCESSED FROM AN INTERNET PAGE OR OTHERWISE RECEIVED AS A RESULT OF ELECTRONIC COMMUNICATION, AND YOU ARE THEREFORE ADVISED TO READ THIS NOTICE CAREFULLY BEFORE READING, ACCESSING OR MAKING ANY OTHER USE OF THE PROSPECTUS. IN READING, ACCESSING OR MAKING ANY OTHER USE OF THE PROSPECTUS, YOU AGREE TO BE BOUND BY THE FOLLOWING TERMS AND CONDITIONS AND EACH OF THE RESTRICTIONS SET OUT IN THE PROSPECTUS, INCLUDING ANY MODIFICATIONS MADE TO THEM ANY TIME YOU RECEIVE ANY INFORMATION FROM US AS A RESULT OF SUCH ACCESS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OF THE ISSUER IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (**REGULATION S**)), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your representation: This Prospectus is being sent to you by electronic transmission at your request and by accepting this e-mail and accessing, reading or making any other use of the Prospectus, you shall be deemed to have represented to WoDS Transmission plc (the **Issuer**) and Banco Santander, S.A., Lloyds Bank plc and The Royal Bank of Scotland plc (together, the **Joint Bookrunners**) that (1) you have understood and agree to the terms set out herein, (2) the electronic mail (or e-mail) address to which, pursuant to your request, the attached document has been delivered by electronic transmission is not located in the United States, its territories, its possessions and other areas subject to its jurisdiction; and its possessions include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands, (3) you are outside the United States and are not a U.S. Person (as defined in Regulation S under the Securities Act) and/or are not acting for the account or benefit of a U.S. Person (as defined in Regulation S under the Securities Act), (4) you consent to delivery of the Prospectus by electronic transmission and (5) you will not transmit the attached Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with our consent.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person and in particular to any U.S. Person or any U.S. address. Failure to comply may result in a direct violation of the Securities Act or the applicable laws of another jurisdiction.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that

the offering be made by a licensed broker or dealer and the Joint Bookrunners or any affiliate¹ of the Joint Bookrunners is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Bookrunners or such affiliate on behalf of the Issuer in such jurisdiction.

Under no circumstances shall the Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful. The Prospectus may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply to the communication.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer nor the Joint Bookrunners nor any person who controls any of the foregoing nor any director, officer, employee nor agent of any of the foregoing or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Issuer or the Principal Paying Agent.

The distribution of this Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the attached document comes are required by us to inform themselves about, and to observe, any such restrictions.

¹ In relation to The Royal Bank of Scotland plc, the term "**affiliate**" shall not include (a) the UK government or any member or instrumentality thereof, including Her Majesty's Treasury and UK Financial Services Investments Limited (or any directors, officers, employees or entities thereof) or (b) any persons or entities controlled by or under common control of the UK government or any member or instrumentality thereof (including Her Majesty's Treasury and UK Financial Services Investments Limited) and which are not part of The Royal Bank of Scotland Group plc and its subsidiaries or subsidiary undertakings.

WoDS Transmission plc

(a public limited liability company incorporated in England and Wales)

£254,849,000 3.446 per cent. Fixed Rate Secured Bonds due August 2034

unconditionally and irrevocably guaranteed by

WoDS Transmission Holdco Ltd

(a limited liability company incorporated in England and Wales)

Issue price of the Bonds: 100 per cent. of their initial principal amount

The £254,849,000 3.446 per cent. Fixed Rate Secured Bonds due August 2034 (the **Bonds**) are issued by WoDS Transmission plc (the **Issuer**) and will be constituted by a bond trust deed (the **Bond Trust Deed**) to be dated on or about 20 August 2015 between the Issuer and HSBC Corporate Trustee Company (UK) Limited as bond trustee (the **Bond Trustee**, which expression shall include its successors as bond trustee for the holders of the Bonds for the time being (the **Bondholders**)). WoDS Transmission Holdco Ltd (**HoldCo** and/or the **Guarantor**) has guaranteed the payment of all amounts due in respect of the Bonds pursuant to a guarantee, which is secured over certain property of the Guarantor.

The proceeds of the issuance of the Bonds will be applied towards the acquisition by the Issuer of the Transmission Assets (as defined below) from ScottishPower Renewables (WODS) Limited and DONG Energy West of Duddon Sands (UK) Limited. The terms of the Bonds will be subject to, and have the benefit of, a common terms agreement (the **Common Terms Agreement**) between, *inter alia*, the Issuer, the Bond Trustee, the Security Trustee, the Hedge Counterparties and the PBCE Provider (as defined below).

The obligations of the Issuer under the Bonds and in respect of the PBCE Letter of Credit and the Hedging Agreements will be secured in favour of HSBC Corporate Trustee Company (UK) Limited as security trustee (the **Security Trustee**, which expression shall include its successors for the time being). The security granted to the Security Trustee will comprise security granted by HoldCo and the Issuer (such security, the **Issuer Security**) pursuant to a deed of charge (the **Security Agreement**). In accordance with a security trust and intercreditor deed (the **Security Trust and Intercreditor Deed** or **STID**) entered into by, *inter alia*, the Issuer, the Bond Trustee, the Hedge Counterparties, the European Investment Bank (the **PBCE Provider** or the **EIB**) and the Security Trustee, the Issuer Security will be held by the Security Trustee for itself and on behalf of the Bondholders, the PBCE Provider and the other Issuer Secured Creditors (as defined below). See *Description of Bond Security and Intercreditor Agreements*. The PBCE Provider has provided a letter of credit (the **PBCE Letter of Credit**) as a form of subordinated credit enhancement instrument for the Issuer in relation to the Bonds (as described in "Description of the PBCE Letter of Credit"). Abbey National Treasury Services plc, Lloyds Bank plc and Royal Bank of Canada (the **Hedge Counterparties**) (see further "*Description of the Hedge Counterparties*") have agreed to enter into certain revenue hedging arrangements with the Issuer pursuant to the hedging agreements (the **Hedging Agreements**) (as described in "*Description of the other Finance Documents – Hedging Agreements*").

Interest accrues on the Bonds at a rate of 3.446 per cent. per annum from (and including) the Issue Date. Interest is payable semi-annually in arrear on each of 31 December and 30 June in each year (each an **Interest Payment Date**), commencing on 31 December 2015. The Bonds will be redeemed in instalments on each Interest Payment Date. To the extent not previously redeemed, the Bonds will be redeemed at their outstanding principal amount on 24 August 2034 (the **Final Redemption Date**).

This Prospectus has been approved by the Central Bank of Ireland (the **Central Bank**) as competent authority under Directive 2003/71/EC, as amended (including by Directive 2010/73/EU, to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the **Prospectus Directive**). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has also been made to the

Irish Stock Exchange for the Bonds to be admitted to trading on the Irish Stock Exchange's regulated market and to be listed on the Official List of the Irish Stock Exchange.

References in this Prospectus to Bonds being **listed** (and all related references) shall mean that such Bonds have been admitted to trading on the Irish Stock Exchange's regulated market and have been admitted to the Official List of the Irish Stock Exchange. The Irish Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

The Bonds will be rated A3 by Moody's Investors Service Limited (**Moody's**). Moody's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, Moody's is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating organisation.

The Bonds will initially be represented by a temporary global bond (the **Temporary Global Bond**), without interest coupons or principal receipts, which will be deposited on or about 25 August 2015 (the **Issue Date**) with a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**). Interests in the Temporary Global Bond will be exchangeable for interests in a permanent global bond (the **Permanent Global Bond** and, together with the Temporary Global Bond, the **Global Bonds**), without interest coupons or principal receipts, on or after 5 October 2015 (the **Exchange Date**), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Bond will be exchangeable for definitive Bonds only in certain limited circumstances – see "*Forms of the Bonds*".

The Bonds and the Guarantee (as defined below) have not been and will not be registered under the United States Securities Act of 1933, as amended (the Securities Act), or with any securities regulatory authority of any state or other jurisdiction of the United States. The Bonds may be offered, sold or delivered only outside the United States to persons who are not "U.S. Persons" as defined in Regulation S under the Securities Act (Regulation S) (each, a U.S. Person) in offshore transactions in reliance on Regulation S under the Securities Act. Each purchaser of the Bonds in making its purchase will be deemed to have made certain acknowledgements, representations and agreements (see "*Subscription and Sale*" in this Prospectus).

An investment in the Bonds involves certain risks. Prospective investors should have regard to the factors described under the heading "Risk Factors" on page 18.

Joint Bookrunners

Lloyds Bank

**Santander Global Banking and
Markets**

The Royal Bank of Scotland

The date of this Prospectus is 21 August 2015

IMPORTANT INFORMATION

This Prospectus comprises a prospectus for the purposes of Article 5.4 of the Prospectus Directive.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

HoldCo accepts responsibility for the information contained in this Prospectus in relation to it and the Guarantee. To the best of the knowledge of HoldCo (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus in relation to it and the Guarantee is in accordance with the facts and does not omit anything likely to affect the import of such information.

The European Investment Bank (**EIB**) accepts responsibility for the information contained in this Prospectus in the section entitled "*Description of the PBCE Provider*". To the best of the knowledge of the EIB (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus in the section entitled "*Description of the PBCE Provider*" is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer, having made all reasonable enquiries, confirms that this Prospectus contains all material information with respect to the Issuer and the Bonds as at the date of this Prospectus (including all information which, according to the particular nature of the Issuer and of the Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Bonds), that the information contained or incorporated in this Prospectus is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Prospectus are honestly held and that there are no other facts the omission of which would make this Prospectus or any of such information or the expression of any such opinions or intentions misleading. The Issuer accepts responsibility accordingly.

Any websites referred to in this Prospectus do not form part of this Prospectus.

Neither the Joint Bookrunners (as described under "*Subscription and Sale*" below) nor the Bond Trustee, the Security Trustee, the Account Bank, the Principal Paying Agent, the Hedge Counterparties nor the PBCE Provider have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Bookrunners, the Bond Trustee, the Security Trustee, the Account Bank, the Principal Paying Agent, the Hedge Counterparties or the PBCE Provider as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the offering of the Bonds. None of the Joint Bookrunners, the Bond Trustee, the Security Trustee, the Account Bank, the Principal Paying Agent, the Hedge Counterparties or the PBCE Provider accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer in connection with the offering of the Bonds or their distribution.

No person is or has been authorised by the Joint Bookrunners, the Issuer, HoldCo, the Bond Trustee, the Security Trustee, the Hedge Counterparties or the PBCE Provider to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, HoldCo or any of the Joint Bookrunners, the Bond Trustee, the Security Trustee, the Hedge Counterparties or the PBCE Provider.

Neither this Prospectus nor any other information supplied in connection with the offering or marketing of the Bonds (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as

a recommendation by the Issuer, HoldCo or any of the Joint Bookrunners, the Bond Trustee, the Security Trustee, the Hedge Counterparties or the PBCE Provider that any recipient of this Prospectus or any other information supplied in connection with the offering of the Bonds should purchase any Bonds. Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or HoldCo. Neither this Prospectus nor any other information supplied in connection with the offering of the Bonds constitutes an offer or invitation by or on behalf of the Issuer, HoldCo, any of the Joint Bookrunners, the Bond Trustee, the Security Trustee, the Hedge Counterparties or the PBCE Provider to any person to subscribe for or to purchase any Bonds.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Bonds shall in any circumstances imply that the information contained herein concerning the Issuer and/or HoldCo is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Bonds is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Bookrunners, the Bond Trustee, the Security Trustee, the Hedge Counterparties and the PBCE Provider expressly do not undertake to review the financial condition or affairs of the Issuer and/or HoldCo during the life of the Bonds or to advise any investor in the Bonds of any information coming to their attention.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Bonds may be restricted by law in certain jurisdictions. The Issuer, HoldCo, the Joint Bookrunners, the Bond Trustee, the Security Trustee, the Hedge Counterparties and the PBCE Provider do not represent that this Prospectus may be lawfully distributed, or that the Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, HoldCo, the Joint Bookrunners, the Bond Trustee, the Security Trustee, the Hedge Counterparties or the PBCE Provider which is intended to permit a public offering of the Bonds or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Bonds. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Bonds in the United States and the United Kingdom; see "*Subscription and Sale*".

The Bonds may not be a suitable investment for all investors. Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;

- (iv) understands thoroughly the terms of the Bonds and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Each potential investor needs to consider carefully whether it requires independent advice with respect to the legal, technical, tax, financial and insurance matters to which reference is made in this Prospectus.

In arriving at their decision on whether to take independent advice, potential investors must be aware that the independent technical and insurance reports obtained by the Issuer (for itself and potential creditors) in relation to the Transmission Assets are not included or incorporated by reference in this Prospectus (or in any appendix hereto) and will not otherwise be made available to prospective investors or Bondholders.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended and the Guarantee (the **Securities Act**), and the Bonds are subject to U.S. tax law requirements. Subject to certain exceptions, Bonds and the Guarantee may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons (see "*Subscription and Sale*").

PRESENTATION OF INFORMATION

References in this document to **£**, **GBP** or **sterling** are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.

FORWARD LOOKING STATEMENTS

Certain statements contained in this Prospectus, including any forecasts, projections, descriptions or statements regarding the possible future results of operations. Any statement preceded by, followed by or including the words "believes", "expects", "plans" or "will" or similar expressions, and other statements that are not historical facts, are or may constitute "forward-looking statements". Because such statements are inherently subject to risks and uncertainties, actual results may differ from those expressed or implied by such forward-looking statements. Although the Issuer believes that the projections contained in this Prospectus are reasonable, the Issuer cannot give any assurance that such projections will prove to have been correct. Important factors that could cause actual results to differ from such projections are disclosed in this Prospectus, including, without limitation, those contained under "*Risk Factors*" and any such projections are qualified in their entirety accordingly.

All descriptions of documents referred to in this Prospectus are qualified in their entirety by reference to the terms of the original documents.

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STABILISATION

In connection with the issue of the Bonds, Banco Santander, S.A. as **Stabilising Manager(s)** (or persons acting on behalf of any Stabilising Manager) may over-allot Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager (or persons acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.

OVERVIEW OF THE BONDS

The following overview does not purport to be complete and is taken from, and qualified in its entirety by, the remainder of the Prospectus and the terms and conditions of the Bonds set out in "*Conditions of the Bonds*".

Words and expressions defined in "*Conditions of the Bonds*" shall have the same meanings in this Overview.

Issuer:	WoDS Transmission plc.
Description of Bonds:	£254,849,000 3.446 per cent. Fixed Rate Secured Bonds due August 2034 to be issued by the Issuer on the Issue Date.
Guarantor:	WoDS Transmission Holdco Ltd (HoldCo)
Guarantee:	<p>The obligations of the Issuer under the Bonds will be irrevocably and unconditionally guaranteed by HoldCo as Guarantor pursuant to the terms of the guarantee made by HoldCo in the Security Agreement (the Guarantee).</p> <p>The obligations of the Guarantor under the Guarantee and the other Transaction Documents to which it is a party are secured by the assets of the Guarantor, including a share pledge over the shares it owns in the Issuer.</p>
Obligors:	The Issuer, HoldCo and any other person who accedes to, <i>inter alia</i> , the Common Terms Agreement and the STID as an Obligor in accordance with the terms of the Finance Documents and Obligors means all of them.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Bonds and the Guarantor's obligations under the Guarantee. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Bonds. These are set out at Pages 18 to 41 and include the fact that the Bonds may not be a suitable investment for all investors and certain market risks.
Bond Trustee:	HSBC Corporate Trustee Company (UK) Limited will act as trustee for the Bondholders (in such capacity the Bond Trustee).
Security Trustee:	HSBC Corporate Trustee Company (UK) Limited will act as security trustee for the Bondholders and the other Secured Creditors (in such capacity the Security Trustee).
Principal Paying Agent:	HSBC Bank plc
Account Bank:	HSBC Bank plc

Hedge Counterparties:	Abbey National Treasury Services plc, Lloyds Bank plc and Royal Bank of Canada.
Joint Bookrunners:	Lloyds Bank plc, Banco Santander, S.A. and The Royal Bank of Scotland plc.
PBCE Provider:	European Investment Bank, under the PBCE Letter of Credit and Reimbursement Deed.
Bond Trust Deed:	The Bonds will be constituted by, and issued subject to, a bond trust deed (see " <i>Description of the other Finance Documents – Bond Trust Deed</i> ").
Security Trust and Intercreditor Deed or STID:	The Bonds will be subject to, and have the benefit of, a security trust and intercreditor deed (see " <i>Description of the other Finance Documents – STID</i> ").
Interest Payments:	Interest accrues on the Bonds at a rate of 3.446 per cent. per annum from (and including) the Issue Date. Interest is payable semi-annually in arrear on each 30 June and 31 December in each year (each an Interest Payment Date), commencing on 31 December 2015.
Issue Date:	25 August 2015
Final Redemption Date:	24 August 2034
Common Terms Agreement:	The terms of the Bonds are subject to, and have the benefit of, a common terms agreement (the Common Terms Agreement) between, <i>inter alia</i> , the Issuer, the Bond Trustee, the Hedge Counterparties and the PBCE Provider containing, <i>inter alia</i> , undertakings and events of default.
Authorised Credit Facilities:	In addition to the PBCE Letter of Credit and the Hedging Agreements, the Issuer may enter into certain other borrowing or credit enhancement arrangements from time to time in accordance with the terms of the Common Terms Agreement.
Scheduled Redemption of the Bonds:	The Bonds will be redeemed in instalments on each Interest Payment Date – see Condition 6.1 (<i>Scheduled Redemption</i>) of the Conditions of the Bonds. To the extent not previously redeemed, the Bonds will be redeemed at their outstanding principal amount on the Final Redemption Date.
Withholding tax:	All payments of principal, interest and/or premium (if any) in respect of the Bonds will be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes imposed or levied by the Relevant Jurisdiction unless the withholding or deduction is required by applicable law.

The Issuer shall subject to certain exemptions, be obliged to make additional payments to Bondholders in respect of any such withholding or deduction as would result in receipt by the Bondholders after any such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required.

Redemption for taxation reasons:

In the event that the Issuer satisfies the Bond Trustee that any (i) change in tax law (or the application or official interpretation thereof) that becomes effective after the Issue Date requires or will require the Issuer, HoldCo or the Principal Paying Agent to make any withholding or deduction for or on account of any taxes imposed or levied by the Relevant Jurisdiction and required by applicable law from payments in respect of the Bonds or (ii) change in law or a law becomes effective after the Issue Date which would allow a Hedge Counterparty to terminate a Hedging Agreement as a result of either the Issuer or the Hedge Counterparty being required to make any withholding or deduction for or on account of any United Kingdom taxes, the Issuer may use its reasonable endeavours to mitigate the effects of these events, including by arranging for the substitution of a company incorporated in an alternative jurisdiction (approved in writing by the Bond Trustee) as principal debtor under the Bonds or, in certain circumstances, redeem the Bonds.

See Condition 6.5 (*Optional redemption for taxation or other reasons*) of the Conditions of the Bonds.

Events of Default:

Events of Default under the Bonds are set out in Schedule 3 of the Common Terms Agreement.

Security:

The obligations of the Issuer under the Bonds will be secured in favour of the Security Trustee. The Security will comprise security granted pursuant to a security agreement entered into by, *inter alia*, the Issuer and HoldCo pursuant to which the Issuer and HoldCo will grant security over their assets (including HoldCo's shares in the Issuer) (the **Security Agreement**). In accordance with the STID, the Security will be held by the Security Trustee for itself and on behalf of the Bondholders, the Hedge Counterparties, the PBCE Provider and the other Secured Creditors. See "*Description of the Guarantee and the Security*".

Additionally, the Bonds will be guaranteed by the Guarantor under the Guarantee. See " – *Status of the Guarantee*" above.

Secured Creditors:

The Security Trustee (in its own capacity and on behalf of the other Secured Creditors), the Bondholders, the Bond Trustee (in its own capacity and on behalf of the Bondholders), the Hedge Counterparties, the PBCE

Provider, the Principal Paying Agent, the Account Bank and each other Agent and any other additional Secured Creditor.

PBCE Letter of Credit:

The Bonds will benefit from the PBCE Letter of Credit (as defined below) provided by the PBCE Provider.

Status of the Bonds:

The Bonds, Receipts and the Coupons are direct, unconditional and secured obligations of the Issuer.

The Bonds will all rank *pari passu*, without preference, among themselves.

Status of the Guarantee:

The obligations of the Guarantor under the Guarantee constitute direct obligations of the Guarantor secured against the assets of the Guarantor.

Purchase of Bonds:

The Issuer and HoldCo may purchase the Bonds from time to time or have any or all of the Bonds held on their behalf.

Meetings of Bondholders:

The Conditions of the Bonds and the Bond Trust Deed contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. Subject to the provisions of the STID, these provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend (or were not represented) and did not vote at the relevant meeting and Bondholders who abstained or voted in a manner contrary to the majority.

Modification, Waiver and Substitution:

Subject to the provisions of the STID, the Bond Trustee may, or may direct the Security Trustee to, without the consent of Bondholders, agree to any modification of (subject to certain exceptions), or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Bonds or the other Finance Documents in the circumstances and subject to the conditions described in Condition 13.2 (*Modification, Waiver, Authorisation and Determination*).

Listing and admission to trading:

Application has been made to the Irish Stock Exchange for the Bonds to be admitted to the Official List and trading on its regulated market.

Governing law:

The Bonds, the Bond Trust Deed, the Common Terms Agreement, the STID and the other Finance Documents and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law.

Form and Denomination of the Bonds:

The Bonds will be issued in bearer form in denominations of £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000. Upon issue, the Bonds will be represented by a temporary global bond which will be exchangeable for a permanent global bond on

or after 40 days from the Issue Date upon certification as to non-U.S beneficial ownership. The permanent global bond will, in limited circumstances, be exchangeable for Bonds in definitive form.

Initial delivery of the Bonds:

The Temporary Global Bond will be issued in **New Global Note** form and will be delivered to the Common Safekeeper for Euroclear and Clearstream, Luxembourg

Credit Ratings:

The Bonds will, upon issue, be rated A3 by Moody's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Selling Restrictions:

The Bonds and the Guarantee have not and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds may be sold in other jurisdictions only in accordance with applicable laws and regulations. See "*Subscription and Sale*" below.

OVERVIEW OF THE PROJECT

WoDS Transmission plc (the **Issuer**) is owned by a consortium comprising 3i Infrastructure plc and Macquarie Corporate Holdings Pty Limited, organised to, among other things, purchase from ScottishPower Renewables (WODS) Limited and DONG Energy West of Duddon Sands (UK) Limited (together the **Vendors** and each a **Vendor**), an offshore transmission system which includes an onshore substation, an offshore substation platform (**OSP**), onshore cables and two export cables each approximately 44.3km long (including onshore and offshore sections) and an OFTO dedicated supervisory control and data acquisition system (**SCADA**). The onshore substation is located adjacent to the National Grid Heysham 400kV substation, feeding directly into the existing 400kV National Electricity Transmission System.

The Transmission Assets being transferred to the Issuer consists broadly of:

Asset	Description
OSP	Two No. 155/34kV transformers together with associated 170kV Gas Insulated Switchgear (GIS), two No. 34/0.4kV auxiliary transformers and two No. 0.4kV standby generators located on the offshore substation itself.
Subsea cable	Two No. 155kV cables of approximately 41km in length to be buried typically between 1m and 2m depth. The cables are surface laid at crossings and protected with rock berms. There are also some areas of shallower burial some of which have been similarly protected.
Onshore cable	Two No. 3 x single core 155kV underground cables, each approximately 3km in length. Connection to the 400kV NGET Heysham substation consists of two No. 3 x single core 400kV cables.
Onshore substation	The onshore substation consists of two No. 400/155kV transformers complete with 155kV GIS, two auxiliary transformers, associated shunt reactor, reactive compensation and harmonic filtration equipment.
Heysham substation	Two 400kV GIS positioned within the NGET Heysham substation will be included in the equipment transfer.
SCADA	The offshore and onshore substations both have separate OFTO SCADA equipment rooms.
Spares	A comprehensive list of spares including strategic spares has been supplied by the Vendors.

The Vendors are retaining ownership of the 34kV switchgear on the offshore substation.

The offshore interface point on the OSP is located at the 155/34kV transformer 34kV LV terminals. The onshore interface point is located at the 400kV main and reserve busbar clamps contained within NGET's Heysham substation.

The Wind Farm

The WoDS Project is located in the East Irish Sea approximately 14km from Barrow-in-Furness, off the Cumbrian Coast in northwest England, and is located entirely within the United Kingdom of Great Britain and Northern Ireland (UK) territorial waters.

The Wind Farm consists of 108 wind turbine generators with an installed capacity of 388.8MW (382MW at the point of connection to the Transmission Assets).

OFTO Licence

In order to operate the Transmission Assets, the Issuer is required to obtain a licence from The Gas and Electricity Markets Authority established under Section 1 of the Utilities Act 2000 and pursuant to the Electricity Act 1989 (as amended and supplemented, including by the Energy Act 2004 and the Energy Act 2008)) (the **Electricity Act**). The Issuer's principal activities will be to own and operate the Transmission Assets in accordance with the terms of its OFTO Licence, as more fully set out in the section entitled "*Description of the OFTO Licence and the Regulatory Regime*" below.

The terms of the OFTO Licence restrict the Issuer's ability to enter into business activities other than those specifically related to the OFTO Licence – see further "*Description of the OFTO Licence and the Regulatory Regime – Focus on the Transmission Business*" below. As indicated in the section entitled "*Use of Proceeds*", the proceeds of issuance by the Issuer of the Bonds will be applied towards the acquisition of the Transmission Assets and certain related transaction costs. As part of the terms of the sale by the Vendors to the Issuer, the Issuer will take the benefit of certain contracts put in place for the Transmission Assets, as more thoroughly set out in the section entitled "*Description of the Project Documents*".

Revenue

The OFTO Licence sets out the availability-based revenue entitlement of the Issuer which is payable by NGET in accordance with the STC. The Issuer may earn credits for performance above the availability target set by Ofgem of around 98 per cent. (subject to monthly fluctuations) and also suffer deductions for not meeting this target. Ofgem reported in December 2014 that "aggregate availability across all OFTOs from first licence grant to March 2014 is over 99 per cent".² The Issuer anticipates that system availability will be actively managed to achieve a high level of availability in relation to the Ofgem target of 98 per cent.

Technical reliability

The Transmission Assets comprise of an assembly of components that use tried and tested technology and have a proven track record in the power sector both for onshore and offshore applications. Main components are manufactured to a high specification, such that the probability of failure should be considered low. Generally, components have been supplied by tier 1 suppliers including Siemens (power electronics and onshore switching), CG Power Systems (offshore transformers), Alstom (offshore switching), NKT (offshore cables) and Fabricom (offshore platform). The Transmission Assets will be managed (within the constraints of warranty requirements) to maximise availability and minimise downtime associated with routine maintenance. The Issuer anticipates that system availability will be actively managed to achieve a high level of availability in relation to the Ofgem target of 98 per cent.

O&M

The Issuer will enter into a fixed price 20 year term O&M Agreement (with a break option in year 10) with the Vendors as the Operator (see further "*Description of the Project Documents – Operation and Maintenance Agreement*"). The O&M Agreement is backed by parent company guarantees from Scottish Power UK PLC and DONG Energy Wind Power Holding A/S. The Operator will sub-contract the O&M services to DONG Energy Power UK Limited, an affiliate of DONG Energy West of Duddon Sands (UK) Limited. DONG Energy Power (UK) Limited is experienced in operating transmission assets. While the Vendors are the owners of the Wind Farm, they will have a vested interest in ensuring that the Transmission Assets are available at full capacity to transmit electricity generated from the Wind Farm.

² <https://www.ofgem.gov.uk/ofgem-publications/91890/es902offshoreofrevenueareportweb.pdf>

The O&M Agreement and the maintenance plan of the Operator are designed to minimise the downtime of the Transmission Assets including:

- *Routine inspections and surveys:* Under the O&M Agreement, the Operator will perform routine inspections and surveys to monitor the condition of the Transmission Assets. As well as regular inspections of the onshore and offshore substations, bathymetric surveys will be carried out along the cable route to ensure that the cable remains adequately protected.
- *Performance monitoring:* The Operator will monitor the export cables in real time using the installed Distributed Temperature Sensing monitoring equipment in order to infer the condition of the cables and their real-time current carrying capacity. Other electrical equipment such as transformers are monitored in real time using the SCADA.
- *Routine maintenance:* The Operator will perform an on-going maintenance plan for the electrical system and provide a 24/7, 365 day per year fault resolution service.
- *Exceptional maintenance:* The Issuer has made provision for anticipated maintenance works or lifecycle costs for key assets where their operating lives are not expected to exceed the operating licence period, for example cable offshore reburial and rock berm maintenance.
- *Access to strategic or critical spares:* The Operator will have access to strategic and critical spares such as replacement sections of onshore and offshore cable, export cable jointing kits and consumable and strategic spares, required for offshore and onshore electrical equipment.
- *Contingency procedures:* To maximise availability as far as possible in the event of an asset failure through active management techniques such as reconfiguration of the transformers and/or cables to deliver higher than expected availability during an asset failure.

Management Services Agreement

The Issuer will enter into a Management Services Agreement with Frontier Power Limited as Management Services Provider (**MSP**) for a fixed term under which the MSP will provide various services to the Issuer. Such services include the management and day-to-day running of the Issuer, including managing any operational issues that may arise from time to time. One of the other key services that will be provided by the MSP is regulatory management (including annual regulatory reporting cycle) to ensure that the Issuer complies with its obligations under, among others, the OFTO Licence and industry codes (see further "*Description of the Project Documents – Management Services Agreement*"). The role of the MSP is key to the general operations of the Issuer and the Transmission Assets.

Decommissioning

The Energy Act 2004 places decommissioning obligations on all OFTOs (including the Issuer) for their transmission assets. Under the SPA, the Issuer assumes responsibility for all past, present and future liabilities and obligations of the Vendors to any third party or governmental agency in relation to the decommissioning of the offshore transmission system. In addition, the Issuer has both offshore and onshore decommissioning obligations under the Crown Estate Lease and Duchy Lease (see further "*Description of the Project Documents – Decommissioning*" below). The Issuer has budgeted for its expected future decommissioning obligations and will establish a reserve account in respect of its decommissioning obligations which will be funded over time.

Insurance

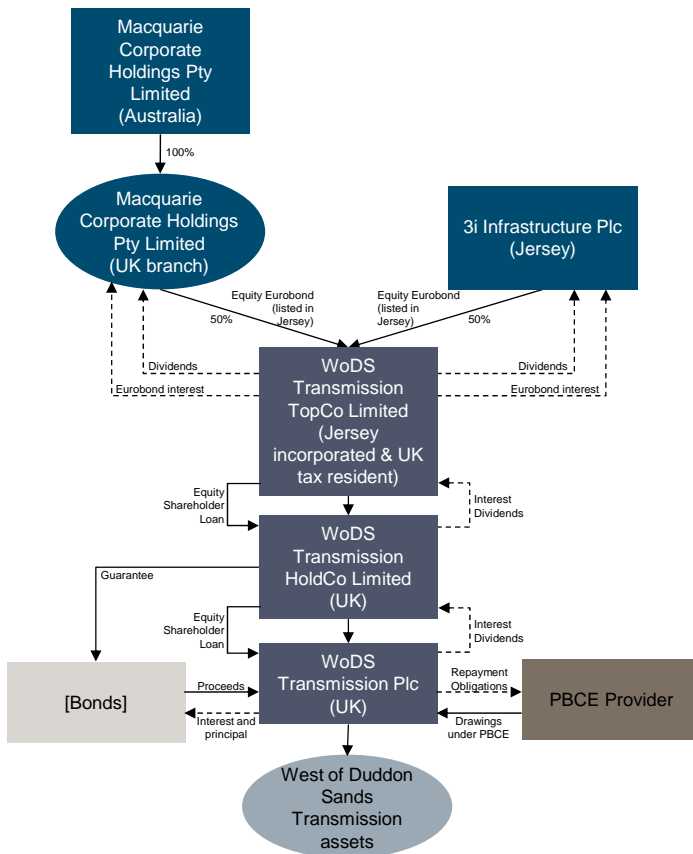
The Issuer will arrange insurance cover for its business from Completion. The Issuer's insurance policies will include coverage for property damage and third party liability and will be renewed annually. The Issuer

intends to size its insurance policies to ensure that its contractual obligations, for example, in respect of the crossing agreements, are adequately covered.

Corporate Structure

The group will comprise the Issuer (a public limited liability company incorporated under the laws of England and Wales), a HoldCo (a limited liability company incorporated under the laws of England and Wales and the owner of 100 per cent. of the shares in the Issuer) and a TopCo (a limited liability company incorporated under the laws of Jersey and the owner of 100 per cent. shares in the HoldCo).

The Issuer's corporate structure is set out below:



In addition to issuing the Bonds, the Issuer will benefit from a letter of credit (the **PBCE Letter of Credit**) provided by the European Investment Bank (the **PBCE Provider**) (see "*Description of the PBCE Provider*" and "*Description of the PBCE Letter of Credit*") and has entered into certain swap arrangements with the Hedge Counterparties (see "*Description of the other Finance Documents – Hedging Agreements*" below) to hedge a certain proportion of its revenue against inflation risks. In addition, HoldCo will guarantee the payment obligations owed by the Issuer to the Bondholders under the Bonds and to the other Secured Creditors (the **Guarantee**). HoldCo will grant security over its assets to the Bondholders and the other Secured Creditors (see "*Description of the Guarantee and the Security*" below).

RISK FACTORS

The Issuer and the Guarantor believe that the following factors may affect their ability to fulfil their obligations under the Bonds and in respect of the Guarantee. All of these factors are contingencies which may or may not occur and the Issuer and the Guarantor are not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the Bonds are described below.

The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Bonds, or the Guarantor to make payments in respect of its Guarantee, may occur for other reasons which may not be considered significant risks by the Issuer or the Guarantor based on information currently available to it or which it may not currently be able to anticipate. However, investors may need to consider obtaining their own independent advice with respect to legal, technical, insurance, financial and tax matters in order to make an investment decision. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Risk Factors relating to the Electricity Industry and the Issuer

The UK offshore transmission industry is subject to extensive legal and regulatory controls and the Issuer is required to comply with all applicable laws, regulations and regulatory standards, some of which are described in "*Description of the OFTO Licence and the Regulatory Regime*". While these laws, regulations and standards and policies of the Authority have historically provided a recognised, stable and protected operating environment, changes in such laws, regulations and standards and the policies of the Authority could have a material adverse impact on the business, financial condition or results or operations of the Issuer, which may impact the ability of the Issuer to meet its payment obligations under the Bonds in full.

In this context, in particular, potential investors should be aware of the following:

The OFTO Licence

In the electricity industry, the licences granted to transmission system operators contain restrictions on the way in which the transmission business may be undertaken, although the licences for OFTO businesses all have a similar structure in that each licence comprises a set of Terms, Standard Conditions, Amended Standard Conditions and Special Conditions (see further "*Description of the OFTO Licence and the Regulatory Regime – OFTO Licence*").

Modification of OFTO Licence

Any amendment to a licence condition can only be implemented by the Authority after a consultation period and licence holders (and, in certain circumstances, other stakeholders) can challenge the modifications by making an appeal to the Competition and Markets Authority. As part of a scheme for the transfer of property, rights and liabilities following an Energy Administration Order (an **Energy Transfer Scheme**), the energy administrator has the ability to make modifications to the licence of the existing licensee (see "*Description of the OFTO Licence and the Regulatory Regime – Energy Administration Orders*" below for Energy Administration Orders).

Issuer's main revenue and revocation of OFTO Licence

The OFTO Licence may be revoked by the Authority in certain circumstances, including where the Issuer fails to comply with an enforcement order made by the Authority. The Authority is likely to seek to resolve issues before resorting to licence revocation and has published guidance setting out potential measures that could be taken to avoid revocation, including liaising with all interested parties. The Issuer's business depends entirely on it being the holder of the OFTO Licence. If the OFTO Licence were revoked, the Issuer would be unable to earn revenue and consequently the Issuer's ability to meet its payment obligations under the Bonds in full would be impacted. Following revocation of the OFTO Licence, the Authority would be entitled to initiate an OFTO of Last Resort process. In this situation, the Authority would expect the incumbent OFTO (which would be the Issuer in this situation) and the OFTO of Last Resort to agree the terms of the transfer of assets on a commercial basis and would expect the parties to have regard to the depreciated regulatory asset value approach used to calculate the revenue stream so that the incumbent OFTO (i.e. the Issuer) would be expected to receive a transfer value reflective of the net asset value after regulatory depreciation. However, the transfer value may not be sufficient for the Issuer to meet its payment obligations under the Bonds in full.

OFTO Licence enforcement, breaches and sanctions

Breach of a licence condition can attract fines of up to 10 per cent. of the Issuer's annual turnover in the year preceding the date on which the Authority gives notice of its proposal to impose a penalty.

The Authority has published a statement of the policy that it intends to apply to the imposition of any penalty and the determination of its amount. Any such penalty can be appealed, on procedural grounds only, to the High Court. In practice, many regulatory issues arising between licensees and the Authority are settled without the need to resort to formal proceedings. However, where the Authority is satisfied that a licensee is in breach of the terms of its licence, it has powers to secure compliance by means of an enforcement order. If a licensee does not comply with the order, as well as potentially giving rise to third party action, compliance can be enforced by the courts and the Authority may revoke the licence.

The OFTO Licence contains financial ring-fencing provisions under which the Authority can also make an order preventing either payment of a dividend (if it is not satisfied that the Issuer has sufficient available resources) or intragroup payments or loans (the definition of which may be wide enough to include the Bonds) where these are not on an arm's length basis on normal commercial terms. The OFTO Licence does, however, state that any repayment of, or payment of interest on, an intragroup loan or loans (the definition of which may be wide enough to include the Bonds) which is (i) entered into on an arm's length basis on normal commercial terms and applied for a "Permitted Purpose" and (ii) entered into prior to the date of the relevant event giving rise to the payment lock-up, would be permitted under the OFTO Licence, provided that any such payment is not made earlier than the original due date for payment in accordance with its terms.

The OFTO Licence contains requirements to maintain an investment grade credit rating or alternative financial arrangements consented to by the Authority. Loss of the required credit rating would trigger the need to put in place alternative financial arrangements.

The Authority can intervene in order to address ex post facto breaches of regulation, in particular, with regard to licence conditions. In particular, the Authority monitors the quality of performance and, in appropriate cases, will take enforcement action.

The modification or revocation of the OFTO Licence could have a material adverse impact on the Issuer's ability to meet its payment obligations under the Bonds in full.

Risk that Retail Price Index (RPI) fluctuations could adversely affect net cashflow

The Issuer's revenue under the OFTO Licence is linked to the underlying rate of inflation (measured by the RPI) and as such is subject to fluctuations in line with changes in the rate of inflation. Not all of the Issuer's costs are linked to the RPI and therefore the Issuer remains exposed to certain types of cost increases. While the Issuer has entered into hedging arrangements in respect of certain of these costs, not all of its costs will be covered by those hedging arrangements. Accordingly, increases in the Issuer's costs may impact the ability of the Issuer to meet its payment obligations under the Bonds in full.

Environmental regulations could increase the Issuer's costs and adversely affect profitability

Various environmental protection and health and safety laws and regulations govern the offshore transmission business. These laws and regulations establish, among other things, standards for electrical safety and marine management, which affect the Issuer's operations. In addition, the Issuer is required to obtain various environmental permissions from regulatory agencies for its operations. The Issuer endeavours to comply with all regulatory standards. However, there can be no assurance in the future that the Issuer will be in total compliance at all times with these existing laws and regulations. There is a risk that should the Issuer fail to comply with these laws and regulations, it could incur costs required to ensure compliance or face fines imposed by the courts or otherwise face sanctions imposed by the Authority or another regulator, any of which could adversely affect the Issuer's profitability and financial position. The Issuer has sought to mitigate such risk through the O&M Agreement and under the MSA by requiring that the Operator and the MSP comply with all laws and regulations in accordance with good industry practice.

Environmental laws and regulations are complex and change frequently. These laws, and their enforcement, have tended to become more stringent over time. Although the Issuer has taken into account the future capital and operating expenditure necessary to achieve and maintain compliance with current and known future changes in laws and regulations, it is possible that new or stricter standards could be imposed, or current interpretation of existing legislation amended, which will increase the Issuer's operating costs by requiring changes or modifications to the assets in order to comply with any new environmental laws and regulations. Although these costs may be recoverable in part through the regulatory process under the OFTO Licence conditions, there can be no assurance of this. Therefore, there is a risk that the costs of complying with, or discharging its liabilities under, potential future environmental and health and safety laws could adversely affect the Issuer's profitability or financial position which, in turn, could impact the Issuer's ability to meet its payment obligations under the Bonds in full.

Counterparty insolvency and reliance of the Issuer on third parties

The management of the Transmission Assets and the ability of the Issuer to pay amounts due under the Bonds depend upon a number of third parties such as NGET, the MSP and the Operator.

The Issuer's main counterparty is NGET and there is a risk that if NGET suffers an event of insolvency, such event may impact its ability to continue to pay the Issuer's revenue stream which may, in turn, impact the Issuer's ability to meet its payment obligations under the Bonds in full. This risk is mitigated by (i) NGET's own licence requirements to maintain an investment grade credit rating (currently rated A- by Standard & Poor's, A3 by Moody's and A by Fitch) and ensure financial ring-fencing around its regulated business, (ii) NGET's position in the regulatory structure, which enables it to recover costs from generators and suppliers, (iii) NGET being a 'protected energy company' and therefore a company in respect of which the Secretary of State or the Authority could apply for an energy administration order which would give priority to the rescue of the company as a going concern or a transfer of the undertaking as a going concern and (iv) Authority's obligation to carry out its functions having regard to the need to secure that licence holders can finance their activities.

Another significant counterparty is the Operator. In the event of insolvency of the Operator, the Issuer would have to replace the Operator. The Issuer may not be able to replace the Operator in a timely manner,

nor on the same terms as the O&M Agreement, which may impact the costs of the Issuer and therefore its ability to meet its payment obligations under the Bonds in full. The Issuer has sought to mitigate such risk by ensuring that the O&M Agreement contains provisions that would allow it to serve a notice of termination on the Operator but require the Operator to continue to perform the services under the O&M Agreement for a certain period. The MSP is also a key counterparty. Under the MSA, the MSP is required to maintain professional indemnity insurance with an agreed annual cover. In the event of insolvency of the MSP or where the MSP commits a material breach that is incapable of remedy or if capable of remedy is not remedied within a specified period, the Issuer would be entitled to terminate the MSA and replace the MSP. The Issuer may not be able to replace the MSP in a timely manner, or on the same terms as the MSA, which may impact the costs of the Issuer and therefore its ability to meet its payment obligations under the Bonds in full.

Certain agreements entered into or that are transferred to the Issuer are supported by parent company guarantees. Notably the Vendors' parent companies (Scottish Power UK Plc and DONG Energy Wind Power Holding A/S) provide guarantees in relation to certain obligations of the Vendor to which they are a parent - the SPA, the O&M Agreement, the BCA and the CBA all include an obligation to procure such guarantees. These guarantees are subject to certain limitations such as a limitation of the term of the guarantee and specific monetary caps.

Special administration regime applicable to the Issuer as a holder of an OFTO Licence

The Energy Act 2004 provides for a special administration regime for the holders of OFTO licences. This regime makes provisions for Energy Administration Orders (**EAOs**) and is designed to ensure the uninterrupted operation of electricity networks essential to secure supply of electricity in the event of actual or threatened insolvency of such a licence holder. An application for an EAO can only be made by the Secretary of State, or by the Authority with the consent of the Secretary of State. Upon application, a court can only make an EAO if it is satisfied that the OFTO licensee is or is likely to be unable to pay its debts or that, on a petition from the Secretary of State under the Insolvency Act, it would be just and equitable (aside from the objective of energy administration) to wind up the OFTO licensee in the public interest.

Where an ordinary administration application under the Insolvency Act is made in relation to a licensee by a person other than the Secretary of State, the court must dismiss the application if: (a) an EAO is in force in relation to the licensee; or (b) an EAO has been made in relation to the licensee but is not yet in force. Where either of (a) or (b) does not apply, the court, on hearing the application for an ordinary administration, is not entitled to exercise its powers under paragraph 13 of Schedule B1 to the Insolvency Act (other than its power of adjournment) unless: (i) notice of the application has been served both on the Secretary of State and on the Authority; (ii) a period of at least 14 days has elapsed since the service of the last of those notices to be served; and (iii) there is no application for an EAO that is outstanding. Upon the making of an EAO in relation to a licensee, the court must dismiss any ordinary administration application made in relation to that company which is outstanding.

No step may be taken by the holder of a floating charge or by the company itself to appoint an administrator to a licensee under paragraph 14 or 22 of Schedule B1 to the Insolvency Act if: (a) an EAO is in force in relation to the licensee; (b) an EAO has been made in relation to the licensee but is not yet in force; or (c) an application for such an EAO is outstanding. Where these requirements have not been met, the appointment takes effect only if: (i) a copy of every document in relation to the appointment that is filed or lodged with the court in accordance with paragraph 18 or 29 of Schedule B1 to the Insolvency Act (documents to be filed or lodged for appointment of administrator) has been served both on the Secretary of State and on the Authority; (ii) a period of 14 days has elapsed since the service of the last of those copies to be served; (iii) there is no outstanding application to the court for an EAO in relation to the licensee in question; and (iv) the making of an application for such an order has not resulted in the making of an EAO which is in force or is still to come into force.

The objective of an energy administrator appointed under an EAO is to ensure that an OFTO licensee's transmission system is maintained and developed efficiently and economically, and to preserve the OFTO licensee as a going concern or to transfer its undertakings as a going concern to one or more other companies. This objective takes precedence over the protection of the respective interests of members and creditors of the OFTO licensee, such as the Bondholders as creditors of the Issuer. Therefore, in the event that an EAO was made in respect of the Issuer, this could adversely affect the rights of the Bondholders to make a claim against the Issuer's assets. Further, there can be no assurance that creditors (including the Bondholders) would recover amounts due to them in full as a result of any Energy Transfer Scheme.

Security

The terms of the OFTO Licence restrict the Issuer's ability to grant security over its Transmission Assets and the enforcement of such security is also restricted by the provisions of the OFTO Licence, except with the prior written consent of the Authority. Accordingly, the security provided over the assets of the Issuer in favour of the Security Trustee in respect of the Issuer's obligations under the Bonds affords significantly less protection to the Security Trustee (and, therefore, the Bondholders) than would be the case if the Issuer were not subject to the provisions of the OFTO Licence.

The appointment of an energy administrator (see "Special administration regime applicable to the Issuer as a holder of an OFTO Licence" above) effectively places a moratorium upon any holder of security and a secured creditor would be prohibited from enforcing security against the Issuer unless certain conditions were met. Accordingly, the Security Trustee (acting on behalf of the Secured Creditors including the Bondholders) may be delayed in taking enforcement action and such delay may result in the moneys recoverable from the enforcement of the security being less than would have been recoverable had the Security Trustee been able to enforce the security at an earlier date.

OFTO of Last Resort

Additional resources may be required from the Issuer in the event the Authority directs it to act as an OFTO of Last Resort. Under the OFTO Licence the Authority may only give an OFTO of Last Resort direction to the Issuer if it is satisfied that the Issuer will be able to recover the costs of operating the relevant transmission assets in an economic and efficient manner, including a reasonable rate of return. The OFTO of Last Resort Guidance states that the OFTO of Last Resort should receive an annual revenue stream sufficient to fund an efficiently operating business and to meet the costs of purchasing the assets. Although it is expected that the Authority would, in this circumstance, modify the Issuer's annual revenue in accordance with the provisions of the OFTO Licence, there is no certainty as to how the consideration for the assets which would transfer to the Issuer (acting as an OFTO of Last Resort) will be calculated. The OFTO of Last Resort Guidance suggests that the transfer value will be reflective of the net asset value after regulatory depreciation, but as of the date of this Prospectus, no OFTO has been directed by the Authority to act as an OFTO of Last Resort and so it is unclear how the process will work and what the cost implications would be to an OFTO directed to become an OFTO of Last Resort. Accordingly, if the Issuer is directed to act as an OFTO of Last Resort, it is unclear what the costs would be to the Issuer, and if all such additional costs would be recoverable under the OFTO Licence. If not, this may adversely impact the ability of the Issuer to meet its payment obligations under the Bonds in full.

Adverse Change in Circumstance – restrictions on pass-through costs

Extraneous events or circumstances might occur during the term of the OFTO Licence that could result in a loss of revenue, increased operating costs or require additional capital expenditure by the Issuer. The Issuer is protected to an extent against revenue losses, increased costs or additional capital expenditure incurred as a result of events or changes in circumstance through the OFTO Licence to the extent that such costs or expenditures are classified as a pass-through cost, an income adjusting event, or an exceptional event. However, there is no guarantee that such costs or expenditures will satisfy the various criteria to qualify as a pass-through cost, an income adjusting event or an exceptional event under the OFTO Licence. For

example, in the event that the Authority does not consent to a cost being passed-through, the revenue entitlement of the Issuer may not be sufficient to reflect the additional expense. There is also a £1 million threshold for an income adjusting event such as force majeure or an amendment to the STC. As a result, the Issuer may be exposed to increased costs and expenditures from extraneous events or circumstances from time to time. The Issuer's insurance arrangements, once established at Completion, would help mitigate the impact of extraneous events or circumstances that result in loss or damage to the Transmission Assets. Notwithstanding these protections, such events could adversely impact the Issuer's ability to meet its payment obligations under the Bonds in full.

The STC or other industry documents

The STC sets out the Issuer's and NGET's current obligations and responsibilities, including payment obligations towards each other, for example, the NGET's obligations to pay the OFTO the transmission charges and the OFTO's payment obligations towards NGET in respect of relevant interruptions in availability or in the case of construction works to provide incremental capacity. (see "*Description of the OFTO Licence and the Regulatory Regime – Incremental Capacity*" below). The OFTO Licence requires that the OFTO complies with its obligations under the STC and remains party to it and the OFTO has covenanted to comply with its material obligations under the OFTO Licence and the STC. If the OFTO ceases to be a party to the STC, the payment obligations of NGET towards the OFTO will become invalid and the OFTO would also be in breach of its OFTO Licence obligations, and therefore there could be a material adverse impact on the Issuer's ability to meet its payment obligations under the Bonds in full.

Amendments to the STC may result in increased costs of complying with the Issuer's STC obligations and as a result the Issuer's revenues may be negatively impacted, to the extent such amendments do not constitute an income adjusting event under the OFTO Licence (as discussed above). Increased costs of compliance or changes which do not constitute an income adjusting event may adversely impact the Issuer's ability to meet its payment obligations under the Bonds in full.

Third Package certification

The Issuer has an on-going obligation to comply with the unbundling requirements of the Third Package and with the certification conditions specified by the Authority. The Issuer's certification could be withdrawn by the Authority in certain circumstances and this may result in revocation of the OFTO Licence. The Issuer's business depends entirely on it being the holder of the OFTO Licence. If the OFTO Licence were revoked, the Issuer would be unable to earn revenue and, consequently, adversely impact the Issuer's ability to meet its payment obligations under the Bonds in full. Changes in the Issuer's shareholding arrangements could affect its ability to remain certified, as its shareholding arrangements are a factor in the Authority continuing to certify compliance with the Third Package. There is also a risk that enforcement of share security may not comply with the certification criteria required by the Authority and the Issuer may be required to request the Authority to apply its discretion to treat certain criteria as passed in these circumstances in order for the Secured Creditors to enforce the share security. As at the date of this Prospectus, there is little information available as to how the Authority would act in any of these situations. Accordingly, there can be no guarantee as to how the Authority may choose to exercise this discretion.

Incremental capacity

Due to the evolving nature of electricity transmission requirements, the Issuer may be required to make additional capacity available to new or existing electricity generators as long as the cost of the additional capacity does not exceed 20 per cent. of the capital cost of the Issuer's Transmission Assets and an appropriate revenue adjustment is made. The Issuer will seek to raise any required amount through one of the sources of funding available at the time, which may include the issuance of Further Bonds (see further Condition 15 (*Further Bonds*)), subject to and in accordance with Condition E17 of the OFTO Licence. The additional financial indebtedness incurred pursuant to the issue of Further Bonds will only be Permitted Financial Indebtedness if, among other things: (a) no Event of Default or Potential Event of Default is

subsisting or would occur as a result of the issue of those Further Bonds; (b) the financial ratios adjusted pro-forma as if those Further Bonds had been issued on the first day of the most recently completed Calculation Period would be equal to or greater than the higher of (i) the applicable Lock-Up Ratio Level or (ii) the level of those financial ratios on the most recent Calculation Date before the occurrence of that financial indebtedness; and (c) the issue of those Further Bonds would not cause the then current long term credit rating of the Bonds to be reduced. If the Issuer chooses to issue Further Bonds, those Bonds would be fungible with the existing Bonds in order to meet the costs incurred by the Issuer to make such additional capacity available. Although there are mechanisms provided in the OFTO Licence to adjust the Issuer's revenue stream to cover these capital costs and related operating costs, the Issuer's revenue adjustment will ultimately be determined by the Authority on a case-by-case basis and may differ from the uplift in revenue the Issuer believes it is entitled to. Accordingly, the Issuer may be required to incur costs to provide such additional capacity which may not be covered by a corresponding adjustment in the Issuer's revenue entitlement and this may adversely impact the Issuer's ability to meet its payment obligations under the Bonds in full.

Performance Security

The Issuer may be required to provide performance security in respect of its provision of additional capacity (as discussed above) in an amount equivalent to the sum of (a) 20 per cent. of the forecast offshore construction cost and (b) the liquidated damages liability, under any construction agreement entered into with NGET for the provision of that additional capacity.

To encourage adequate performance of the Issuer's OFTO Licence obligations from year 16 of the OFTO Licence onwards, the Issuer will be required to post a financial security in a form acceptable to and agreed by the Authority, to a level not less than 50 per cent. of the base transmission revenue in each of the final five years of the revenue stream.

These additional costs could adversely impact the Issuer's ability to meet its payment obligations under the Bonds in full.

Availability Incentive Mechanism

The Issuer may be penalised through a reduction in its revenue stream for failing to meet its performance target for availability set out in the OFTO Licence. However, this penalty is subject to an annual cap of 10 per cent. of the Issuer's base revenue. Further, this penalty will not be applied to the extent that the event which caused a reduction in availability was wholly or partially caused by an exceptional event, although there is no certainty as to what will be determined by the Authority to be an exceptional event. The risk of penalties incurred by the Issuer because of a failure to meet its performance target would also be mitigated by (a) the O&M Agreement, which pass down any reduction in the Issuer's revenue to the Operator (subject to any relevant liability cap and threshold) to the extent that such reduction in availability is a direct result of the Operator's failure to perform its obligations under the O&M Agreement and (b) a mechanism that any eligible credits earned in any relevant year by the OFTO under the OFTO Licence (for performance in excess of the relevant performance target) are offset against any penalties, such that where sufficient credits exist, penalties will be erased by available credits first and thus not incurred as penalties. See "*Description of the OFTO Licence and the Regulatory Regime – OFTO Licence – Availability Incentive*".

Relevant Interruptions

The Issuer may also be liable under the STC to make payments to NGET in respect of relevant interruptions in availability. However, the OFTO Licence provides for interruption payments charged by NGET to the OFTO in accordance with the STC to be a pass-through cost, which pass-through cost is stated to include any financing or other costs so as to ensure that the financial position and performance of the OFTO is, insofar as is reasonably practicable, the same as if those costs had not been incurred.

General Operational Risks

As at the date of this Prospectus, there is a limited operational history of the Transmission Assets. The operation of the Transmission Assets is a technical undertaking that is subject to a number of factors outside the control of the Issuer. These factors include the marine environment which may curtail access to the OSP under certain weather conditions and which may lead to changes in the topography of the seabed. Given the nature of such factors it is not possible to accurately predict their future impact on the operation of the Transmission Assets.

Certain operational costs, such as cable reburial and rock berm maintenance may be dependent on factors including weather, sea conditions and natural processes such as seabed mobility over the 20 year revenue period. Having conducted due diligence as to the risks involved, the Issuer has sought to mitigate these risks by making allowances in the operating budget for these types of activities over the licence period. However, given the nature of these risks and limited long term industry experience in the OFTO context, activities such as cable reburial and rock dumping maintenance may deviate from assumptions derived during due diligence.

The Issuer has sought to mitigate the general operational risks of which it is aware through contractual provisions with third parties, due diligence and insurance. To the extent any losses or costs suffered as a result of such risks are classified as an income adjusting event or an exceptional event, the OFTO Licence conditions would offer protections to the Issuer to mitigate the impact of such risks (see further "*Description of the OFTO Licence and the Regulatory Regime – OFTO Revenue Stream*" and "*Description of the OFTO Licence and the Regulatory Regime – Availability Incentive*" below). Notwithstanding these mitigants or the protections that may be obtained under the OFTO Licence, the operational risks faced by the Issuer may still impact on the Issuer's financial position, which may in turn adversely impact the Issuer's ability to meet its payment obligations under the Bonds in full.

In the event of an operational failure of the Transmission Assets, the Issuer may face delays in completing the necessary repairs and/or remedial works owing to a lack of available spare parts and access to appropriate vessels. Delays may lead to prolonged outages and an extended loss of availability which may impact the Issuer's revenue stream. The Issuer intends to mitigate this risk as far as reasonably possible by arranging to put in place critical cable spares and joints and establishing appropriate contingency plans. An impact on the Issuer's revenue stream in these circumstances could adversely impact the Issuer's ability to meet its payment obligations under the Bonds in full.

The defects warranty periods under the construction contracts are for a period of between one to six years, which may be reduced to a shorter period by Completion. This is typically due to the time period between the date on which (a) particular works are commissioned or (b) assets are delivered and when Completion occurs. To the extent defects arise in any Transmission Assets after the expiry of the relevant defects liability period, the Issuer would be responsible for the cost of remedying any such defects. This may adversely impact the Issuer's ability to meet its payment obligations under the Bonds in full. The Issuer intends to mitigate this risk by: (i) putting in place a working capital reserve; (ii) having a contingency budget; (iii) insuring the Transmission Assets; and (iv) putting in place the PBCE Letter of Credit. The Issuer will only be able to make a claim under the insurance if a defect causes damage to the Transmission Assets and the value of any loss suffered is higher than the policy deductible. There may also be a cashflow impact on the Issuer depending on the timing of the recovery of the insurance proceeds to the extent that the amounts available under the contingency budget or in the working capital reserve account do not cover such loss.

There are also certain protections under the OFTO Licence against certain limited and efficiently incurred costs which the Issuer could not have been reasonably expected to foresee, such as costs which satisfy the various criteria to qualify as a pass-through cost, an "income adjusting event" or an "exceptional event" under the OFTO Licence (see further "*Adverse Change in Circumstance – restrictions on pass-through costs*" and the "*OFTO Revenue Stream*" sections below). However, there is a lack of clear guidance from the

Authority and precedents on the interpretation of these events in practice, and whether an event can be categorised as such is usually determined on a case-by-case basis by Ofgem.

Health and Safety

The offshore transmission industry is exposed to the risk of accidents which could (a) result in injury or loss of human life, damage to infrastructure and/or other property and short or long term interruption to the Transmission Assets, (b) expose the Issuer to legal claims and (c) have a negative impact on availability, in turn negatively impacting the Issuer's revenue.

The Issuer has sought to mitigate this risk through its contractual arrangements with both the MSP and the Operator. Under the O&M Agreement, the Operator is required to have full regard to the safety of all persons on the site and Transmission Assets and ensure that the site and Transmission Assets provide a safe system of work for all persons and activities. Similarly, one of the services that will be provided by the MSP under the MSA is safety, health, environment and security management, which will include testing and checking of safety, health, environment and security management policies, procedures and systems and embedding safety management culture.

Snagging works

There are certain snagging works in relation to the Transmission Assets which will not have been completed prior to the Acquisition. See "*Description of the Project Documents*".

Under the SPA, the Vendors have undertaken, at their cost, to use all reasonable endeavours to ensure the performance of these snagging works in accordance with the requirements of the relevant construction contract or in the case of a new contract, in accordance with good industry practice. There is a risk that when carrying out the snagging works, such works may (a) result in damage to some of the Transmission Assets and/or (b) be delayed and affect the functionality of the Transmission Assets as a whole. These risks could affect the availability of the Transmission Assets, thereby resulting in a reduction in the Issuer's revenue under the OFTO Licence and, therefore, adversely impacting the Issuer's ability to meet its payment obligations under the Bonds in full. Although, the SPA provides that the Vendors will indemnify the Issuer for certain losses, these indemnities are subject to an agreed cap. Therefore, there is no guarantee that all of the Issuer's losses would be sufficiently covered. Thus these snagging works may have an impact on the cashflow of the Issuer and, in turn, adversely impact the Issuer's ability to meet its availability target set by Ofgem and/or its payment obligations under the Bonds in full. See further "*Description of the Project Documents – Sale and Purchase Agreement – Snagging Work*" below.

Temperature Anomaly

An anomaly in a DTS (**Distributed Temperature Sensing**) measurement (or **Temperature Anomaly**) has been found on the southern cable. The root cause of the Temperature Anomaly cannot be conclusively identified and may be either an internal or an external factor or a combination of both. The Temperature Anomaly may be considered benign because it does not cause the cable to operate outside of its design parameters; however the risk of a premature cable failure cannot be completely discounted. If there is a risk of premature cable failure then such a failure (or factors that would point to a deteriorating condition) would most likely occur within the first 4 years of operation. There is therefore a risk to the Issuer of loss of cable availability and associated cable repair costs, which are estimated at £7.5m, with a repair time of approximately 90 days which could impact the ability of the Issuer to meet its payment obligations under the Bonds in full.

The Issuer will carry out tests, within 9 months from the Completion Date, to determine whether the Temperature Anomaly is a feature of the cable temperature or is caused by another factor (strain). The tests will seek to determine the level of strain in the cable, and whether there is water present, which would be indicative of a deteriorating condition.

The Issuer has mitigated the Temperature Anomaly risk by indemnities contained the SPA, whereby the Vendors will indemnify the Issuer for certain losses (primarily related to cable repair works and revenue reduction) if: (i) the tests show the Temperature Anomaly to be inconclusive and/or the presence of water is identified in the southern cable; or (ii) if during the first four years of asset transfer, it is agreed that there is a severely deteriorating condition rendering cable repair works necessary. The indemnities will only apply for losses arising from the cable failure or a severely deteriorating condition occurring within the first four years of operation, and are subject to certain monetary caps totalling £14.5m in aggregate, which have been reviewed and considered adequate by the Technical Adviser. However should such losses exceed the monetary cap, the losses may have an impact on the cashflow of the Issuer and, in turn, adversely impact the Issuer's ability to meet its availability target set by Ofgem and/or its payment obligations under the Bonds in full.

Risk of collision

There is a risk that a vessel could collide with the OSP. This risk is partially mitigated by the placement of the OSP in the middle of the turbine array away from shipping routes and in shallow water (20m depth or less) to reduce the possibility of vessels colliding with and causing damage to the OSP. Vessels operating within the area are subject to dedicated marine control. The Issuer's marine controller also has access to a system which tracks all vessels in the vicinity and he has the ability to contact the coastguard if the course of a vessel appears to threaten the WoDS Project.

During monitoring of, or repairs to, the Transmission Assets, there is a risk of collision between the vessels for which the Issuer's sub-contractors are responsible, and other vessels sailing in the area. This could give rise to dispute and the Issuer may be drawn into these disputes. Accordingly, following a collision, the Issuer could be exposed to litigation costs and there could be a negative impact on the Issuer's reputation. Any repairs to the submarine cables will be subject to a licence from the MMO which will set down requirements in relation to ensuring the safe passage of shipping, for example advice to the coastguard of local shipping and replacement of special buoys, which procedures should reduce the possibility of vessels colliding. The Issuer intends to instruct its sub-contractors to arrange for the vessels used by its sub-contractors to carry insurance against the risk of collision.

The Issuer intends to mitigate these risks by putting in place the insurance arrangements in respect of its business. Additionally, the Issuer may be able to claim for any loss it suffers as a result of a collision under the OFTO Licence to the extent such loss can be categorised as an income adjusting event or an exceptional event (see further "*Adverse Change in Circumstance – restrictions on pass-through costs*" and the "*OFTO Revenue Stream*" sections below).

Cable fault

There is a risk that one or both of the cables may develop an internal fault which could lead to outages and may negatively impact the Issuer's revenue stream which may, in turn, impact the ability of the Issuer to make timely payments under the Bonds. The Issuer is of the opinion that this risk is low because the export cables are subject to testing and commissioning following both manufacture and installation to test for any residual faults. The Issuer has undertaken a formal proving process to agree the rating of the cables prior to Completion based on demonstrable cycles of loading of both cables.

In addition, the Issuer benefits from a six-year defects rectification period should the cable fail as a result of a manufacturing defect within the first six years of the date the cables are taken over. The cost of the replacement section could be recoverable through the warranty; however, this would not extend to the cost of installing the replacement cable or consequential losses as a result of the outage. An external cable fault could be caused by damage following anchor strike, fishing activity, seabed mobility or trawl damage, although the Issuer has insurance against this type of risk. Such a fault may have an impact on the cashflow of the Issuer and, in turn, adversely impact the Issuer's ability to meet its availability target set by Ofgem and/or its payment obligations under the Bonds in full. The Issuer will mitigate the impact of an outage on

availability through the provision of cable repair kit and arrangements with suitable repair vessel operators. Other causes include latent manufacturing defect, under which a warranty claim could be made, and latent installation defect against which a warranty claim (with the cable manufacturer) would probably not be possible. As previously stated, these risks are considered low following completion of due diligence. The Issuer's insurance arrangements, once established at Completion, would help mitigate these risks to some extent and there are also some protections under the OFTO Licence to the extent such risks are viewed as 'exceptional events' by Ofgem.

Seabed movement affecting the submarine cables

Seabed movement may cause the cables to become uncovered, making them more exposed to anthropogenic risk factors or in the case where the cable is spanning a gap, damage may be caused by fatigue due to excessive movement.

It should be noted that the cables are required to be buried at a depth that minimises these risks and complies with the relevant provisions under the Marine Licence and insurance requirements. The Issuer intends to further mitigate these risks by a programme of monitoring and maintenance surveys of the cables over the life of the Transmission Assets. Such works may include cable reburial activities.

Nevertheless, should the cables become exposed and/or damaged as a result of natural processes such as seabed mobility, remedial action may be required, which could impact the Issuer's cashflows and could adversely impact the ability of the Issuer to meet its payment obligations under the Bonds in full.

Offshore Cable Protection

At certain points along the offshore cable route, for example where the cable crosses other assets, and where the achieved depth of burial of the cable was not sufficient to comply with the cable burial risk assessments, the cable has been protected using rock berms. These rock berms may require maintenance over the licence period and the Issuer has made provision for survey and maintenance activities to be carried out along the cable route. These provisions have been reviewed by the Technical Adviser and are considered reasonable. Nevertheless, the level of rock berm maintenance is governed in part by a complex range of conditions associated with weather and tidal events, and may differ from the assumptions made by the Issuer. Should increased maintenance be required this could impact the Issuer's cashflows and could adversely impact the Issuer's ability to meet its availability target set by Ofgem and/or its payment obligations under the Bonds in full.

Offshore transformer failure

An offshore transformer failure could result in extended outage and loss of availability in circumstances where it is difficult to repair the failure on the platform or where a replacement is required. For example, a fault involving the windings and/or the magnetic core could not be repaired in situ and would require the transformer to be removed for replacement or repair. In such a situation, the level of disruption caused by such a fault has been partially mitigated in the design of the platform which allows the equipment to be removed if required, as it was not permanently affixed to the structure. Such a failure could reduce the Issuer's revenue entitlement, particularly if a replacement transformer cannot be procured and installed quickly, which may, in turn, adversely impact the Issuer's ability to meet its payment obligations under the Bonds in full.

Sub-contractor Performance

The Issuer is dependent upon operation and maintenance contractors for the operation and maintenance of the Transmission Assets. The Issuer's ability to operate the Transmission Assets could be adversely affected if its contractor is unable to conduct the required services and/or meet the required service level requirements and standards. The Issuer has sought to mitigate this risk by contracting the operation and maintenance of

the Transmission Assets to the Vendors, who have in turned sub-contracted their obligations under the O&M Agreement to DONG Energy Power (UK) Limited, an affiliate of DONG Energy West of Duddon Sands (UK) Limited. DONG Energy Power (UK) Limited is experienced in operating offshore wind assets (including transmission assets). While the Vendors are the owners of the Wind Farm, they will have a vested interest in ensuring that the Transmission Assets are available at full capacity to transmit electricity generated from the Wind Farm. Although the O&M Agreement is contracted for 20 years, either party may exercise a right to terminate after ten years.

Payments to the Operator for some unplanned maintenance are not the subject of a fixed fee, so there is a risk that unplanned maintenance payments could exceed the budget for those costs.

Failure by the Operator for the proper operation and maintenance of the Transmission Assets may result in the Issuer suffering losses to its Transmission Assets (whether due to decreased capacity and performance of the Transmission Assets or the cost of entering into new arrangements with other operation and maintenance contractors on more expensive terms), which may adversely impact the Issuer's ability to meet its payment obligations under the Bonds in full.

Third Party Activities or other External Events

There is a risk that the parties carrying out activities in the vicinity of the Issuer's Transmission Assets, such as the Vendors and crossing cable counterparties, could interfere with or damage the Transmission Assets. This risk is mitigated to some extent by the provisions within the Interface Agreement with the Vendors and within the crossing agreements (except in the case of EDF – see further "*Description of the Project Documents – Crossing Agreements*") and the other agreements with NGET.

Events such as natural disasters or other similar events could also result in damage to or destruction of the Transmission Assets, but are considered by the Issuer to be remote risks.

If the Issuer's Transmission Assets were to suffer damage, the cause of which was not covered by the insurance policies which the Issuer has in place, the Issuer may suffer high costs to restore the Transmission Assets (and may also be penalised through a reduction in its revenue stream for failing to meet its performance target for availability set out in the OFTO Licence, see further "*Availability Incentive Mechanism*" above), which may adversely impact the Issuer's ability to meet its payment obligations under the Bonds in full.

The Issuer is generally dependent on obtaining exceptional event treatment from the Authority to protect against any loss of revenue. In certain circumstances, the Issuer may be able to recover under the OFTO Licence for all or part of its costs to the extent such cost can be classified as an income adjusting event.

Insurance

The Issuer maintains insurance coverage with reputable insurance providers with long-term credit ratings of at least A-, consistent with the generally accepted practices of prudent offshore transmission operators, including public liability cover and coverage against events such as terrorist attacks, natural disasters or other similar events which could result in personal injury, loss of life, pollution or environmental damage, severe damage to or destruction of the Transmission Assets. Additionally, the Issuer carries insurance for damage (and equipment failure) incurred in the normal course of business activities. The Issuer has been advised that the requirements of the Project Documents are met through the proposed insurance requirements.

The Issuer's property damage cover is placed on an estimated maximum loss basis in accordance with the Crown Estate Lease insurance requirements.

However, not all risks are insurable, for example the risk of having to rebury the cable if it becomes uncovered by seabed movement (which the MMO permits require the Issuer to check for following a major storm) would not be insured, except to the extent there was related damage to the cable.

The Issuer is also responsible for all costs of deductibles under its insurance policy. The Issuer may need to make several claims in a calendar year under its insurance policies and the cost of such deductibles may have an impact on its cashflow. Further, the Issuer is dependent upon the ability of the relevant insurer to make payments under the terms of the insurance policy in respect of a valid claim, and any delay to such payments may have an impact on the Issuer's cashflow.

Damage to Third Parties

The Issuer's activities may result in damage to third parties. As described above, the Issuer maintains public liability insurance cover. However, uninsurable risks or shortfall in insurance payments may increase costs for which the Issuer does not have provision which may in turn adversely impact the Issuer's ability to meet its payment obligations under the Bonds in full.

There is a risk that the size of insurance cover may not be adequate to meet reinstatement costs, increased expenses or other liabilities.

Insurance will be renewed annually and the premium will be affected by various factors, including project-sector-specific factors (e.g. claims, values, market capacity) or factors deriving from the wider insurance market (e.g. impact of claims, *force majeure* losses, market cycle) or the global economic situation. In the future, the Issuer may face increased insurance costs, which may affect its financial position. In addition, there can be no assurance that the Issuer will be able to enter into future insurance policies on substantially the same terms or at the same cost as at present or at all. Any such additional costs (or loss suffered because of a change in the scope of future insurance policies) may adversely impact the Issuer's ability to meet its payment obligations under the Bonds in full.

The Issuer is also dependent upon the ability of the relevant insurer to make payments under the terms of the insurance policy in respect of a valid claim.

Marine Licence

The Marine Licence includes certain obligations which the Issuer must comply with in relation to the Transmission Assets. The Issuer may be required to make expenditures in relation to these obligations which are not considered to be pass-through costs pursuant to the OFTO Licence; failure to do so may result in fines and/or regulatory action, which may adversely impact the Issuer's ability to meet its payment obligations under the Bonds in full. Should the Issuer's obligations under the Marine Licence change during the 20-year revenue period, the Issuer may be entitled to a revenue adjustment under the OFTO Licence as additional obligations imposed by the Marine and Coastal Access Act 2009 are one of the categories of pass-through costs under the OFTO Licence, although there may still be a cashflow impact on the Issuer in relation to timing of the recovery of pass-through costs. However, there can be no certainty that all such changes will result in a revenue adjustment under the OFTO Licence. In such a case, the costs would be borne by the Issuer, which may adversely impact the Issuer's ability to meet its payment obligations under the Bonds in full.

For loss of revenue protection, the Issuer is dependent upon obtaining exceptional event treatment from the Authority under the OFTO Licence. Should the Issuer suffer loss of revenue, the ability of the Issuer to make payments in full under the Bonds may be adversely affected.

Decommissioning

The Issuer may be required to incur additional costs in relation to its decommissioning liabilities, some of which may not be considered to be a pass-through cost pursuant to the OFTO Licence, and thus would be additional costs to the Issuer which are non-recoverable. Security may be required to be provided including to the Secretary of State for the decommissioning plan which the Issuer is required to submit to the Secretary of State pursuant to the Energy Act 2004.

The Issuer may be required to bring forward its decommissioning plan, in the unlikely event that the Issuer's OFTO Licence is revoked. If the WoDS Wind Farm were still operating, then it would be expected that, instead of the Issuer decommissioning the Transmission Assets, the Authority would appoint an OFTO of Last Resort and that there would then be a transfer of the Issuer's Transmission Assets to that OFTO. In respect of the risks to the Issuer in an OFTO of Last Resort situation, see above "*OFTO of Last Resort*".

The full costs of decommissioning may not therefore be recoverable by the Issuer. Although the Issuer will have a reserve account in respect of decommissioning liabilities to the Secretary of State which will be funded over time, any requirement for any additional security to the Secretary of State which is within the discretion of the Secretary of State in relation to increases may also contribute to costs for which the Issuer does not have provision. Any such costs may adversely impact the Issuer's ability to meet payment obligations under the Bonds in full.

Under the Energy Act 2004, the Secretary of State may impose obligations in relation to a decommissioning plan on associated body corporates of the Issuer. The definition of an associated body corporate is broad. An "associated body corporate" includes an entity which possesses, or is "entitled to acquire", a 50 per cent. or more interest (including by way of shares, voting rights or entitlement on winding up) in a "person responsible", or which has the power, directly or indirectly, to secure that such person's affairs are conducted in accordance with its wishes. Due to the broad definition, there is a risk that the Secured Creditors could therefore be subject to decommissioning obligations in certain circumstances.

The Oil and Gas Works clause in Crown Estate Lease

The Crown Estate Lease includes a standard provision which provides that the Crown Estate may terminate the lease (in whole or in part) where the Secretary of State requests that it do so because all or part of the demised property is required for Oil and Gas Works or rights are required over the demised property in connection with Oil and Gas Works. There is no provision for the payment of compensation by the Crown Estate to the Issuer, as lease holder, in these circumstances. In a ministerial statement published in July 2011, the then Secretary of State stated that he would not consent to a request for a lease to be determined in accordance with this provision unless the oil and gas licensee has first agreed payment of appropriate compensation to the relevant Crown Estate Lease holder for the loss of value of its interests. Nevertheless, it is not clear how the amount of compensation would be determined (and by whom, and if there would be available any grounds of appeal or to whom) if the oil and gas licensee demonstrated that it exercised all reasonable endeavours to reach agreement with the Crown Estate Lease holder (i.e. the Issuer), but was unable to do so. In such a situation, the Issuer would be forced to decommission its Transmission Assets, and would suffer a loss of revenue which would adversely impact the Issuer's ability to meet its payment obligations under the Bonds in full. However, the Crown Estate previously issued a letter dated 15 October 2010 stating that '*the scale of OFTO assets and location of existing offshore oil and gas facilities would suggest that the likelihood of such circumstances being encountered is extremely low*'. There is no guarantee that the Secretary of State will not reconsider this position.

Repositioning supply cables

The Crown Estate may require the Issuer to divert any or all of the supply cables. This diversion could disrupt the Transmission Assets and result in additional regulatory approvals and/or consents being required, including those arising pursuant to environmental laws and regulations. However, the Crown Estate is

obliged to pay for the costs and expenses reasonably incurred by the Issuer (including reasonable compensation for loss of income) which may be sustained as a direct consequence of the required diversion. If there is a delay in receipt of compensation from the Crown Estate, or insufficient compensation is received from the Crown Estate, this may adversely impact the Issuer's ability to meet its payment obligations under the Bonds in full.

Judicial review

There is a risk that decisions of the Authority in exercising its regulatory functions could be challenged under the principles commonly referred to as "judicial review". If such a challenge occurred and was successful, the relevant exercise by the Authority of its regulatory function would have to be revisited, potentially giving rise to delay and the exercise of that function in a different way from the way in which it was exercised prior to challenge. Any delay or revisited decision could give rise to additional costs and/or the Issuer suffering a loss of revenue, which may adversely impact the Issuer's ability to meet its payment obligations under the Bonds in full.

Potential litigation claims

There is a risk that future maintenance operations on the Transmission Assets may have a negative impact on the local fishing community, which may result in claims being brought against the Issuer. The Issuer will liaise with the local fishing community to reduce the impact of maintenance operations, but should a claim be brought, the Issuer may be required to pay compensation and legal costs, which may impact on both the Issuer's financial position and reputation. The Issuer has sought to mitigate this risk under the O&M Agreement, which provides that the Operator will indemnify the Issuer for claims made by a third party arising from a breach of the Operator's obligations.

Factors with respect to the Issuer's financing structure

Size of the PBCE Letter of Credit

The definition of "PBCE Maximum Amount" in the PBCE Letter of Credit has been sized by reference to the initial Bonds, and does not take into consideration the size of any additional tranche of Bonds issued by the Issuer pursuant to Condition 15 (*Further Bonds*). Any such issuance of Further Bonds is subject to the conditions set out in Condition 15 (see "*Conditions of the Bonds*") and may not benefit from any upside in the PBCE Maximum Amount available under the current terms of the PBCE Letter of Credit.

Certain other Secured Creditors of the Issuer benefit from Entrenched Rights

Under the STID, each of the PBCE Provider and the Hedge Counterparties has a number of Entrenched Rights pursuant to which its consent may be required in order for waivers to be granted for breaches of representations, warranties or covenants or amendments to be made to Finance Documents. This includes (among others) the amendment of any financial ratios, amendments to the priorities of payment, any amendments to Permitted Financial Indebtedness, and any amendment to or waiver of a Transaction Document which has or is likely to have a material adverse effect on cashflows. Accordingly, amendments which have been approved by the Bondholders (or the Bond Trustee on behalf of the Bondholders, in accordance with the Bond Trust Deed and the STID) may be subject to approval by the PBCE Provider and/or the Hedge Counterparties before they can become effective. A full list of the Entrenched Rights is contained in the STID.

Limitation arising in relation to the Security

Although the Security Trustee will hold the benefit of the Security on trust for the Bondholders, such security interests will also be held on trust for the other Secured Creditors and certain third parties. Some of the Issuer's obligations to such Secured Creditors and third parties rank ahead of the Bondholders. Such

persons include, among others, the Bond Trustee (in its individual capacity), the Security Trustee (in its individual capacity), any Receiver appointed by the Security Trustee, the Principal Paying Agent and the Account Bank in respect of certain amounts owed to them (see further "*Cashflows*" below). To the extent that significant amounts are owing to any such persons, the amounts available to Bondholders will be reduced. In addition, given each Hedge Counterparty ranks *pari passu* with the Bondholders, any security interests will be shared *pro rata* between these parties and the Bondholders. Further, unsecured creditors of the Issuer, such as trade creditors and suppliers, while subordinate to the Secured Creditors, are not bound into the financing structure as they are not parties to the STID and the Common Terms Agreement and so will be able to petition for a winding-up or administration of the Issuer where it fails to pay its unsecured debts as they fall due.

Factors which are material for the purpose of assessing the market risks associated with the Bonds

Risks related to the Bonds generally

Set out below is a brief description of certain risks relating to the Bonds generally:

Financial statements were prepared prior to the Issuer acquiring the Transmission Assets

As the proceeds of the Bonds are to be applied by the Issuer towards the purchase price of the Transmission Assets, the Issuer did not, accordingly, own the Transmission Assets on the dates on which its most recent annual audited financial statements were prepared. Accordingly, the accounts contained in the section entitled "*Financial Statements*" to this Prospectus should be read with this in mind.

Modifications, waivers and consents in respect of the Transaction Documents

The Obligors may request the Security Trustee to agree to any modification to, or to give its consent to any event, matter or thing relating to, or grant any waiver in respect of, the Common Documents without any requirement to seek the approval of the Secured Creditors (including the Bondholders), in respect of a Discretion Matter.

The Security Trustee is entitled to exercise its sole discretion to approve a Discretion Matter if, in the opinion of the Security Trustee, approval of the STID Proposal is required to correct a manifest error, or is a decision which is of a formal, minor, administrative or technical nature. The Security Trustee is not obliged to exercise its discretion and if it chooses not to do so the voting category selection procedures set out in the STID and described in the section "*Description of the other Finance Documents – STID*", will apply.

The Issuer may also request the Bond Trustee to agree to any modification to, or to give its consent to any event, matter or thing, or grant any waiver in respect of, the Issuer Transaction Documents (subject as provided in the STID in relation to any Common Documents) without the consent or sanction of the Bondholders or (subject as provided below) any other Secured Creditor party to such Issuer Transaction Documents or Couponholders at any time and from time to time.

The Bond Trustee may without the consent or sanction of Bondholders or Couponholders at any time and from time to time, but always subject to the terms of the STID and the Bond Trust Deed, concur with the Issuer or any other person or direct the Security Trustee to concur with the Issuer or any other person in making any modification to: (i) the Bond Trust Deed or any other Transaction Document provided that the Bond Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Bondholders or (ii) the Bond Trust Deed or any other Transaction Document if in the opinion of the Bond Trustee such modification is of a formal, minor or technical nature or to correct a manifest error.

The Bond Trustee shall, without the consent or sanction of any of the Bondholders and/or Couponholders of any class and (subject as provided below) any other Secured Creditor, concur with the Issuer, and/or direct the Security Trustee to concur with the Issuer, in making any modification to the Bonds and/or Coupons, the

Conditions, the Bond Trust Deed and/or the other Transaction Documents save to the extent that such modification relates to a Basic Terms Modification, or giving its consent to any event, matter or thing that is requested by the Issuer in writing in order to comply with any criteria of the Rating Agencies which may be published after the Closing Date and which modification(s) or consent(s) the Issuer certifies to the Bond Trustee and/or the Security Trustee (as applicable) in writing (i) do not relate to or effect a Basic Terms Modification and (ii) are required to avoid a downgrade, withdrawal or suspension of the then current ratings assigned by a Rating Agency to the Bonds, which certificate shall be conclusive and binding, provided that the Bond Trustee shall not concur with the Issuer in making any such modification or giving any such consent, or direct the Security Trustee to concur with the Issuer in making such modification, unless and until the Issuer has obtained the consent in writing of each other party to any relevant Bond Document to which such modification is applicable and provided further that, if such document is a Finance Document to which the STID applies, the provision of the STID relating to modifications thereto shall apply, and further provided that the Bond Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Bond Trustee, would have the effect of (i) exposing the Bond Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) adding to or increasing the obligations, liabilities or duties, or decreasing the protections, of the Bond Trustee in respect of the Bonds, in the Transaction Documents and/or the Conditions of the Bonds.

Subject to the paragraph below, the Bond Trustee shall, without the consent of any of the Bondholders or Couponholders or any other Secured Creditor, concur with the Issuer, and/or direct the Security Trustee to concur with the Issuer, in making any modifications to the Finance Documents and/or the Conditions of the Bonds (save to the extent that such modification relates to or effects a Basic Terms Modification) that are requested by the Issuer in order to enable the Issuer to comply with any requirements which apply to it under Regulation (EU) 648/2012 (the **European Market Infrastructure Regulation** or **EMIR**), subject to receipt by the Bond Trustee of a certificate of the Issuer certifying to the Bond Trustee and the Security Trustee that (i) the requested amendments are to be made solely for the purpose of enabling the Issuer to satisfy its requirements under EMIR, (ii) the requested amendments do not effect a Basic Terms Modification and (iii) each of the Rating Agencies has been notified of the proposed amendments and has not made the Issuer aware that such amendments will result in a downgrade, withdrawal or suspension of the then current ratings assigned by a Rating Agency to the Bonds, which certificate shall be conclusive and binding.

The Bond Trustee and the Security Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Bond Trustee or the Security Trustee, as applicable, would have the effect of (a) exposing the Bond Trustee or the Security Trustee, as applicable, to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) increasing the obligations or duties, or decreasing the protections, of the Bond Trustee or the Security Trustee, as applicable, in the Transaction Documents and/or the Conditions of the Bonds.

The Bond Trustee may, subject always to the terms of the STID and without prejudice to its rights in respect of any subsequent breach or Event of Default, from time to time and at any time but only if and insofar as in its opinion the interests of the Bondholders shall not be materially prejudiced (where materially prejudiced means that such waiver would have a material adverse effect on the ability of the Issuer to pay any amounts of principal or interest in respect of the Bonds on the relevant due date for payment therefor) thereby, waive or authorise (or instruct the Security Trustee to waive or authorise) any breach or proposed breach by the Issuer of any of the covenants or provisions contained in the Conditions or any Transaction Document to which it is a party or in respect of which it holds security, or determine that any event which would otherwise constitute an Event of Default shall not be treated as such for the purposes of the Bond Trust Deed.

Pursuant to the STID and the Bond Trust Deed, the Bond Trustee will be authorised to execute and deliver on behalf of the Bondholders all documentation required to implement such modification, and such execution and delivery by the Bond Trustee will bind each of the Bondholders as if such documentation had been duly executed by them.

There can be no assurance that any modification, consent or waiver in respect of the Transaction Documents will be favourable to all Bondholders. Such changes may be detrimental to the interests of some or all Bondholders, despite the ratings of such Bonds being affirmed.

The conditions of the Bonds contain provisions for voting by Bondholders to vote on matters affecting their interests generally (other than matters which concern the enforcement of the Security or modifications to the STID, which matters may only be addressed in accordance with the procedures set out in the STID as described above). These provisions permit defined majorities to bind all Bondholders including Bondholders who do not vote on the relevant matter and Bondholders who voted in a manner contrary to the majority.

Voting by the Bondholders in respect of a STID Proposal

The Bondholders exercise their right to vote by "blocking" their Bonds in the clearing system and delivering irrevocable instructions to the Principal Paying Agent that the votes in respect of their Bonds are to be cast in a particular way. In respect of modifications, consents and waivers to the Common Documents, the Bond Trustee (as the representative of the Bondholders) is required to notify the Security Trustee of each vote received by the Principal Paying Agent no later than the Business Day on which any vote is received. The STID provides that as soon as the Security Trustee has received sufficient votes from the Secured Creditors (including the Bond Trustee as representative of the Bondholders) in favour of a consent, modification or waiver of a Common Document, the Decision Period will be closed and no further votes will be taken into account by the Security Trustee.

Accordingly, unless a Bondholder exercises its right to vote at the beginning of a Decision Period, it is possible that a consent, modification or waiver of a Common Document may be approved by the Secured Creditors before such Bondholder has participated in any vote and any consent, modification or waiver of a Common Document duly approved by the Secured Creditors shall be binding on all of the Bondholders.

Ordinary Voting Matters – negative consent

Unless Senior Creditors representing in aggregate at least 25 per cent. of the Senior Voting Debt have responded to a STID Voting Request before the end of the relevant Decision Period, to inform the Security Trustee that they object to the STID Proposal, a resolution in respect of an Ordinary Voting Matter will be passed.

The Guarantor is a special purpose company

The Guarantor is a special purpose company whose business is limited to owning the shares in the Issuer and guaranteeing the obligations of the Issuer by granting security over its shares in the Issuer. Accordingly, while HoldCo will grant security over its whole business, its only assets will be the value of the shares it holds in the Issuer, any dividends earned as a holding company and the value of amounts payable to it under any intercompany loan made to the Issuer. Accordingly, there is no guarantee that a purchaser for such shares or the purchase price paid for such shares will be sufficient to meet the liabilities owed by the Issuer and the Guarantor under the Bonds.

Limited market for sale of shares held by HoldCo in the Issuer upon an enforcement of the share pledges

Due to the nature of the business of the Issuer and regulatory restrictions placed on it, upon the enforcement of the relevant share pledges and a decision by the Secured Creditors to sell such shares, there can be no assurance that there will be a market for such shares or, if there is one, that it will provide the Secured Creditors, including the Bondholders, with liquidity or that any such liquidity will continue for the life of the Bonds. Consequently, any purchaser of the Bonds must be prepared to hold such Bonds for an indefinite period of time or until final redemption or maturity of the Bonds.

Denominations involve integral multiples: definitive Bonds

The Bonds have a denomination consisting of a minimum authorised denomination of £100,000 (the **Minimum Authorised Denomination**) plus higher integral multiples of £1,000. Accordingly, it is possible that the Bonds may be traded in amounts in excess of the Minimum Authorised Denomination that are not integral multiples of such denomination. In such a case, if definitive Bonds are required to be issued, a Bondholder who holds a principal amount less than the Minimum Authorised Denomination at the relevant time may not receive a definitive Bond in respect of such holding (should definitive Bonds be printed) and may need to purchase a principal amount of Bonds such that their holding amounts to the Minimum Authorised Denomination (or another relevant denomination amount).

If definitive Bonds are issued, holders should be aware that definitive Bonds which have a denomination that is not an integral multiple of the minimum authorised denomination may be illiquid and difficult to trade.

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the **EU Savings Directive**), EU Member States are required to provide to the tax authorities of other EU Member States details of certain payments of interest or similar income paid or secured by a person established in a EU Member State to or for the benefit of an individual resident in another EU Member State or certain limited types of entities established in another EU Member State.

For a transitional period Austria is instead required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owners of the interest or other income may request that no tax be withheld). The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted a Council Directive (the **Amending Directive**) amending and broadening the scope of the requirements described above. The Amending Directive requires EU Member States to apply these new requirements from 1 January 2017, and if they were to take effect the changes would expand the range of payments covered by the EU Savings Directive, in particular to include certain additional types of income payable on securities. The Amending Directive will also expand the circumstances in which payments must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

However, the European Commission has proposed the repeal of the EU Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other EU Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The new regime under Council Directive 2011/16/EU (as amended) is in accordance with the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014. Council Directive 2011/16/EU (as amended) is generally broader in scope than the EU Savings Directive, although it does not impose withholding taxes. The proposal also provides that, if it proceeds, EU Member States will not be required to apply the new requirements of the Amending Directive.

If a payment by the Issuer in respect of the Bonds were to be made or collected through a EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from

that payment, neither the Issuer nor any Principal Paying Agent or any other person would be obliged to pay additional amounts with respect to any Bond as a result of the imposition of such withholding tax. The Issuer is required to maintain an Agent in an EU Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive or any law implementing or complying with or introduced in order to conform to such Directive.

Investors who are in any doubt as to their position should consult their professional advisers.

Foreign Account Tax Compliance Act Withholding

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) impose a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to (i) certain payments from sources within the United States; and (ii) certain "foreign passthru payments", in each case where made (a) to certain non-U.S. financial institutions that do not comply with this new reporting regime; or (b) to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. While the Bonds are in global form and held in Euroclear and/or Clearstream, Luxembourg (together, the **ICSDs**), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. The Issuer's obligations under the Bonds are discharged once it has made payment to, or to the order of, the ICSDs, and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

An active trading market for the Bonds may not develop

There can be no assurance that an active trading market for the Bonds will develop, or, if one does develop, that it will be maintained. If an active trading market for the Bonds does not develop or is not maintained, the market or trading price and liquidity of the Bonds may be adversely affected. If additional and competing products are introduced in the markets, this may adversely affect the value of the Bonds.

The liquidity and market value at any time of the Bonds are affected by, among other things, the market view of the credit risk of such Bonds and will generally fluctuate with general interest rate fluctuations, general economic conditions, the condition of certain financial markets, international political events and the performance and financial condition of the Issuer.

The secondary market generally

The Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. As such, the Bonds generally will have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Bonds.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Bonds in sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to sterling would decrease: (i) the Investor's Currency-equivalent yield on the Bonds; (ii) the Investor's Currency-equivalent value of the principal payable on the Bonds; and (iii) the Investor's Currency-equivalent market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of them.

Ratings of the Bonds and confirmation of ratings

Rating Agency assessments, downgrades and changes to Rating Agency criteria may result in ratings volatility in respect of the Bonds

The ratings assigned to the Bonds by Moody's are based, among other things, on (i) the terms of the Transaction Documents, (ii) the relevant structural features of the transaction of which the issuance of the Bonds forms part and (iii) a credit assessment of the Transmission Assets, and only reflect the views of Moody's. The ratings consider the likelihood of timely payment to the Bondholders of interest on each Interest Payment Date and ultimate payment of principal on the Final Redemption Date of the Bonds.

The ratings of the Bonds are set out in "*Overview of the Bonds – Credit Ratings*", above. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if as in its judgement, circumstances dictate.

There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agencies as a result of changes in, or unavailability of, information in relation to the Obligor's underlying business and performance or if, in the Rating Agencies' judgement, other circumstances so warrant. A qualification, downgrade or withdrawal of any of the ratings mentioned above may have an impact upon the value of the Bonds.

Agencies other than Moody's could seek to rate the Bonds and, if such unsolicited ratings are lower than the comparable ratings assigned to the relevant Bonds by Moody's, those shadow ratings could have an adverse effect on the value of the Bonds. For the avoidance of doubt and unless the context otherwise requires, any references to ratings or rating in this Prospectus are to rating(s) assigned by the specified Rating Agency only.

A confirmation from a Rating Agency that any action proposed to be taken by the Issuer will not have an adverse effect on the then current rating of the Bonds does not, for example, confirm that such action (i) is permitted by the terms of the Transaction Documents or (ii) is in the best interests of, or not prejudicial to, the Bondholders. While each of the Secured Creditors (including the Bondholders), the Security Trustee and the Bond Trustee (as applicable) is entitled to have regard to the fact that a Rating Agency has confirmed that the then current rating of the Bonds would not be adversely affected by such action, the above does not

impose or extend any actual or contingent liability on that Rating Agency to the Secured Creditors (including the Bondholders and the Bond Trustee) or the Issuer or any other person, or create any legal relationship between the Rating Agencies and the Secured Creditors (including the Bondholders and the Bond Trustee) or any other person whether by way of contract or otherwise.

Any such confirmation from a Rating Agency may or may not be given at the sole discretion of that Rating Agency. It should be noted that, depending on the timing of delivery of the request and any information required to be provided as part of any such request, it may be the case that a Rating Agency cannot provide a confirmation in the time available or at all. A confirmation from a Rating Agency, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time and in the context of cumulative changes to the transaction of which the Bonds form a part since the Issue Date. A confirmation from a Rating Agency represents only a restatement of the then current rating of the Bonds and cannot be construed as advice for the benefit of any parties to the transaction of which the Bonds form a part.

To the extent that a confirmation from a Rating Agency cannot be obtained, whether or not a proposed action will ultimately take place will be determined in accordance with the provisions of the relevant Transaction Documents and specifically the relevant modification and waiver provisions.

Credit ratings may not reflect all risks relating to the Bonds

Moody's has assigned credit ratings to the Bonds. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European-regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances while the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Change to covenants subject to Ratings Confirmation

Changes can be made to certain covenants provided that the Issuer obtains a Ratings Confirmation in respect of the particular change. The Rating Agencies may not provide their confirmation in the time available or at all, and they will not be responsible for the consequences thereof. A Ratings Confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time. A Ratings Confirmation cannot be construed as advice for the benefit of any party to the transaction. No assurance can be given that, although a Ratings Confirmation in respect of any particular change has been provided, such change will not have an adverse impact upon the business of the Issuer.

Book-entry form of Bonds

The Bonds will initially only be issued in global form and deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. Interests in the Global Bonds will trade in book-entry form only.

The Common Safekeeper, or its nominee, for Euroclear and Clearstream, Luxembourg will be the sole holder of the Global Bonds representing the Bonds. Accordingly, owners of book-entry interests must rely on the procedures of Euroclear and Clearstream, Luxembourg, and non-participants in Euroclear or Clearstream, Luxembourg must rely on the procedures of the participant through which they own their interests, to exercise any rights and obligations of a holder of Bonds.

Unlike the holders of the Bonds themselves, owners of book-entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Bonds. The procedures to be implemented through Euroclear and Clearstream, Luxembourg may not be adequate to ensure the timely exercise of rights under the Bonds.

Counterparty Risk

The PBCE Letter of Credit, the Account Bank Agreement and Hedging Agreements involve the Issuer entering into contracts with counterparties (that is, Hedge Counterparties, the Account Bank and the PBCE Provider). Pursuant to such contracts, the counterparties agree to make payments to the Issuer or to make payments to the Bondholders (in the case of the PBCE Provider) under certain circumstances as described herein. In the event that one or more of these parties is downgraded by one or more of the rating agencies or if one or more of such third parties defaults on its obligations to make payments to the Issuer, this may have an adverse effect on the rating of the Bonds and/or the ability of the Issuer to meet its obligations under the Bonds. If a Hedging Agreement is terminated, the Issuer may be exposed to fluctuations in the RPI that were previously hedged. Upon any such termination, the Issuer may be obliged to make a termination payment to the relevant Hedge Counterparty. There can be no assurance that the Issuer will have sufficient funds available to make a termination payment under the relevant Hedging Agreement, nor can there be any assurance that the Issuer will be able to enter into a replacement hedging agreement, or, if one is entered into, that the credit rating of the replacement Hedge Counterparty will be sufficiently high to prevent a downgrade of the then current ratings of the Bonds by the Rating Agencies.

Therefore, the Issuer will be exposed to the credit risk of the Hedge Counterparties in respect of any such payments, and the Bondholders will be exposed to the risk of the PBCE Provider not making payments under the PBCE Letter of Credit once the conditions to utilisation have been met.

Risks related to the PBCE Letter of Credit generally

PBCE Restrictions on a Bondholders' rights to take Enforcement Action

The ability of the Bondholders to direct the Security Trustee to take Enforcement Action (including acceleration of the Bonds) is in certain circumstances restricted and/or subject to the consent of the PBCE Provider. No Enforcement Action in relation to an Event of Default as a result of a breach of a financial covenant shall be permitted without the prior consent of the PBCE Provider at any time while the PBCE Available Amount is greater than zero.

The ability to utilise the PBCE Letter of Credit depends on certain conditions being satisfied beforehand

No drawing will be permitted under the PBCE Letter of Credit unless the Security Trustee takes certain steps including receiving certain confirmations from, *inter alia*, the Account Bank, the Issuer and the Bond Trustee, as the case may be, including in respect of the making of any accelerated payments a confirmation that the enforcement and realisation process has been completed, including receipt of all sale proceeds for the assets subject to the Security. If such parties do not comply with their contractual obligation to provide these confirmations then the requirements for the relevant drawing under the PBCE Letter of Credit will not be met.

The PBCE Maximum Amount does not take account of any payments due to Hedge Counterparties

The PBCE Maximum Amount, and in turn the PBCE Available Amount, is calculated on the basis of the Outstanding Principal Amount of the Bonds. However, investors should note that, as payments due under the Bonds rank *pari passu* and *pro rata* with scheduled amounts due under the Hedging Agreements, any amounts drawn under the PBCE Letter of Credit will be shared between the Bondholders and the Hedge Counterparties.

Legal Risks

Legal investment considerations may restrict certain investments

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

Implementation of and/or changes to the Basel III framework may affect the capital requirements and/or the liquidity associated with a holding of the Bonds for certain investors

Investors should note that the Basel Committee on Banking Supervision (**BCBS**) has approved significant changes to the Basel regulatory capital and liquidity framework (such changes being commonly referred to as **Basel III**). Basel III provides for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the Liquidity Coverage Ratio (**LCR**) and the Net Stable Funding Ratio (**NSFR**)). BCBS member countries agreed to implement Basel III from 1 January 2013, subject to transitional and phase-in arrangements for certain requirements (e.g. the LCR requirements refer to implementation from the start of 2015, with full implementation by January 2019, and the NSFR requirements refer to implementation from January 2018). As implementation of any changes to the Basel framework (including those made via Basel III) requires national legislation, the final rules and the timetable for its implementation in each jurisdiction, as well as the treatment of asset-backed securities (e.g. as LCR eligible assets or not) may be subject to some level of national variation. It should also be noted that changes to regulatory capital requirements are coming for insurance and reinsurance undertakings through national initiatives, such as the Solvency II framework in Europe. Prospective investors should therefore make themselves aware of the changes and requirements described above (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other applicable regulatory requirements with respect to their investment in the Bonds. The matters described above and any other changes to the regulation or regulatory treatment of the Bonds for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Bonds in the secondary market.

In general, investors should consult their own advisers as to the regulatory capital requirements in respect of the Bonds and as to the consequences for and effect on them of any changes to the Basel framework (including the changes described above) and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

Change of law or regulation

The transactions described in this Prospectus (including the issue of the Bonds) and the ratings which are to be assigned to the Bonds are based on the relevant law and administrative practice in effect as at the date hereof, and have regard to the expected tax treatment of all relevant entities under such law and practice. No

assurance can be given as to the impact of any possible change to the law (including any change in regulation which may occur without a change in primary legislation), administrative practice or tax treatment after the date of this document, nor can any assurance be given as to whether any such change would adversely affect the Issuer's ability to meet its payments under the Bonds in full.

DESCRIPTION OF THE OFTO LICENCE AND THE REGULATORY REGIME

Background and Key Players

The electricity industry in Great Britain is principally regulated by the Electricity Act.

The Gas and Electricity Markets Authority is the industry regulator of the gas and electricity markets in Great Britain and is the authority responsible for granting licences for electricity transmission. The Gas and Electricity Markets Authority acts through its executive office, the Office of Gas and Electricity Markets (**Ofgem**), and is referred to in this Prospectus as the **Authority**.

The Authority's powers and duties are largely provided for in the statutes referred to above, as well as arising from directly effective European Community legislation. The Authority's (and the Secretary of State's) principal objective under the Electricity Act is "to protect the interests of existing and future consumers in relation to electricity conveyed by distribution systems or transmission systems" and, wherever appropriate, it is to do this "by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission, distribution or supply of electricity or the provision or use of electricity interconnectors". In carrying out its functions, the Authority must have regard to certain factors, including "the need to secure that licence holders are able to finance the activities which are the subject of obligations imposed by" Part 1 Electricity Act and certain other specified legislation (often referred to as the "financing duty"). The Authority is also required to carry out its functions in the manner which it considers is best calculated "to promote efficiency and economy on the part of persons authorised by licences or exemptions to distribute, supply or participate in the transmission of electricity... and the efficient use of electricity conveyed by distribution systems or transmission systems". In addition, the Authority is required to have regard to the principle that "regulatory activities should be transparent, accountable, proportionate, and consistent and targeted only at cases in which action is needed".

Another key player in the regulatory structure is NGET, which is the system operator for the transmission system (**NETSO**), and is the counterparty responsible for making payments to the Issuer under the STC in respect of the revenue stream awarded under the OFTO Licence. (See further the section on the "*System Operator – Transmission Owner Code (STC)*" below for a discussion of the principal terms of this document and the section on "*NGET*" below for a discussion of this counterparty risk.)

Regulatory Framework

Licences for electricity transmission, such as that required by the Issuer, are granted under section 6 of the Electricity Act. The Electricity Act makes it a criminal offence to participate in the transmission of electricity for particular purposes without such a licence. Under section 6C of the Electricity Act, the Authority may make regulations providing for offshore transmission licences to be granted on a competitive basis. The Electricity (Competitive Tenders for Offshore Transmission Licences) Regulations 2010 (the **2010 Tender Regulations**) continue to apply to tender processes in respect of which the Authority has given the relevant invitation to tender notice before 22 February 2013 notwithstanding that these have otherwise been revoked by The Electricity (Competitive Tenders for Offshore Transmission Licences) Regulations 2013 (the **2013 Tender Regulations**). For the WoDS Project, the prequalification stage was carried out under the 2010 Tender Regulations and the remainder of the tender is subject to the 2013 Tender Regulations.

Following the competitive process, a consortium comprising 3i BIFM Investments Limited³ and Macquarie Corporate Holdings Pty Limited (formerly Macquarie Capital Group Limited) was appointed as the preferred bidder for the WoDS Project on 9 July 2014 and was notified by the Authority of the matters to be resolved in order to become the successful bidder.

³ This was subsequently transferred to 3i Infrastructure plc.

The Issuer has been incorporated on behalf of the preferred bidder consortium as the company to become the licensee under the OFTO Licence.

Before the OFTO Licence is granted, regulation 28 of the 2013 Tender Regulations requires that the Authority gives notice to each qualifying bidder of its determination in relation to the successful bidder and allows a ten-working-day period to elapse. This notice was given on 29 July 2015 and the ten-working-day period therefore elapsed on 12 August 2015.

OFTO Licence

Below is a summary of the terms of the licence awarded to the Issuer under the Electricity Act. Each licence so awarded to an OFTO is specific to that OFTO, although there are standard conditions and amended standard conditions that are applied in a similar manner to all OFTOs, with specific adjustments to reflect individual OFTO circumstances.

The OFTO Licence sets out the revenue entitlement of the Issuer, the duration of that revenue entitlement and the circumstances for licence revocation. The revenue entitlement includes provision for pass-through items to protect against certain identified risks. It also includes provision for deductions for unavailability to incentivise performance, but these deductions are subject to an annual cap of 10 per cent. of revenue, as discussed further under "*Availability Incentive*" below.

The OFTO Licence also imposes certain restrictions and obligations on the Issuer, including business separation requirements (which are similar to those applicable to other regulated utilities) which are designed to ensure that the electricity transmission business is ring-fenced from other business and financial risks arising otherwise than from the conduct of the electricity transmission business.

The OFTO Licence is structured in four parts, consisting of the **Terms**, the **Standard Conditions**, the **Amended Standard Conditions** and the **Special Conditions**. There is also Schedule 1 setting out the "Specified Area" and Schedule 2 setting out grounds for revocation of the OFTO Licence. The Terms provide specific information about the OFTO Licence, including the identity of the licensee and the duration of the OFTO Licence, and the Terms also identify what Standard Conditions, Amended Standard Conditions and Special Conditions apply to the particular OFTO Licence.

The Standard Conditions (insofar as they apply to the OFTO Licence) focus on generic obligations for OFTO licensees and relate to matters such as: provision of transmission services; compliance with relevant industry codes including the STC, accounting records and reporting arrangements; provision of information; obligations in relation to connection offers; restrictions on business activities; financial ring-fencing, and various other matters. The full terms of the Standard Conditions are available through the Authority's website.

The Amended Standard Conditions (insofar as they will apply to the OFTO Licence) cover matters such as the revenue stream (including revenue adjustments and performance incentives); restrictions on the scale, operation and management of the Issuer's activities; compliance and business separation obligations; offshore regulatory reporting requirements; treatment of an income from certain excluded services; arrangements for the network innovation competition; and various other matters.

There are stated to be no Special Conditions applicable to the OFTO Licence.

The OFTO Licence can be modified by the Authority in certain circumstances, including following the making of an energy administration order as part of an energy transfer scheme. See further "*Energy Administration Orders*" below.

Determination or Revocation of Licence

Under the Terms, the OFTO Licence shall come into force on the date stated in the OFTO Licence and unless revoked in accordance with Schedule 2, shall continue until determined by not less than 18 months' notice in writing given by the Authority to the licensee no earlier than 19 years from the date stated in the OFTO Licence.

At the end of the period of revenue entitlement under the OFTO Licence (which is a 20-year period), the Authority may determine the OFTO Licence, as discussed above. Under the STC, an OFTO would not be entitled to withdraw from the STC until steps have been put in place such that NGET (or other parties to the STC) would not be put in breach of its obligations under the STC as a consequence of the withdrawal of the OFTO. A dispute about those steps may be referred to the Authority for determination. Withdrawal from the STC would also not take effect while an OFTO Licence condition requiring the OFTO to be a party to the STC was still in effect. (See "*System Operator – Transmission Owner Code (STC)*" below).

Schedule 2 to the OFTO Licence provides that the Authority may revoke the OFTO Licence by giving not less than 30 days' written notice to the Issuer if particular circumstances occur, which are summarised below:

- (a) the Issuer agreeing in writing with the Authority that the OFTO Licence should be revoked;
- (b) any amount payable by the Issuer to the Authority under Standard Condition A4 (Payments by Licensee to the Authority) is unpaid 30 days after it has become due and remains unpaid for 14 days after the Authority gives notice that the payment is overdue, provided that no notice is given earlier than the 16th day after the day on which the amount payable became due (although since the Issuer is not subject to the system operator standard conditions, the Issuer would not be expected to have to make payments under Standard Condition A4);
- (c) failure of the Issuer to comply with an enforcement order (see below) or a financial penalty under the Electricity Act, within three months after receiving notice from the Authority of such failure (which notice may not be given before the expiry of the relevant challenge period for that enforcement order or financial penalty or before final determination of any such challenge proceedings);
- (d) certain breaches of competition law (see below);
- (e) the Issuer not commencing the carrying on of the transmission business within three years of the date the licence comes into force;
- (f) the Issuer ceasing to carry on the transmission business; and
- (g) the Issuer not continuing to be certified as complying with the requirements of the Third Package (see section on "*Third Package Unbundling*" below).

In addition, the Authority may revoke the OFTO Licence by giving not less than 24 hours' written notice to the Issuer upon certain types of insolvency event affecting the Issuer.

The Authority may also revoke the OFTO Licence by giving not less than seven days' written notice to the Issuer where the Authority is satisfied that there has been a material misstatement (of fact) by, or on behalf of, the Issuer in making its application for the OFTO Licence.

The OFTO of Last Resort Guidance issued by the Authority dated 26 October 2012 indicates that in the event of an OFTO encountering, for example, performance difficulties, the Authority would proactively liaise with all interested parties, exploring solutions that retain appropriate incentives and balance of risk

which would be expected to enable an OFTO to resolve outstanding issues to avoid revocation procedures and thereby avoid the requirement for further regulatory or statutory action.

If the OFTO Licence were revoked the Authority would be entitled to initiate an OFTO of Last Resort process (see "*OFTO of Last Resort*" below). The OFTO of Last Resort Guidance states that in this case the Authority would expect the incumbent OFTO and the OFTO of Last Resort to agree the terms of the transfer of assets on a commercial basis and would expect the parties to have regard to the depreciated regulatory asset value approach used to calculate the revenue stream so that the incumbent OFTO would be expected to receive a transfer value reflective of the net asset value after regulatory depreciation. It further states the regulatory framework should incentivise the OFTO to transfer the assets in a timely manner as, if the incumbent OFTO does not transfer the assets, it may be required to decommission the assets under the terms of the Crown Estate Lease, incurring additional costs and loss of value, and refers to the general regulatory background of the Authority's power to impose penalties of up to 10 per cent. of turnover for breach of licence conditions, depending upon what is reasonable in all of the circumstances (see "*Enforcement*" below).

Restrictions on the Granting of Security

The Standard Conditions of the OFTO Licence restrict the Issuer's ability to grant security over its transmission assets, and the enforcement of such security, without the prior written consent of the Authority (see further "*Ring-fencing provisions – Restrictions on Encumbrances and Guarantees*" and "*Ring-fencing provisions – Restrictions on Asset Disposals*" and "*Energy Administration Orders*" sections below). It is proposed therefore that the Secured Creditors, including the Bondholders, will have full security over the Issuer to the extent permitted by law and regulation.

In addition, the Standard Conditions require the Issuer to act in a manner calculated to secure that it has available to it the resources (financial and non-financial) to ensure that it is at all times able to conduct its transmission business in conformity with the OFTO Licence and its obligations under the Electricity Act, including the obligation to develop and maintain an efficient, co-ordinated and economical system of electricity transmission. This provision further limits the ability of the Issuer to grant security over its assets, in particular assets required for carrying out the transmission business, and limits in practice the ability to enforce such security.

In certain circumstances, the court has the power to appoint an energy administrator in respect of the Issuer. The appointment of an energy administrator effectively places a moratorium upon any holder of security and a person is prohibited from enforcing security against the licensee unless certain conditions are met. Please see "*Energy Administration Orders*" section below.

Ultimate Controller Undertakings

The Issuer is required to secure from each ultimate controller of the Issuer a legally enforceable undertaking (to be repeated on or before 31 July each year) in a form approved by the Authority that the ultimate controller will refrain (and will procure that any person controlled by it will refrain) from any action which would be likely to cause the Issuer to be in breach of any of its obligations under the Electricity Act or the OFTO Licence. The ultimate controller undertakings are intended to prevail over any agreement between the Issuer and any ultimate controller.

An ultimate controller is a holding company of the Issuer (which is not itself a subsidiary of another company) or a person who (alone or together with others who are party to a similar arrangement) is in a position to control or exercise significant influence over the policy of the Issuer or any holding company of the Issuer by virtue of rights under a contractual arrangement or rights of ownership.

If the ultimate controller undertaking is breached, the Issuer is required to report the breach to the Authority and the Issuer is obliged to enforce the undertaking at the direction of the Authority. The Issuer would not

be able to waive any breach and, if it did, this could be viewed as a breach of the OFTO Licence. At the time of a breach, the Issuer may not enter into an arrangement with any ultimate controller or its subsidiaries without the consent of the Authority.

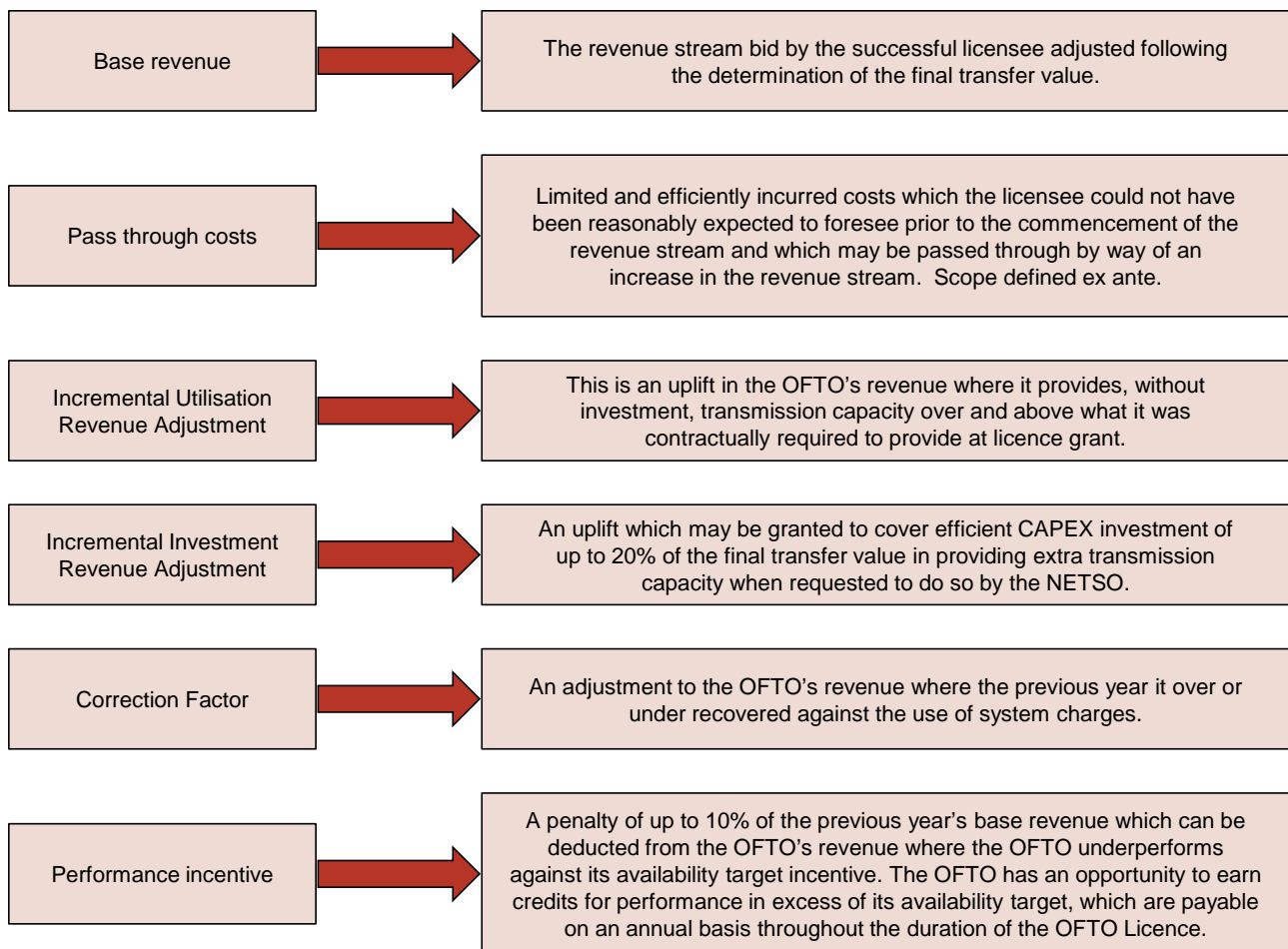
If the Secured Creditors were regarded as controlling the Issuer, the Secured Creditors would need to provide an ultimate controller undertaking. This might arise, for example, if share security were enforced, depending on the enforcement route.

OFTO Revenue Stream

The OFTO Licence sets out the regulated revenue entitlement of the Issuer, which is then payable by NGET in accordance with the STC. For an analysis of the STC, please refer to "System Operator – Transmission Owner Code (STC)" below. For an analysis of the Issuer's credit exposure to NGET and the consequences of its insolvency, please refer to "NGET" below. Below is a brief summary of the key provisions.

Figure 1 provides a high level summary of the components of the final Issuer revenue stream.

Figure 1 – The OFTO Revenue Stream



The revenue entitlement of the Issuer is made up of the annual revenue that the Issuer is awarded under the OFTO Licence, adjusted, where relevant, by the elements that affect it, such as revenue adjustments and performance incentives. The base revenue stream and certain other elements of the revenue stream are indexed to the Retail Price Index.

Certain limited and efficiently incurred costs which the Issuer could not have been reasonably expected to foresee prior to the commencement of the revenue stream are treated as pass-through costs, giving rise to an increase in the revenue entitlement. The pass-through items are:

- (a) amounts that the Issuer pays in licence fees to the Authority under Standard Condition A4 (as discussed above; since the Issuer is not subject to the system operator standard conditions, the Issuer would not be expected to have to make payments under Standard Condition A4, but this provision means that if it were required to make such payments this would be a pass-through cost);
- (b) network rates including periodic network rate re-valuations;
- (c) payments made by the Issuer to the Crown Estate in annual rent for the lease of the seabed and in reimbursing the Crown Estate for legal expenses incurred in the preparation, negotiation and completion of the Crown Estate Lease;
- (d) decommissioning costs arising from a change in law that amends the Issuer's decommissioning obligations;
- (e) costs resulting from "income adjusting events" in excess of GBP 1 million (a general term which addresses certain events or circumstances which the Authority agrees would merit an adjustment to the revenue stream and includes amendments to the STC and events constituting *force majeure* under the STC);
- (f) an amount equal to the interruption payments made by NGET and charged by NGET to the Issuer in accordance with the STC within the relevant year (this is the term "TPD" discussed below in the section on the STC);
- (g) payments made to the Authority in accordance with The Electricity (Competitive Tenders for Offshore Transmission Licences) Regulations 2013 with respect to the recovery of the Authority's tender costs; and
- (h) costs that the Issuer may incur in relation to additional obligations imposed on the Issuer with respect to the introduction of the Marine and Coastal Access Act 2009.

The revenue stream is based on asset availability rather than asset utilisation and is not subject to periodic review.

If the Issuer's regulated transmission revenue under the OFTO Licence exceeds or falls short by 3 per cent. of the allowed transmission owner revenue the Issuer is required to provide a written explanation to the Authority, and will only be allowed to increase its charges in the following relevant year if it has demonstrated to the reasonable satisfaction of the Authority that the revenue would not be likely to exceed the allowed revenue in that relevant year. If the excess is 4 per cent. of the allowed revenue entitlement over two successive relevant years, the Issuer may be required by the Authority to make adjustments to its charges to prevent any excess occurring in the following relevant year.

Availability Incentive

The Amended Standard Conditions of the OFTO Licence provide that where the Issuer fails to meet its performance targets for availability, it will be penalised through the performance incentive resulting in a reduction in its revenue stream, subject to a 10 per cent. annual cap on deductions. Therefore, the Issuer will receive no less than 90 per cent. of its annual revenue even in instances of severe loss of availability. Nevertheless, a severe loss of availability may still result in deductions in later years, so that there could be a 10 per cent. revenue deduction for up to five consecutive years in respect of one year's performance shortfall, but there would be no further deductions in respect of that performance shortfall after the end of that five-

year period. The Issuer also has the ability to request to bring forward future penalties and take a deduction of up to 50 per cent. in a single year. The availability target for the Issuer is currently set at around 98 per cent., with monthly fluctuations in an applied weighting factor to incentivise the Issuer to carry out its maintenance in July when the wind farm generated output is expected to be lowest.

The Issuer has the opportunity to earn credits in an amount that is up to 5 per cent. of its annual revenue for performance in excess of its availability target, which are offset against certain other performance shortfalls to reduce deductions. These credits are payable on an annual basis throughout the duration of the OFTO Licence.

Availability is assessed monthly and reported by the Issuer to the Authority on a quarterly basis. The Issuer's availability is calculated as the maximum transmission system availability in a month, less the effect of any transmission services reduction (which is not attributable to certain specified events under the industry codes and for which the Authority has not authorised "exceptional event" treatment (see below)). A transmission services reduction is a reduction in transmission services from the parameters and levels set out in the Services Capability Specification developed by the Issuer under the STC as a result of an outage or services reduction (see "*System Operator – Transmission Owner Code (STC)*" below). The specified events which are stated to be excluded from transmission services reduction for this purpose include a reduction in transmission system availability resulting from a de-energisation or disconnection of a user's equipment under an event of default as defined in the CUSC or resulting from emergency de-energisation by a user as defined in the CUSC.

The Issuer may notify the Authority where it considers that an event on its transmission system that caused a transmission service reduction has been wholly or partially caused by an "exceptional event" (an event or circumstance that is beyond the reasonable control of the Issuer and which results in or causes a transmission service reduction) within 14 days of the occurrence of such event. In such circumstances, the Authority may direct that the value of the reported system incentive performance be adjusted to offset the impact of that exceptional event. An example of an event that the Authority has indicated will amount to an "exceptional event" is an offshore transmission system outage following an unplanned outage on the onshore system to which an OFTO's transmission assets are connected.

Performance Security

To encourage adequate performance towards the end of the revenue stream, the Issuer will also be required to arrange to put in place financial security (such as a deposit of money, performance bond, bank guarantee, insurance policy or letter of credit) for the purposes of covering future financial liabilities by no later than 16 years after the date the OFTO Licence comes into force. The amount of financial security required is not less than 50 per cent. of the base transmission revenue.

Incremental Capacity

The revenue entitlement also provides for an uplift in the revenue stream for incremental capacity increases, which the Issuer is required to make available provided that the capital investment expected to be required by the Issuer in order to offer that incremental capacity does not exceed 20 per cent. of the original investment cost incurred by the Issuer in respect of the transmission assets.

Ring-fencing provisions

In keeping with other regulated utilities, the Standard Conditions and Amended Standard Conditions of an OFTO Licence impose certain restrictions and obligations on the Issuer designed to ensure, so far as practicable, that its electricity transmission business is ring-fenced from financial risks arising otherwise than from the conduct of the electricity transmission business.

The principal provisions of the OFTO Licence which give effect to this regulatory ring-fencing are summarised below. It is anticipated that anyone investing in or lending to an OFTO would take significant comfort from the regulatory environment created by the licence regime, in that the scope of an OFTO to conduct anything other than its licensed business is strictly limited.

Restrictions on Asset Disposals

The Issuer is prohibited from disposing of, or relinquishing, operational control over transmission assets, except where: (i) the Authority has provided its consent (or has failed to respond within two months to a notice of intention to dispose); (ii) the disposal or relinquishment is within the terms of a general consent given by directions issued by the Authority; (iii) the disposal or relinquishment is required by statutory requirement; or (iv) the relinquishment of operational control is to another OFTO licensee and is required by the STC. The term "disposal" is defined to include a mortgage or charge.

No Cross-subsidies

The Issuer is required to prevent the transmission business giving or receiving any cross-subsidy from any other business of the Issuer or an affiliate or related undertaking of the Issuer.

Focus on the Transmission Business

With limited exceptions (including non-core business where the aggregate turnover and the equity share of the aggregate turnover of the non-core business carried on by the Issuer and its relevant associates does not, in any 12-month period commencing 1 April, exceed 2.5 per cent. of the aggregate turnover of the transmission business and where the licensee has invested an aggregate amount that does not exceed 2.5 per cent. of the sum of its share capital in the non-core business), the Issuer must confine its activities to the conduct of the transmission business. In addition, the Issuer may not hold or acquire shares or other investments without the prior written consent of the Authority, except for: (i) shares or other investments in an entity which solely undertakes business related to the transmission business; (ii) shares or other investments in a subsidiary of the Issuer incorporated solely for the purpose of raising finance for the transmission business; and (iii) investments acquired in the ordinary course of treasury management.

Adequacy of Available Resources

The Issuer must act in a manner calculated to secure that it has adequate resources available to it at all times so as to conduct its transmission business properly and efficiently and in conformity with the OFTO Licence and the Electricity Act. There are various OFTO Licence provisions that monitor the Issuer's actions in relation to this obligation. These include requirements that the Issuer gives certificates annually to the Authority as to whether or not its directors have a reasonable expectation that the Issuer will have sufficient financial and operational resources available to it to enable it to carry on the transmission business for a period of 24 months from the date of its last published accounts and to certify whether it has complied in all material respects with certain licence conditions (including those relating to the provision of information to the Authority and the establishment and maintenance of financial ring-fencing). The certificate process prescribed in the licence requires the Issuer to provide a statement of the main factors the board took into account in giving the certificate together with various financial documents. The Issuer must inform the Authority immediately if the directors become aware of circumstances that mean they can no longer stand by the statements given in the certificates.

Subject to a limited exception, the Issuer is required to certify to the Authority full compliance with certain OFTO Licence conditions before the declaration or recommendation of any dividend (or other action having an equivalent economic effect). The Issuer must confirm that the making of the distribution will not cause the Issuer to be in material breach of those conditions in the future.

Restrictions on Encumbrances and Guarantees

In keeping with other regulated sectors, the Issuer may not, without the prior written consent of the Authority, create (or permit to remain in effect) any mortgage, charge, pledge, lien or other form of security or encumbrance, undertake any indebtedness to any other person or enter into any guarantee or obligation, except:

- (a) on an arm's length basis;
- (b) on normal commercial terms;
- (c) for a "permitted purpose" (essentially the purposes of the transmission business or, among others, the payment of a dividend or other distribution out of distributable reserves as described below); and
- (d) (if applicable) regarding certain asset disposals.

As discussed above, it is proposed that the Issuer will provide security to the Secured Creditors, including the Bondholders, to the extent permitted by law and regulation.

Restrictions on Dealings with Associates

The Issuer may not transfer, lease, license or lend any sum, asset, right or benefit to any associate (defined as discussed below) without the prior consent of the Authority otherwise than by way of dividend, repayment of capital, repayment of, or payment of interest on, a permitted loan, payments for group corporation tax relief or for the surrender thereof (calculated on a basis not exceeding the value of the benefit received) or certain other arrangements on an arm's length basis and on normal commercial terms. An **associate**, for these purposes, is an affiliate or related undertaking of the licensee, an ultimate controller or Participating Owner of the licensee, or a Common Control Company. A **Common Control Company** is any company with an ultimate controller who is also an ultimate controller of the licensee. A **Participating Owner** refers to a person who has (directly or indirectly) a participating interest, which is an interest held in the shares of another undertaking on a long-term basis for the purpose of securing a contribution to its activities by exercise of control or influence arising from or related to that interest, and a holding of 20 per cent. or more is presumed to be a participating interest unless the contrary is shown.

However, the tests above for dealings with an associate are replaced with stricter requirements if certain circumstances occur in relation to the status of the Issuer (referred to as **Prohibited Circumstances**), so the Issuer may not transfer, lease, license or lend any sum, asset, right or benefit to any associate without the prior consent of the Authority otherwise than by way of, among other things, the repayment of, or payment of interest on, a permitted loan which was contracted prior to the date on which the prohibiting circumstances arose, provided that such payment is not made earlier than the original due date for payment in accordance with its terms. The prohibited circumstances include, among other things, circumstances where credit ratings of the Issuer have been downgraded or the Issuer is no longer able to certify availability of adequate financial and operational resources as required by the OFTO Licence.

Restrictions on Paying Dividends and Distributions

As mentioned above (see "*Restrictions on Dealings with Associates*"), in certain prohibited circumstances (such as a rating deterioration) there are many more extensive controls on the transactions the Issuer can enter into with an associate without the specific consent of the Authority, and the declaration and payment of dividends in favour of an associate and payments under intergroup loans are restricted. However, the OFTO Licence does provide that any repayment of, or payment of interest on, an intercompany loan is permitted if such payment is not made earlier than the original due date for payment and the intercompany loan was entered into:

- (a) on an arm's length basis;
- (b) on normal commercial terms;
- (c) for a permitted purpose; and
- (d) prior to the date of the above-mentioned prohibited circumstances.

In addition, the OFTO Licence prohibits the Issuer from declaring or recommending a dividend or making other forms of distribution or redeeming or repurchasing share capital unless it has first certified to the Authority in specified terms compliance with certain licence conditions and that the dividend, distribution, redemption or repurchase will not result in a breach of those conditions.

No Cross Default Obligation

The Issuer is required to obtain the Authority's prior written consent before entering into any agreement or incurring any commitment that incorporates a cross-default obligation or (subject to some temporary exceptions for existing financial facilities) allowing such a cross-default obligation to continue. There is, however, a provision that this shall not prevent the licensee from giving a guarantee permitted under the section " – *Restrictions on Encumbrances and Guarantees*" above. The Issuer does not intend to enter into agreements containing cross-default obligations and the Finance Documents specifically disapply any such provisions in relation to the Issuer.

Investment Grade Issuer Credit Rating

The Issuer is required to use all reasonable endeavours to maintain at all times one of the following: (i) an investment grade issuer credit rating; (ii) investment grade instrument credit ratings for debt instruments it has issued and whose aggregate nominal value is at least 75 per cent. of the licensee's total assets minus total liabilities as shown in its most recent statutory accounts; or (iii) such alternative financial arrangements as may be approved in writing by the Authority (such as an escrow deposit, letter of credit, or a keep well agreement from an investment grade credit rated parent company). This approach is consistent with the restrictions on dealings with associates referred to above, in that it is possible for this obligation to be satisfied (i.e. if the whole sector suffers a downgrade) without the licensee retaining investment grade status.

Transmission Business

The Issuer is obliged to be a party to and comply with the STC and provide transmission services in accordance with the STC. It is also obliged to plan and develop the OFTO's transmission system in accordance with the National Electricity Transmission System Security and Quality of Supply Standard version 2.2.

The Issuer is obliged to offer terms for connection or modification of an existing connection, but not if this would be likely to involve it in incurring costs equal to or in excess of 20 per cent. of the original investment cost.

Separation and Independence of the Transmission Business

The OFTO Licence requires that the Issuer maintains managerial and operational independence and must have in place a statement, approved by the Authority, setting out the practices, procedures and systems which it has adopted to secure compliance with the obligations contained in certain Standard Conditions and Amended Standard Conditions. The approved statement of compliance should be in place no later than 30 days after the licence condition comes into effect and be published on the Issuer's website within seven days of approval by the Authority. The Issuer must revise the statement when circumstances change such that the

statement no longer secures the relevant compliance and business separation conditions, and the revision shall become effective once approved by the Authority.

The requirements described above are in addition to the requirements in relation to Third Package Unbundling; see – “*Third Package Unbundling*” below.

Restriction on the Use of Certain Information

The Issuer's management and operational information is to be treated as confidential and may only be disclosed in certain circumstances, which includes (a) disclosure by virtue of any requirement of a competent authority, such as the Central Bank of Ireland or the Irish Stock Exchange, or (b) where the information (not being information provided by or relating to any person other than the Issuer) is placed by the Issuer in the public domain.

Additionally, under the Standard Licence Conditions, the Issuer may not disclose commercially sensitive information which it has obtained in the course of carrying out its activities except where required by other provisions of the OFTO Licence or other legal duties.

Compliance Officer

The Issuer is required to appoint a compliance officer and establish a compliance committee to facilitate meeting its various compliance obligations, and the Issuer is required to make certain reports in respect of compliance available to the Authority and publish the annual compliance report on the Issuer's website.

Transparency to the Public and Provision of Information to the Authority

The OFTO Licence imposes certain obligations as regards the provision of information to both the public and the Authority.

The Issuer is required to prepare regulatory accounts for each financial year ending on 31 March, have these audited and deliver them to the Authority. Unless the Authority otherwise directs, the Issuer must publish its regulatory accounts on its website by 31 July following the end of each financial year to which the accounts relate. The regulatory accounts must separate data relating to the transmission business from that of any other business of the Issuer, and there are other requirements as to the details to be included in the regulatory accounts.

There are separate detailed offshore regulatory reporting and audit requirements for the provision of information in relation to the operation of the transmission system to the Authority in accordance with particular templates, to enable the Authority to monitor effectively the revenue of the transmission business. The Issuer is generally required to provide information (other than information which attracts legal privilege) to the Authority upon request. The ultimate controller undertaking (see – “*Ultimate Controller Undertakings*” above) includes a requirement that the ultimate controller (and any person controlled by it) will provide the Issuer with any information required to enable the Issuer to comply fully with its obligation to provide information to the Authority. The Issuer is also required to prepare by 1 April 2014, or within 12 months of the condition coming into effect in the OFTO Licence if later, an intervention plan containing information which would be sufficient to allow an energy administrator (see “*Energy Administration Orders*” below) to obtain information on the assets, rights and liabilities of the Issuer.

Enforcement

Where the Authority is satisfied that an OFTO is contravening or is likely to contravene any relevant licence condition or other relevant requirement, it may under section 25 of the Electricity Act secure compliance by means of an enforcement order. An order may be provisional or final. A provisional order may be used to prevent loss or damage which might otherwise arise before a final order can be made. Procedural

requirements are set out in section 26 of the Electricity Act, including provision for notices, setting out details of the contravention and specifying a period within which representations may be made.

Breach of a licence condition can also attract a penalty of such amount as is reasonable in all the circumstances of up to 10 per cent. of the licensee's annual turnover in the year preceding the date on which the Authority gives notice of its proposal to impose a penalty. (See Section 27A of the Electricity Act and Electricity and Gas (Determination of Turnover for Penalties) Order 2002). If proposals in the Energy Bill 2013 are brought into force, breach of a licence condition may also result in a consumer redress order being made, which may include a requirement to terminate or vary any contracts entered into with affected consumers or a requirement to pay compensation to affected consumers, subject to a maximum (in aggregate with any penalty) of 10 per cent. of turnover in respect of that contravention. A consumer redress order is, however, more likely to be imposed on supply licence holders than to OFTO licence holders.

If the OFTO does not comply with an order, compliance can be enforced by the courts as provided for in section 27 of the Electricity Act. Under Schedule 2 of the OFTO Licence, the Authority may revoke the licence if the failure to comply with the order is not rectified to the satisfaction of the Authority, or any financial penalty is not paid, within three months after the Authority has given notice of such failure to the OFTO.

An OFTO may challenge the validity of an order or financial penalty by making an application to the High Court within 42 days from the date of service of notice of the order or financial penalty (and it is proposed that there would be a similar right of challenge in relation to a consumer redress order). The High Court may quash the order or financial penalty, substitute a reduced financial penalty or change the date of payment where it is satisfied that:

- (a) the imposition of the order or financial penalty was not within the Authority's powers; or
- (b) the interests of the OFTO have been substantially prejudiced by the Authority's failure to comply with the relevant procedural requirements; or
- (c) in the case of a financial penalty, it was unreasonable of the Authority to require the financial penalty (or any portion of it) to be paid by the required date(s) (or it is proposed in relation to a consumer redress order that it was unreasonable of the Authority to require something to be done under the order).

The obligation to comply with a final or provisional order is a duty owed to any person who may be affected by a contravention of that order and, under section 27(5) of the Electricity Act, any breach of that duty which causes that person to sustain loss or damage shall be actionable at the suit of that person, but in those proceedings it shall be a defence for the regulated person to prove that he took all reasonable steps and exercised all due diligence to avoid contravening the order. (It is also proposed that a consumer redress order would be a duty owed to any person who may be affected by a contravention of that order and would be enforceable by civil proceedings by that person).

A financial penalty (or proposed consumer redress order) could be levied in addition to a performance availability reduction (see "*Availability Incentive*" above).

In addition, the Authority has powers under the Competition Act 1998 (concurrently with the Office of Fair Trading) to deal with certain breaches of competition law which relate to commercial activities connected with the electricity market, including breaches of the prohibitions on agreements between undertakings which aim to prevent, restrict or distort competition, or conduct which amounts to abuse of a dominant position. Where the Authority has reasonable grounds to suspect that competition law is being breached, it has powers to instigate an investigation and, following conclusion that a breach has occurred, it can issue directions to bring the breach to an end and impose financial penalties for breaches committed intentionally or negligently (up to 10 per cent. of an undertaking's turnover).

In its Enforcement Guidelines on Complaints and Investigations (June 2012), the Authority states that as an alternative to enforcement proceedings it is open to requests from companies to enter into settlement negotiations and it will decide whether it is appropriate for the case to proceed through the settlement procedure. The settlement procedure would enable the Authority to work with the company subject to the investigation to bring the case to an early resolution by agreement. The guidance also states that settlement is likely to result in a lower penalty than would likely be imposed otherwise.

As at the date of this Prospectus, the Issuer is not aware of the Authority having taken action against an OFTO by means of an enforcement order or under the Competition Act 1998.

NGET

As described above, the Issuer's revenue stream will be paid by NGET under the STC.

NGET's full name is National Grid Electricity Transmission plc. It is incorporated in England and Wales as a public limited company and its registered office is at 1-3 Strand, London WC2N 5EH. The nature of its business is the transmission of electricity. NGET has in place a EUR 15 billion programme for the issue of euro medium-term bonds (the **NGET Bonds**). The NGET Bonds have been admitted to the official list of the U.K. Listing Authority. According to the NGET website, approximately EUR 4.5 billion of NGET Bonds were issued as at 31 March 2014. NGET is currently rated A- by Standard & Poor's, A3 by Moody's and A by Fitch.

NGET recovers its costs (including payments it will be required to make to OFTOs) through charges met by users of the National Electricity Transmission System and ultimately consumers. NGET has a licence obligation to maintain an investment grade credit rating and, as far as the Issuer is aware, does hold such a rating. The objectives of the Authority referred to in "*Background and Key Players*" above also apply to the Authority's regulation of NGET. One key aspect of this is the "financing duty" which provides that the Authority must have regard to the need to ensure that NGET is able to finance the activities which are the subject of statutory obligations placed on it.

If NGET were to become insolvent, this would be a ground for revocation of its licence. However, as the holder of an OFTO licence, it would also be a "protected energy company" for the purposes of Section 154 of the Energy Act 2004 and therefore a company in respect of which the Secretary of State or the Authority could apply for an energy administration order which would give priority to the rescue of the company as a going concern or a transfer of the undertaking as a going concern. See further "*Energy Administration Orders*" below.

NGET is also subject to a licence condition introduced pursuant to Section 168(1)(b) of the Energy Act 2004 (which is now part of the Standard Conditions, that should, pursuant to Section 168(8), also apply to any future OFTO licences for a system operator), namely Condition C24 requiring the system operator, if a shortfall direction is issued by the Secretary of State, to raise charges in order to recover additional amounts for the purposes of meeting relevant debts and its administrative fees such as those of an energy administration. There is currently no obvious mechanism for NGET to recover any such charges from an OFTO, but if a shortfall direction were in fact to provide for NGET to impose such charges on the Issuer, the Issuer would propose to seek an "income adjusting event" revenue adjustment for costs if above the relevant threshold (see "*OFTO Licence – OFTO Revenue Stream*" above.) The system operator's ability to raise these charges mitigates the risk that it would fail to pay amounts owed to an OFTO under the STC.

The question of the credit exposure of other transmission owners to NGET was discussed in the Authority consultation documents in November 2004 (269/04) and February 2005 (56/05). In these consultations, it was assessed by the Authority that the probability of NGET becoming insolvent was very low and that, even in the event of NGET's insolvency, the level of transmission owners' risk of exposure to non-payment in the event of NGET insolvency was very low, bearing in mind the investment grade rating requirement, the financial ring-fence, the Authority's obligation to carry out its functions having regard to the need to secure

that licence holders can finance their activities and the energy administration provisions in the Energy Act 2004. Notwithstanding this, it was also recognised that there remains a residual risk to transmission owners. The likelihood of amounts owed to transmission owners being classed as expenses of the administration and ways of making this more likely were discussed. Various credit support options were also discussed in this context and the Authority stated that it was "extremely unlikely" that payments to transmission owners would not be classed as an administration expense. However, the decision was that no specific credit cover measures would be implemented in addition to the regulatory options available (at least until such time as the Authority received a proposal that can be shown to be proportionate to the level of perceived risk and legally robust).

ENERGY ADMINISTRATION ORDERS

The Energy Act 2004 introduced a special administration regime for entities that operate or own essential energy infrastructure known as "energy administration". This regime currently applies to the holders of transmission licences (including OFTO Licences). The OFTO of Last Resort Guidance mechanism suggests that energy administration is one of the measures which may be used before the OFTO of Last Resort mechanism is used (see further "*OFTO of Last Resort*" below). Further details of the operation of the energy administration regime are contained in the Energy Administration Rules 2005.

Under the Energy Act 2004, the Secretary of State or the Authority (with the permission of the Secretary of State) may apply to the court for an EAO. The court may only make an EAO where an OFTO is or is likely to be unable to pay its debts or, on petition by the Secretary of State under Section 124A of the Insolvency Act 1986 (petition for winding-up on grounds of public interest), the Secretary of State has certified to the court that it would be just and equitable (disregarding the objective of the energy administration) to wind-up the licensee in the public interest.

The commencement of energy administration blocks the initiation of most other insolvency procedures, including voluntary winding-up and ordinary administration. Creditors are prohibited from enforcing security against the licensee unless prior notice has been served on both the Secretary of State and the Authority and the prescribed timeframe of 14 days has elapsed. In addition, any holder of a floating charge is restricted from appointing an administrator under paragraph 14 or 22 of Schedule B1 of the Insolvency Act to block the appointment of the energy administrator unless certain conditions are met.

If an EAO is granted, an energy administrator is appointed to assume responsibility for the management and operation of the company in order to achieve the objective of the EAO. The overriding objective of the EAO is to secure that:

- (a) the licensee's system is and continues to be maintained and developed as an efficient and economical system; and
- (b) it becomes unnecessary for the EAO to remain in force.

In the context of transmission, "system" means the electricity transmission system which the licensee has been maintaining. An energy administrator must secure the overriding objective by one or both of the following means:

- (a) rescue the company as a going concern; and/or
- (b) transfer as a going concern, to one or more other companies, such part of the licensee as is appropriate for the purpose of achieving the overriding objective of the energy administration (an **Energy Transfer Scheme**).

An Energy Transfer Scheme comes into effect at the time appointed by the court. However, prior to this, the Energy Transfer Scheme must be approved by the Secretary of State (having first consulted with the

Authority). In deciding whether or not to approve the Energy Transfer Scheme, the Secretary of State must have regard to the public interest and the effect that the Energy Transfer Scheme is likely to have on the interests of third parties.

The energy administrator must exercise and perform his powers and duties in a manner which protects the interests of the creditors of the company as a whole, and subject to those interests, the interests of the members of the company as a whole. However, ultimately members' and creditors' rights are subordinated to the achievement of the objective of the EAO. There can be no assurance that any Energy Transfer Scheme could be achieved on terms that would enable creditors to recover amounts due to them in full.

The Energy Act 2004 also grants the Secretary of State, with the approval of HM Treasury, the power to:

- (a) make appropriate grants or loans to achieve the purposes of the EAO and to indemnify the energy administrator against losses or damages sustained in connection with the carrying out of his functions; and
- (b) guarantee the payment of principal or interest and the discharge of any other financial obligations in connection with any borrowings of the licensee subject to an EAO.

As at the date of this Prospectus, the Issuer is not aware of an EAO in respect of an OFTO having been made.

OFTO OF LAST RESORT

Under the terms of the OFTO Licence, the Authority has the power to direct an OFTO to act as an OFTO of Last Resort where it considers that there is a significant risk of a generator becoming stranded or suffering delays to connection of the offshore wind farm. An OFTO of Last Resort direction (a **direction**) could potentially require an OFTO to take on the transmission assets of another project and provide transmission services in respect of that project for a period not exceeding five years. The five-year duration provides an opportunity to appoint a new OFTO of Last Resort or to extend the appointment of an existing OFTO of Last Resort. There is no limit applied to the number of successive periods that an OFTO can be appointed as an OFTO of Last Resort in relation to particular transmission assets.

According to the OFTO of Last Resort Guidance, before initiating the OFTO of Last Resort process, the Authority would expect to engage with affected stakeholders (including the Secured Creditors where appropriate) to seek to resolve issues in accordance with the OFTO of Last Resort Guidance. The Authority would expect to use the OFTO of Last Resort process only once other measures for ensuring viable on-going transmission have been exhausted, in accordance with such OFTO of Last Resort Guidance. Such measures might include:

- (a) an open market sale/transfer of the assets by the OFTO; or
- (b) a new open market competitive tender process administered by the Authority, where a tender process has failed to identify an OFTO; or
- (c) energy administration (see "Energy Administration Orders" above).

The Authority may issue a direction to an OFTO only where:

- (a) a previous direction regarding the relevant transmission assets has expired or is due to expire; or
- (b) the Authority has not been able to determine a person to be granted an OFTO licence after a transitional tender exercise; or

- (c) the Authority intends to revoke the OFTO licence of an OFTO (see "*Determination or Revocation of Licence*" above); or
- (d) the Authority intends to revoke a direction initially given to another OFTO.

Certain safeguards apply to protect a potential OFTO of Last Resort, including that the Authority must consider that the OFTO can comply with the direction without materially prejudicing its ability to carry out its other licence activities and other contractual obligations and that the Authority is satisfied that the OFTO can finance the activities and recover the costs of operating the transmission assets in an economic and efficient manner, including a reasonable rate of return.

Where the Authority intends to make a direction, it must notify the OFTO, setting out:

- (a) the basis on which it considers that it is reasonable to make the direction;
- (b) the proposed start date;
- (c) the proposed duration of the direction; and
- (d) the transmission assets to which the direction relates.

A direction will only take effect where the Authority has formally proposed modifications to the OFTO licence conditions that prescribe the rights and obligations of the OFTO, including the annual revenue that the OFTO may earn for providing the transmission services. Modification of the licence will either require the consent of the OFTO or may be subject to reference to the Competition and Markets Authority where agreement cannot be reached. The OFTO licence conditions do not detail the revenue stream of the transmission assets. However, in setting the revenue stream, the OFTO of Last Resort Guidance suggests that the Authority will seek to ensure that the OFTO of Last Resort will receive an annual revenue stream sufficient to fund an efficiently operating business and to meet the cost of purchasing the assets.

An OFTO will be able to request a review of a direction at any time when there has been a material prejudicial change to the basis on which the direction was given.

At present, there is no statutory power which expressly enables the Authority to require the transfer of transmission assets from an outgoing OFTO to an incoming OFTO under the OFTO of Last Resort arrangements. The Authority's powers to compulsorily transfer assets to an OFTO by way of the statutory property scheme set out in Schedule 2 of the Energy Act 2008 are limited to circumstances where a transitional tender exercise has been held and the purpose is to effect a transfer from the generator developer to the OFTO. The Authority is therefore not necessarily able to enforce a transfer of transmission assets between licensees upon appointing an OFTO of Last Resort. However, the OFTO of Last Resort Guidance states that the regulatory framework should incentivise the OFTO to transfer the assets in a timely manner. The Authority envisages that assets will transfer following commercial agreement between the incumbent OFTO and the OFTO of Last Resort; how consideration is calculated is not prescribed, but the Authority states in its OFTO of Last Resort Guidance that it expects the transfer value to be reflective of the net asset value after regulatory depreciation.

It should be noted that the Authority considers the OFTO licence regime contains sufficient monitoring such that any difficulties arising in the operation of an OFTO business would be picked up through the availability performance and regulatory reporting requirements, the ring-fence conditions and the Authority enforcement powers, without the need to make use of the OFTO of Last Resort process.

The Moody's report, "Operational UK Offshore Transmission Owners: Solid Credit Strength comparable to that of UK Regulated Onshore Networks", confirms that the OFTO of Last Resort mechanism carries limited additional risks for an OFTO.

Nevertheless, it should be noted that the Issuer may be directed to become the OFTO of Last Resort by taking on the transmission assets of another project, and providing transmission services in respect thereof, or that another OFTO may be directed to become the OFTO of Last Resort of the Issuer's Transmission Assets.

As at the date of this Prospectus, the Issuer is not aware of the Authority having made a direction to an OFTO for it to act as an OFTO of Last Resort.

Third Package Unbundling

All electricity transmission system operators, including the Issuer, are required by the terms of their respective licences to comply with the Third Package – that is, taking measures to ensure that such OFTOs are effectively separated from electricity or gas generation, production and/or supply interests. Failure to obtain certification or failure to continue to be certified is a licence revocation event under the OFTO Licence.

In order to obtain certification under section 10D of the Electricity Act, and to continue to be certified, an OFTO must satisfy one of the "certification grounds" set out in section 10E of the Electricity Act. The main model for certification, and the grounds under which the Issuer has been certified, is that it meets the ownership unbundling requirements in section 10F of the Electricity Act.

The Authority applies five tests in order to determine whether the ownership unbundling requirements are met, which in summary are:

- (a) The first test is that the applicant (a) does not control a relevant producer or supplier; (b) does not have a majority shareholding in a relevant producer or supplier; and (c) will not, on or after the relevant date (generally 3 March 2012), exercise shareholder rights in relation to a relevant producer or supplier.
- (b) The second test is that, where the applicant is a company, partnership or other business, none of its senior officers has been, or may be, appointed by a person who (a) controls an electricity undertaking which is a relevant producer or supplier; or (b) has a majority shareholding in an electricity undertaking which is a relevant producer or supplier.
- (c) The third test is that, where the applicant is a company, partnership or other business, none of its senior officers is also a senior officer of an electricity undertaking which is a relevant producer or supplier.
- (d) The fourth test is that the applicant is not controlled by a person who controls a relevant producer or supplier.
- (e) The fifth test is that the applicant is not controlled by a person who has a majority shareholding in a relevant producer or supplier.

A relevant producer or supplier is a producer or supplier of electricity or gas who requires a licence (or would require a licence if that activity were carried out in Great Britain). "Control" has a meaning based on the meaning of that term under the Third Electricity Directive, which taking into account guidance issued by the European Commission, encompasses positive control and also negative control by way of veto rights over strategic business decisions. The exercise of shareholder rights is discussed further below.

In considering whether the conditions for certification continue to apply, the Authority is obliged to notify its preliminary decision and the reasons for it to the European Commission before making a final decision, and is required to take utmost account of the Commission's opinion in reaching that final decision.

The Authority has the power to withdraw the Issuer's certification on not less than four months' notice if the Authority considers that the material provided by the Issuer to the Authority in respect of its application for certification is not true and complete, or the basis on which the Authority decided to certify does not continue to apply, or certain insolvency events have occurred, or the Issuer is found to be in breach of, among other matters, any national or European competition laws.

The Authority has a continuing obligation to monitor and, where relevant, make a decision, in respect of each certified person, whether the basis on which it decided to certify that person continues to apply, and, if it does not, the certification may cease.

The Issuer is obliged to notify the Authority as soon as reasonably practicable if it knows or reasonably should know of any event or circumstance that has occurred or is likely to occur that may affect its eligibility for certification.

As discussed above, failure to continue to be certified is a licence revocation event under the OFTO Licence (see section above on "*Determination or Revocation of Licence*").

The Issuer would be obliged to notify the Authority if it became aware that there was a change of control, meaning the Issuer would be controlled by a person from a third country (i.e. a country outside of the European Economic Area). In such circumstances the Secretary of State is required to prepare a report on whether the security of supply in the UK or any other European Economic Area state would be put at risk by the continued certification of the Issuer.

It should also be noted that under the Electricity Act, the exercise of certain shareholder rights (defined as a right to vote at general meetings or appoint a member of the board, conferred by the holding of a share in a company) and certain other rights of appointment are prohibited if the exercise would or might lead a certified person to discriminate in favour of the relevant producer or supplier. If rights are exercised in breach of the prohibition, the exercise is voidable on an application to the court by any person. The prohibition applies to: (i) the exercise by a person who controls the certified person of a shareholder right in relation to a relevant producer or supplier; (ii) the exercise by a person who controls a relevant producer or supplier of a shareholder right in relation to the certified person; (iii) the exercise by a person who appointed a current senior officer of certified person of a shareholder right in relation to a relevant producer or supplier of electricity; and (iv) the appointment of a senior officer of a certified person by a person who has within the previous three years exercised a shareholder right in relation to a relevant producer or supplier of electricity. (As discussed above, a relevant producer or supplier is a producer or supplier of electricity or gas who requires a licence (or would require a licence if that activity were carried out in Great Britain). A certified person is a person certified under the full ownership unbundling criteria.)

Enforcement of share security by the Secured Creditors, including the Bondholders, would need to be structured so as not to prejudice the Issuer's compliance with the certification criteria. The Authority does, however, have some flexibility to treat certain criteria as passed where the control of the Issuer was gained through the exercise of a right conferred as a condition of the provision of either financial support or a guarantee (or both) in relation to the Issuer's business or the control or majority shareholding in the relevant producer or supplier was gained through the exercise of such a right conferred in relation to the business of the relevant producer or supplier.

System Operator – Transmission Owner Code (STC)

The STC is a licence-based code which sets out obligations and responsibilities of transmission owners (both onshore and offshore) as between themselves and the system operator, which is NGET. The terms of the OFTO Licence requires the OFTO to be a party to, and comply with, the STC.

The STC is divided into various sections and schedules dealing with different aspects of the relationship between transmission owners and NGET, including the requirements for the provision of transmission

services, outage planning, construction agreements and charges payable both by and to transmission owners. One of the schedules, Schedule 2, lists the approved code procedures (“**Code Procedures**”) which contain detailed provisions for certain processes required by the STC, and these include in STCP 19-5 the procedures for offshore transmission system compliance testing.

The STC may be modified through a process involving an “STC Modification Panel” consisting of up to two representatives from each STC party, except that the OFTOs collectively may only appoint up to two representatives. A STC modification proposal shall not be accepted unless, in respect of each category of party, the number of votes to accept the proposal is greater than 65 per cent. of the total number of groups in that party category which voted. There is a separate process for amending Code Procedures.

Accession and Withdrawal

An OFTO becomes a party to the STC by signing an accession agreement, but its rights and obligations in respect of requirements such as the provision of transmission services do not generally become effective until the date of notification of completion of the Party Entry Processes under the STC, which processes include for an OFTO a TO Construction Agreement (see "*TO Construction Agreement*" below). Disputes in relation to the Party Entry Processes may be referred to the Authority for determination.

Under the STC, an OFTO is entitled to issue a notice of its intention to withdraw from the STC, but any withdrawal does not become effective until steps have been put in place such that NGET (or other parties to the STC) would not be put in breach of its obligations under the STC as a consequence of the withdrawal of the OFTO. A dispute about those steps may be referred to the Authority for determination. In a case where an OFTO is notified that its OFTO Licence will be revoked, it shall be deemed to have issued a notice to withdraw. Withdrawal does not affect accrued rights and obligations.

Payment Arrangements

The details of the payments to be made by NGET to the OFTO and by the OFTO to NGET are set out in the STC.

NGET is required to pay to the OFTO (which is referred to in the STC as a **Transmission Owner** or **TO**) the following charges:

- (a) **TO General System Charges**, determined in accordance with the statement prepared under Special Condition J2 of the that Transmission Owner's OFTO licence and approved by the Authority;
- (b) **TO Site-Specific Charges**, determined in accordance with the statement prepared under Special Condition J2 of the that Transmission Owner's OFTO licence and approved by the Authority; and
- (c) Offshore Transmission Owner of Last Resort Charges, determined in accordance with the direction issued under Standard Condition B18 or E21 of the Transmission Owner's OFTO licence.

(There is a provision in Amended Standard Condition E13 of the OFTO Licence which states that references in the STC to Special Condition J2 are to be treated, in relation to the OFTO, as references to its Amended Standard Condition E12-J2, which is the condition of the OFTO Licence which sets out the allowed transmission owner revenue.)

The OFTO is required to pay to NGET the following charges:

- (a) **Interruption Charges**, which are amounts determined by NGET in accordance with the CUSC as payable to a user in respect of a Relevant Interruption solely as a result of the de-energisation of the Transmission Owner's plant and apparatus (but see discussion below on pass-through component TPD in the OFTO Licence);

- (b) **Offshore Construction Securities**, which are determined by NGET in accordance with Section D, Part Two of the STC (these relate to security provided by the OFTO in respect of its TO Construction Agreement (see discussion below on "*TO Construction Agreement*"));
- (c) **Offshore Compensation Payments**, determined by NGET in accordance with the CUSC as payable to a user in respect of an Interruption (other than a Relevant Interruption) solely as a result of the de-energisation of the OFTO's plant and apparatus, where that OFTO has not met the transmission system availability target defined in Special Condition C4 of that OFTO's OFTO licence (it is not clear what this is intended to refer to either in the CUSC or in the OFTO Licence, but see discussion below on pass-through component TPD in the OFTO Licence); and
- (d) **Replacement Offshore Transmission Owner Charges**, incurred by NGET as a consequence of any event of OFTO default that leads to termination of a TO Construction Agreement where NGET is entitled to draw on the Offshore Construction Securities (see discussion below on "*TO Construction Agreement*").

The STC also provides for the payment of any other amounts payable under the STC or a TO Construction Agreement.

It is stated in the STC that an Offshore Transmission Owner's total liability for Interruption Charges and Offshore Compensation Payments in any year must not exceed the restriction of transmission revenue defined by the specified Special Condition of that Offshore Transmission Owner's OFTO licence.

Interruption payments charged by NGET to the OFTO in accordance with the STC are included in the OFTO Licence as pass-through costs under the term **TPD**, which also provides that the costs shall include any financing or other costs such as to ensure that the financial position and performance of the OFTO is, insofar as is reasonably practicable, the same as if those costs had not been incurred. Since both Interruption Charges and Offshore Compensation Payments are expressed to be in respect of interruptions, they would be expected to be included within the phrase "interruption payments" used in the term **TPD**.

Transmission Services

The STC stipulates the transmission services which an OFTO is obliged to make available to NGET, subject to any derogations issued by the Authority. The OFTO must specify the technical limits that normally apply to its transmission services in a Services Capability Specification. This is then used as the reference point for determining availability for the purpose of the performance incentive calculation under the OFTO Licence discussed above (see "*OFTO Licence – Availability Incentive*"). The OFTO is obliged to provide the transmission services in accordance with the Services Capability Specification.

The STC also contains provisions for the co-ordination of outages by the OFTO with NGET, with provision for disputes about late changes to the published outage plans to be referred to the Authority.

Under the STC, NGET may request an OFTO to assist with the commissioning and on-load testing of a user, in which case NGET shall pay reasonable charges to the OFTO in respect of any assistance so provided.

Section K sets out the minimum technical requirements with which the OFTO must ensure its transmission system complies. It is recognised that reactive power capability may be delivered using a combination of OFTO plant and plant owned by a generator. It is proposed that such a combination of plant will be used for reactive power compliance on the Issuer's project.

Provisions for checking the OFTO's compliance with Section K and the Services Capability Specification are set out in Code Procedure STCP 19-5. STCP 19-5 paragraphs 3.1.3 and 3.1.4 state that prior to the OFTO assuming ownership of an offshore transmission system from a generator, NGET will issue the OFTO a Section K Notification and, where the generator has built the assets and energisation has already occurred,

NGET will issue an Interim Section K Notification (as defined in the STC) or Final Section K Notification based on the operational notification current with the generator at the time.

The STC states that the OFTO's obligations under the STC shall be relieved to the extent and for such period as such obligations are specified as being relieved by a derogation issued by the Authority under the OFTO Licence.

The STC requires that an OFTO shall, where requested by NGET, use all reasonable endeavours to carry out such works as are necessary to ensure that each item of derogated plant owned or operated by such OFTO is brought up to the standard required under the derogation no later than the backstop date for that specified in the derogation.

TO Construction Agreement

As discussed above, the Party Entry Processes for the OFTO under the STC include a requirement to enter into a TO Construction Agreement. A TO Construction Agreement is normally entered into when construction work needs to be carried out, and there are standard forms for this agreement set out in the STC. Where construction work has already been carried out by the generator, the standard form of TO Construction Agreement does not fit in all respects with the OFTO's position, so the Issuer has negotiated the form of TO Construction Agreement with NGET to restrict its scope so as not to include various construction provisions.

An OFTO may also be required to enter into a TO Construction Agreement if further construction work is undertaken, for example in respect of the increase in capacity up to 20 per cent.

An OFTO is required to provide security in respect of a TO Construction Agreement in amount equivalent to the sum of: (i) 20 per cent. of the forecast offshore construction cost; and (ii) the liquidated damages liability, in each case as set out in the TO Construction Agreement. This security would constitute the Offshore Construction Securities referred to in " – *Payment Arrangements*" above. Unless the OFTO meets NGET's credit rating requirement (and has not been put on credit watch or similar credit surveillance procedure which may give NGET reasonable cause to believe that the OFTO may not be able to maintain an NGET credit rating requirement for at least six months), the OFTO would be required to provide security such as by way of letter of credit, performance bond or cash deposit. The definition of NGET Credit Rating in the STC suggests that, in the case of an OFTO, the rating required by NGET matches that which the OFTO is required to maintain under its licence, but this definition uses the term "User" (which term excludes an OFTO) and the credit requirement for an OFTO is not completely clear. Otherwise, NGET credit rating requirements require an A- Standard & Poor's or A3 Moody's rating.

Changes

Under the STC, if it is agreed that a change is necessary to an offshore transmission system as a result of NGET's or another Transmission Owner's investment plans, NGET or the other Transmission Owner shall compensate the OFTO for the reasonable and proper costs and expense of such change.

An OFTO is obliged not to undertake a modification which would have a material effect on a user (generally involving expenditure of more than GBP 10,000) unless NGET has notified the OFTO that NGET has either agreed the modification with the affected user or that any dispute as to the modification has been determined by the Authority pursuant to the CUSC.

An OFTO may be required to carry out activities to support NGET in its offshore development information statement and disputes as to the programme of activities may be referred to the Authority.

Under the STC, an OFTO may be required to provide assistance to another party to the STC in relation to matters such as a modification of user equipment or a new connection, subject to payment of its reasonable charges.

Liability

The liability of parties to the STC is generally limited (with exceptions for liquidated damages provisions of any TO Construction Agreement and certain indemnities under the STC as well as for certain liabilities which may not be excluded by law) to loss directly resulting from physical damage to the property of any other party to the STC or liability of any other party to the STC in respect of physical damage to the property of any other person. Liability for loss of revenue, loss of profit, loss of use, loss of contract or loss of goodwill and indirect or consequential loss is generally excluded (with exceptions for liquidated damages provisions of any TO Construction Agreement and certain indemnities under the STC as well as for certain liabilities which may not be excluded by law). Liability is also subject to a cap of GBP 5 million per incident or series of related incidents (or GBP 1 million where the incidents arise on or affect a part of a distribution system required to connect an offshore transmission system).

The right of the OFTO to claim in tort or otherwise against any CUSC party (other than NGET) (or DCUSA party (other than NGET)) in relation to the subject matter of the CUSC (or the DCUSA) is expressly excluded, save for certain liabilities which may not be excluded by law. Provisions are included to enable the enforcement of this exclusion of liability by CUSC parties and DCUSA parties under the Contracts (Rights of Third Parties) Act 1999. There is a corresponding provision in 6.12.3 and 6.22 of the CUSC for the CUSC parties (other than NGET) to waive rights in tort or otherwise against the OFTO in relation to the subject matter of the STC, save for certain liabilities which may not be excluded by law and for this to be enforceable by the OFTO under the Contracts (Rights of Third Parties) Act 1999.

Under the STC, an OFTO may be required to take reasonable and proper action necessary to comply with (or avert an anticipated breach of) requirements related to a nuclear site licence, and NGET shall indemnify and keep indemnified the OFTO for loss, damage, costs and expenses incurred as a consequence, to the extent the action was not required by any licence or agreement binding on the OFTO.

Transfer

The OFTO may not assign or transfer a benefit or burden under the STC, save on the disposal of the whole or part of its business (and subject to certain requirements being satisfied) or save as an assignment or charge by way of security.

DESCRIPTION OF THE PROJECT DOCUMENTS

The following is a summary of certain provisions of the principal Project Documents relating to the transactions described in this Prospectus, prepared on the basis of Completion occurring on or about the Issue Date.

SALE AND PURCHASE AGREEMENT

The SPA between the Vendors and the Issuer as purchaser involves a sale of the Transmission Assets and transfer of contractual rights under the construction contracts relating to the Transmission Assets and the assumption by the Issuer of specified post-completion liabilities.

The consideration payable by the Issuer for the Transmission Assets on Completion under the SPA is approximately GBP 268,895,686, which will be funded in part by the proceeds of the issuance of the Bonds.

Completion

The SPA provides for the Issuer and the Vendors to satisfy various obligations on signing the SPA, including the delivery into escrow of documentation for the transfer of certain onshore and offshore property and the transfer of various other contracts, including the cable crossing agreements, which documentation will come into effect upon Completion. The Issuer intends for Completion to occur immediately after the Bonds are issued, with part of the proceeds of the Bond issuance being paid to the Vendors. The SPA provides that Completion will take place by the sixth Business Day after the date on which the SPA is signed.

Assumed and Excluded Liabilities

Under the SPA, both the Issuer and the Vendors take responsibility for certain liabilities. The Issuer assumes (and indemnifies the Vendors against) all obligations and liabilities in connection with the Transmission Assets arising or falling due for performance on or after the Completion Date. The Vendors, on the other hand, are to be responsible (and shall indemnify the Issuer) for all debts, liabilities and obligations in connection with the Transmission Assets that are not assumed by the Issuer.

Warranties

The Vendors also give certain limited warranties on signing the SPA concerning the Transmission Assets and associated consents, permits and property, taxation and litigation, including those set out below. These warranties will be subject to disclosures made in the Disclosure Letter. Many of the warranties are qualified, for example by applying only to the extent the matters are within the actual knowledge of the directors of each Vendor. Examples of these warranties are: (a) title to the Transmission Assets, (b) title to sites, (c) compliance with permits, (d) compliance with their obligations under the contracts, and (e) no claims or disputes relating to the Transmission Assets.

Under the SPA, the OFTO warrants to the Vendors on an indemnity basis:

- (a) that it intends to carry on the same kind of business in relation to the Transferred Assets with effect from Completion and without interruption as that carried on by the Vendors prior to Completion; and
- (b) that it, or the representative member of its VAT Group, is registered for VAT.

Condition of Transmission Assets

The Vendors warrant that the Transmission Assets have been operated and maintained in all material respects in accordance with good industry practice. The Vendors also warrant that no fixed asset has

suffered any breakdown or failure which has caused material disruption to the Transmission Assets in the period from the date of issue of the taking over certificate by the Vendors in respect of such fixed asset until the date of the SPA and that no material defect or damage has been discovered in relation to any fixed asset or moveable asset that would cause material disruption to the Transmission Assets.

Vendors' liabilities

The liabilities of the Vendors in respect of their obligations under the SPA are on a joint and several basis, other than in respect of the several warranties. The "several warranties" are those relating to (i) power and authority, (ii) VAT, and (iii) capital allowances.

The Vendors' liabilities under the SPA are limited by, among others, a *de minimis* amount for claims made by the Issuer, a claims threshold, an aggregate cap on liability, a long stop date for bringing claims against the Vendors and, to the extent that the Issuer is able to recover any loss from its insurers, the Vendors will have no liability to the Issuer for such loss.

Assignment

The Issuer may assign the benefit of all or part of the SPA by way of security in favour of its financiers. In the event of an assignment, the original party will remain liable to procure the performance of its obligations under the SPA.

Snagging Work

The SPA contains a schedule of snagging works that are to be carried out by the Vendors in respect of the Transmission Assets following the Completion Date.

It has been agreed under the SPA that the Vendors will undertake all snagging works in accordance with the terms of the construction contracts (to the extent such snagging work relates to a construction contract) or in accordance with good industry practice where a new contract is procured to carry out the snagging works (the **Relevant Standard**). If any snagging work is completed and the Issuer does not believe it has been completed to the Relevant Standard, the Issuer is entitled to notify the Vendors and the Vendors are required to carry out such further works that they consider appropriate to complete the snagging work. Following completion of the further works, if the Issuer still believes the works have not been completed to the Relevant Standard, such matters are to be referred to an expert, and the decision of the expert is final.

The Vendors are to indemnify the Issuer for certain losses and these indemnities are subject to the cap on liability set out in the SPA.

SPA Guarantees

Each Vendor will have a guarantor guaranteeing the respective Vendor's payment obligations in respect of any guaranteed claims under the SPA. The guarantees will be documented under a parent company guarantee to be entered into by the guarantor of each Vendor. The guarantor for DONG Energy West of Duddon Sands (UK) Limited will be DONG Energy Wind Power Holding A/S. For ScottishPower Renewables (WODS) Limited, the guarantor is Scottish Power UK plc.

The guarantee is provided for four years from the date of the guarantee, which matches the current maximum time period in which the Issuer can make a claim under the SPA.

OPERATION AND MAINTENANCE AGREEMENT

General

The Transmission Assets require operation and maintenance services including routine day-to-day services and scheduled maintenance. Services will also be required to be provided in relation to events requiring unscheduled maintenance and to respond to unexpected failures or problems.

The Issuer has engaged the Vendors (the **Operator**) to perform certain operations and maintenance obligations on its behalf.

The Operations and Maintenance Agreement (**O&M Agreement**) (dated on or about the Completion Date) between the Operator and the Issuer sets out the scope of activities to be performed by the Operator in relation to the Transmission Assets.

Term

The O&M Agreement is a fixed term agreement which is subject to earlier termination in accordance with the O&M Agreement.

Ordinary Services

The Operator's primary responsibility is to perform the operation and maintenance services set out in the O&M Agreement. The services include:

- (a) operating the Transmission Assets including responding to alarms, undertaking switching activities when required and managing spare parts;
- (b) providing support services in respect of a fault or incident;
- (c) establishing maintenance and security plan;
- (d) performing operating maintenance services and scheduled maintenance services including waste management, outage planning and environmental monitoring;
- (e) complying with various reporting and record maintenance requirements including regular reporting to the Issuer; and
- (f) assisting the Issuer in complying with its obligations under the relevant licences and consents.

Additional Services and Fees

The Issuer may request the Operator to perform additional services and/or change the scope of services set out in the O&M Agreement. If the Operator considers that any additional service is required, it can also propose such additional services to the Issuer, who has the right to refuse such proposal under certain circumstances. The cost of additional services is calculated in accordance with the provisions of the O&M Agreement.

Issuer Obligations

The main obligations of the Issuer include: (a) payments of amounts due to the Operator, (b) maintenance of the Issuer's consents and licences, and (c) providing the Operator with site access.

Price

The Issuer pays the Operator, on a monthly basis, the ordinary services fee, any additional services fee due and any other amounts due to the Operator for that month in accordance with the O&M Agreement.

Termination Rights and Compensation

The Parties may terminate the O&M Agreement in certain circumstances, such as:

- (a) insolvency of a party;
- (b) a material breach by a party, subject to cure periods and expert determination procedure;
- (c) force majeure that is continuing for a specified period; and
- (d) revocation of the OFTO Licence.

Limits on Liability

The liability of the Operator is limited to its liability cap as set out in the O&M Agreement.

Insurance

The Issuer has an obligation to take out certain insurances in respect of the Transmission Assets, for example property damage insurance. The Operator must, at its own cost, take out employer liability insurance for its employees, public liability insurance and any other insurance legally required to be maintained by the Operator.

Credit Support

The obligations of the Operator under the O&M Agreement are guaranteed by DONG Energy Wind Power Holding A/S and Scottish Power UK plc.

CABLE BURIAL AGREEMENT (CBA)

As is typical for this sector, the Issuer and the Vendors are to enter into a cable burial agreement under which the Vendors procure certain burial works (**Agreed Cable Burial Works**) for specific sections of the subsea cable (each a **Subsea Cable Length**). The Issuer's technical advisor has reviewed the initial, concept design documents for the Agreed Cable Burial Works and considers these to be appropriate.

Under the CBA, the Vendors are obliged to carry out works and surveys in accordance with a prescribed construction standard (such standard is based on the construction standard used for construction of the Transferred Assets).

If any part of any of the Subsea Cable Lengths for which there is an Agreed Cable Burial Issue suffers physical damage as a direct result of either (i) such Agreed Cable Burial Issue or (ii) the carrying out of the relevant Agreed Cable Burial Works, the Vendors are (at their own cost) required to undertake remedial work (**Additional Remedial Works**).

The Vendors provide an indemnity to the Issuer, for any Losses (including Revenue Reduction) incurred by the Issuer that do not result from any act or omission of the Issuer or member of the Issuer's group, if they result from:

- (a) any physical damage to any Subsea Cable Length in respect of which there is an Agreed Cable Burial Issue (save to the extent that such damage is or has been remedied by the Vendors), provided that such damage is a direct result of either:
 - (i) the Subsea Cable Length requiring Agreed Cable Burial Works; or
 - (ii) the carrying out of any Agreed Cable Burial Works or (to the extent carried out by or on behalf of the Vendors) any Additional Remedial Work (**Physical Damage Indemnity**);
- (b) any temporary shut-down of the Transferred Assets requested by the Vendors to allow the Vendors to carry out the Agreed Cable Burial Works; or
- (c) any claim made by a proximity counterparty against the Issuer under the relevant Proximity Agreement to the extent that such a claim is a direct result of the carrying out, by or on behalf of the Vendors of any Agreed Cable Burial Works or Additional Remedial Works (**Proximity Indemnity**).

All of the obligations under the CBA are subject to specific monetary caps. These indemnity caps have been reviewed by the OFTO's technical advisor and are considered appropriate for the works taking place and any potential risks to the Transferred Assets as a result of the works.

The Vendors have exclusions of liability that are comparable to such exclusions in similar deals and cable burial agreements, including that, subject to the above indemnities, Losses suffered or incurred by the Issuer in relation to the quality of, and/or any acts or omissions of the Vendors, any other member of any Vendor group and/or any cable burial subcontractor in connection with any Agreed Cable Burial Work. There are a number of scenarios where the liabilities of the Vendors to the Issuer expire, including *inter alia*:

- (a) the Issuer fails to respond to a works completion notice in time;
- (b) the Vendors complete works in relation to a particular Subsea Cable Length (either with the agreement of the Issuer or by way of expert determination);
- (c) the parties agree or the expert determines that there is no reasonable prospect that the relevant Agreed Cable Burial Work can be completed; and

(d) the second anniversary of the Completion Date occurs.

If, by the date falling two years after the Completion Date, any Agreed Cable Burial Work and/or any Additional Remedial Work has not been completed (**Outstanding Work**), the Vendors must pay to the Issuer an amount equal to the Cost Estimate. The Issuer must use the amount of the Cost Estimate for the Outstanding Work and undertake, or procure that such Outstanding Work is undertaken, as soon as reasonably practicable.

In such scenarios, the Vendors are required to use all reasonable endeavours to procure that the benefit of any warranties provided to the Vendors under any contract entered into with any cable burial subcontractor in connection with the relevant Agreed Cable Burial Work or Additional Remedial Work is transferred to the Issuer.

In order to ensure that the Vendors are incentivised to complete the works as soon as possible, in addition to the progress updates the Vendors are to provide to the Issuer, the parties are to meet and discuss progress of the Agreed Cable Burial Works on the first anniversary of the CBA. On the first anniversary of the CBA, the Issuer will have the right to determine whether it wishes to employ a third party to complete the unfinished works if it is not satisfied with the Vendors' progress. Under such circumstances, the Vendors' obligations and liabilities will cease and they will pay the Issuer the Cost Estimate.

It is also provided in the CBA that the Vendors are to consult with the Operator and take into account the requirements of the Operator when accessing the Transferred Assets.

The Issuer gives its irrevocable consent for the Vendors to carry out the Agreed Cable Burial Works and Additional Remedial Work and has a number of other obligations to enable the Vendors to carry out the Agreed Cable Burial Works (including assisting with procurement of Cable Burial Permits and giving the Vendors reasonable prior written notice of any planned shut-down of the Transferred Assets). If the Issuer fails to comply with its obligations under the CBA, the Vendors may suspend any Agreed Cable Burial Work, any Additional Remedial Work and/or subsea cable survey.

The provisions for confidentiality, assignment and third party rights follow those agreed under the SPA. Other miscellaneous provisions under the SPA, where applicable, have also been included in the CBA.

ENVIRONMENTAL LICENSING AND PERMITS

The construction of the WoDS Project was carried out pursuant to a number of consents, permits and licences issued under environmental, planning and electricity infrastructure legislation.

Permits

The Vendors have stated in the SPA that all the permits listed in Schedule 6 of the SPA (the **Permits**) are to be retained by the Vendors except for the Section 50 Licence. In relation to the Permits which are to be retained by the Vendors, the Issuer agrees under the SPA to assume those obligations relating to the Transmission Assets on and after the Completion.

In the SPA, the Vendors provide the Issuer with certain warranties that:

- (a) so far as the Vendors are aware, the Vendors have complied in all material respects with the requirements of the Permits; and
- (b) none of the Vendors have received written notice of the revocation, cancellation, suspension, modification, variation or alteration of any of the Permits.

Schedule 6 of the SPA sets out the obligations in the Permits which will be assumed by the Issuer on and after Completion, to the extent that they relate to the Transmission Assets (the **Assumed Permit Obligations**). The Issuer agrees to perform and comply with, at its sole cost, the Assumed Permit Obligations. The Issuer also agrees under the SPA to indemnify the Vendors against all losses (excluding indirect, consequential or economic losses) which may be suffered or incurred by the Vendors as a result of any act, neglect, default or omission on the part of the Issuer to perform or comply with any Assumed Permit Obligations. These Assumed Permit Obligations are proposed to be passed down under the O&M Agreement to the Operator who is obliged to assist the Issuer, as part of its services, in complying with the relevant conditions under the Permits.

The SPA requires the Vendors and the Issuer to obtain each other's written consent (such consent not to be unreasonably withheld) prior to making any application or proposal to the relevant authority to vary, amend or surrender any Permits where such change would have a material impact on the relevant obligations under the Permits. Furthermore, under the SPA, the Vendors and the Issuer agree to notify each other (providing relevant information) in the event each becomes aware of a proposal by the relevant authority to suspend, revoke or amend any Permit to the extent such variation would have a material impact on relevant obligations assumed or retained.

Two main consents are identified as Permits under the SPA: Marine Licences under Part 4 of the Marine and Coastal Access Act 2009 (the **MCAA**) and the s36 Consent.

Assumed Permit Obligations Relating to MCAA Marine Licences

The WoDS Project was constructed pursuant to licences and consents issued initially under the Food and Environment Protection Act 1985 (the **FEPA**) and the Coast Protection Act 1949 (the **CPA**) regimes. The MCAA, which came into force in April 2011, introduced a new regime to regulate activities in coastal and marine areas and consolidated and replaced previous statutory regimes under FEPA and CPA. The MCAA regime is administered by the Marine Management Organisation (the **MMO**).

The Marine Licence issued to the Vendors expires on 9 November 2037. The Marine Licence authorises the "licensable activities" (see below) associated with the construction of the Wind Farm and Transmission Assets and replaces the previous FEPA licences and CPA consents (on substantially similar conditions).

Part 4 of the MCAA provides that "licensable activities" may only be carried on in accordance with a Marine Licence granted by the MMO. Licensable activities include, among others, depositing a substance or object, constructing, altering or improving marine works and dredging in the coastal marine area. Pursuant to the MCAA, the conditions of any licence will not only apply to the licence holder but also to any person who, for the time being, owns, occupies or enjoys any use of the works for which the licence is granted.

A person commits an offence under the MCAA if he/she carries out a licensable activity without a licence, or he/she breaches the conditions of a Marine Licence. On conviction, such a person is liable, in the Magistrates Court, to a fine not exceeding £50,000 or, in the Crown Court, to an unlimited fine and/or imprisonment for a term not exceeding two years. The MMO has additional powers including the power to issue compliance, remediation, emergency safety or stop notices. Following a breach of licence, the MMO may also vary, revoke, suspend or transfer the licence in question.

Following the date of licence grant, the licensee is required to prepare and submit to the Authority by 31 July 2016 and then by 31 July of each year the details of any relevant equity transactions that took place in the most recent relevant year except that the licensee may with the prior consent of Ofgem not to provide certain details of the relevant equity transaction where Ofgem is satisfied that the licensee cannot provide such details.

The details to be submitted include: (a) the date of the transaction(s); (b) the value of the transaction(s); (c) where applicable, the number of shares in the licensee transferred, issued or bought back and the percentage of the total shares of the licensee this represents; and (d) where applicable, the percentage of the licensee now owned by the new ultimate controller(s).

As noted above, the SPA includes a schedule of specific conditions to the Marine Licence that the Issuer is responsible for complying with on and after Completion. Those Assumed Permit Obligations include:

- (a) undertaking post-construction swath bathymetric surveys of the Transmission Assets and further swath bathymetric surveys of the Transmission Assets following major storm events;
- (b) monitoring of, and reporting on, certain environmental matters, including beach profile and benthic organisms;
- (c) various obligations relating to inspections, notifications and the giving of information to the MMO; and
- (d) submitting a Decommissioning Plan for approval and carrying out decommissioning works in accordance with the approved plan.

Assumed Permit Obligations Relating to S36 Consent

The WoDS Project was constructed pursuant to a consent under section 36 of the Electricity Act dated 4 September 2008 (the **S36 Consent**). Morecambe Wind Limited (**MWL**) which is jointly owned by the Vendors is the holder of the S36 Consent. The S36 Consent authorises the Vendors (via MWL) to construct, extend or operate a generating station of up to 500MW in capacity, comprising up to 139 wind turbines, up to 2 substations, up to 2 meteorological masts and inter-array cabling. The S36 Consent is subject to several conditions.

The Assumed Permit Obligations of the Issuer under the S36 Consent include:

- (a) taking measures to prevent danger to navigation throughout any alteration, placement or decommissioning works and providing notices to the UK Hydrographic Office);
- (b) responses to damage, destruction or decay of, or any part of, the Transmission Assets; and

- (c) compensating the Secretary of State for any costs incurred in relation to certain surveys it may undertake examining the Transmission Assets.

Assumed Permit Obligations relating to the Planning Permissions

The following four planning permissions under the Town and Country Planning Act 1990 have been issued to the Vendors in respect of the WoDS Project:

- (a) a planning permission dated 28 September 2011 (reference 10/01203/FUL) and 8 August 2012 (reference 11/01168/VCN) in respect of the WoDS Wind Farm. The Assumed Permit Obligations under this permission include keeping clear of the turning area, adhering to the permitted site clearance and construction hours, replacement of dead trees and shrubs, schemes regarding contamination of land or water, protection and mitigation of damage to mussel scar or salt marsh, and undertaking boundary treatments;
- (b) a planning permission dated 23 July 2012 (reference 12/00470/FUL) in relation to diversion of previously approved under cable route. The Assumed Permit Obligations under this permission include maintenance of landscaping, mitigating impact on semi-natural habitats and carrying out precautionary badger surveys; and
- (c) two planning permissions dated 3 May 2012 (reference 12/00225/FUL) and 20 December 2012 (reference 12/01096/VCN) in respect of the construction of a cable bridge connecting the existing Heysham substation to a new substation. The Assumed Permit Obligations under these permissions include adhering to the permitted site clearance and construction hours.

Section 50 Licence

A licence dated 25 July 2012 has been issued by Lancashire County Council under Section 50 of the New Roads & Street Works Act 1991 allowing the Vendors to place certain apparatus in the highway at Carr Lane and Middleton Road, Heysham (the **Section 50 Licence**). This licence will be transferred by the Vendors to the Issuer and the Issuer will assume all the on-going obligations under this licence, including to reinstate the street in accordance with the prevailing specification.

REAL ESTATE

Overview of the Crown Estate Lease

A substation lease will be entered into by the Vendors (as tenant) and The Queen's Most Excellent Majesty and The Crown Estate Commissioners (together referred to as the **Crown Estate (CE)**, as landlord) (the **Crown Estate Lease**). It is a term of the SPA that the Crown Estate Lease is assigned by the Vendors to the Issuer and such assignment is envisaged to come into effect at Completion.

The terms of the Crown Estate Lease will expire on 28 April 2060, subject to early termination in accordance with its provisions. For example, the CE has a right to terminate for tenant default, which includes non-payment of rent for 21 days after it is due or for any non-observance or non-performance of any covenant or provision of the lease.

In addition, the CE may at any time during the term determine the Crown Estate Lease by giving reasonable prior written notice to the Issuer if the Secretary of State for the purposes of the Petroleum Act 1998 has requested the CE to determine the lease because the premises are required for oil and gas works or rights are required over the premises in connection with oil and gas works. Determination under these provisions does not give rise to any liability for the CE to pay compensation to the Issuer for such determination. The CE previously issued a letter dated 15 October 2010 stating that: *"... the scale of OFTO assets and location of existing offshore oil and gas facilities would suggest that the likelihood of such circumstances being encountered is extremely low; we hope this provides some comfort. In the unlikely event that such circumstances are encountered, the legislation provides for due consideration to be given to existing and planned offshore renewable assets by SoS [Secretary of State] in deciding whether to approve new oil and gas activities. It is current procedure in the planning processes that any affected party can engage as a consultee during the planning application stage of any proposed project."*

On 12 July 2011, a ministerial statement was laid before the Houses of Parliament, addressing the issue on the right to determine the CE lease due to oil and gas works. The Secretary of State for Energy and Climate Change has set out, among other things, the following main points:

- (a) commercial negotiations between the interested parties are to be expected;
- (b) where the licensee has exercised all reasonable endeavours to reach such a negotiated agreement, but has been unable to do so, determination of some part of the lease may be considered to be requested "if the appropriate compensation for loss of value has been assessed by an independent third party"; and
- (c) the CE is considering how this policy can be appropriately reflected in the lease documentation for individual leases and how the documentation of existing lease can be updated.

For a copy of this statement, please go to the link: <http://www.theyworkforyou.com/wms/?id=2011-07-12a.12WS.1&s=for+offshore+renewables+projectsper+cent3A+oil+and+gas+clause>.

Further to the ministerial statement, the Department of Energy and Climate Change published guidance in June 2014, on how compensation is to be assessed by the independent valuer to provide more certainty to the process and ensure compensation is assessed on the basis of the "principle of equivalence, which aims to put the claimant in the same position, so far as financial compensation can do so, as if the lease or agreement for lease had not in fact been determined".

For a copy of this guidance, please go to the link: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/318704/Crown_Estate_Lease_Independent_Valuer_Guidance.pdf.

Onshore Property

The onshore cable and substation are to be governed by the following documents:

The freehold of the substation site is owned by ScottishPower Renewables (WoDS) Limited and DONG Energy West of Duddon Sands (UK) Limited, who will transfer their interest in the site to the Issuer on Completion.

There are four deeds of easement relevant to the WoDS Project, each of which is to be for a term of 99 years at a peppercorn rent. They grant the right to lay, maintain and remove the cable and associated rights. It is a term of the SPA that these deeds of easement are assigned to the Issuer and these assignments come into effect at Completion.

There are two additional leases, both of which are for a term of 50 years and are to be assigned to the Issuer under the terms of the SPA. These are: (a) the lease granted by National Grid Electricity Transmission plc (as landlord) (the **NGET Lease**); and (b) the lease granted by the Duchy of Lancaster (as landlord) (the **Duchy Lease**). The NGET Lease demises land through which the transmission cable passes and provides that if a cable prevents a development, then the tenant can either be required to divert the cable or pay compensation to the landlord for the loss of value of the landlord's land.

The Duchy Lease relates to a right to lay the transmission cable under the foreshore. Under the Duchy Lease, the tenant covenants at the end of the term, if so required by the appropriate statutory or regulatory authority, to take up and remove the cable and reinstate the foreshore to the reasonable satisfaction of the landlord's surveyor or alternatively to purge and make safe the abandoned cables. Any transferee of the tenant's interest (that is, the Issuer) will need to covenant with the landlord to observe and perform the obligations of the tenant under the Duchy Lease.

CROSSING AGREEMENTS

There are 12 crossing agreements in relation to the WoDS Project, which are to be transferred to the Issuer at Completion. These include two crossing agreements with TC Barrow OFTO Limited (the **Barrow Cable Agreements**), one crossing agreement with EDF Energy Nuclear Generation Limited (the **EDF Cable Crossing Agreement**) and one crossing agreement with Hydrocarbon Resources Limited (the **HRL SMT Cable Crossing Agreement**).

These crossing agreements grant the Vendors the right to cross the transmission cables over the crossed cables or a pipeline at agreed crossings.

Limitation of Liability

Each crossing agreement contains a limit on the liabilities of the parties to each other in respect of any losses suffered resulting from the crossing of the cables. The limitation of liability of the Vendors to the respective counterparties under the crossing agreements is between £10 million to £60 million per event or series of connected events (however certain liabilities are not capped, for example personal injury and/or death arising from negligence or breach of statutory duty or losses arising from the Vendors' wilful misconduct). However two of the Crossing Agreements contain much larger limits of liability:

- (a) *EDF Cable Crossing Agreement*: liability of the Vendors is limited to £120 million (per event or series of connected events) commencing during the construction phase (and £120 million (per event or series of connected events) occurring during the Operational Phase. These caps are subject to indexation and the indemnity regime under the agreement is not reciprocal (it is largely in favour of EDF).
- (b) *HRL SMT Cable Crossing Agreement*: liability of the Vendors is limited to £150 million per event or series of connected events).

These limits on liability will be assumed by the Issuer at Completion.

EDF Cable Crossing Agreement

The EDF Cable Crossing Agreement contains an indemnity in favour of EDF for losses including consequential losses where EDF takes the decision to shut down Heysham Nuclear Power Station, where EDF has reasonable grounds to suspect that there has been damage to EDF's crossed cable.

Further, should the Issuer have to carry out any additional work following the works completion date of the initial construction work (**Additional Work**) the Issuer will have to provide:

- (a) evidence that it has insurance in respect of all claims under the EDF Cable Crossing Agreement that may be notified by EDF during the relevant Additional Work Phase and the period of 30 days thereafter; and
- (b) a guarantee or such other form of credit support to cover all losses (including consequential losses) incurred by EDF and the other crossed cable beneficiaries (in respect of the circumstances of any such claim whether such losses are incurred before, on or after the thirtieth (30th) day after the Additional Work Phase.

Given the nature of the liabilities insured, in the event that the Issuer was required to arrange such insurance it would likely have to enter into commercial discussions with EDF as to the nature and extent of the insurance provided.

The crossing of the EDF crossed cable has been designed such that there should be little impact on the crossed cable in the event of damage occurring at this location along the Issuer's cable route. From the review of information, the risk of potential failure, latent defect or third party accident is considered low, therefore it is expected that Additional Work should not be required during the 20 year revenue period of the OFTO Licence. Additionally, with respect to decommissioning, it is assumed that the works would be programmed outside of the licence period as it is understood that the NGET lease on which the bridge supporting the OFTO cable over the EDF crossed cable is located is for 50 years.

Barrow Cable Agreement (BCA)

Following technical due diligence, evidence suggests that Barrow OFTO's (the **Crossing Counterparty**) cable may have become un-buried in proximity to the crossing with the Issuer's cable (**Technical Issue**). The underlying cause of this Technical Issue might be related to a hydrodynamic effect around the rock berms installed for the construction of the Transferred Assets. The root cause of the Technical Issue is, however, currently unknown and it may be that there is no Technical Issue. In order to manage the risk of damage to the Issuer's Transferred Assets and any potential liability the Issuer may have to the Crossing Counterparty under the crossing agreement (**Relevant Crossing Agreement**) (of which the Issuer will be accepting novation upon Completion), the Vendors and the Issuer have agreed to the measures set out below.

Under the BCA the Vendors undertake analysis to understand the extent of and the root cause of the Technical Issue (the **Technical Issue Analysis**). The Vendors then submit to the Issuer a description of the Technical Issue as understood following the Technical Issue Analysis (the **Technical Issue Submission**). This Technical Issue Submission becomes the final Technical Issue for the purposes of the BCA (**Agreed Technical Issue**).

The Vendors then develop, a solution to address the Agreed Technical Issue (the **Proposed Solution**), which includes:

- (a) a detailed design proposal for any Capital Works; and
- (b) a schedule of any Maintenance Works.

This Proposed Solution becomes the final agreed solution for the purposes of the BCA (**Agreed Solution**) if it satisfies certain prescribed criteria (the **OFTO's Criteria**). The Issuer's technical advisor has reviewed the OFTO's Criteria and considers these to be appropriate.

The Vendors are required to procure that the Capital Works are undertaken as soon as reasonably practicable in accordance with the standard of a Reasonable and Prudent Operator and the Agreed Solution. In order for the Capital Works to be deemed completed they must be signed off by the Issuer or the expert (**Works Completion Date**) being the date of sign off.

The Vendors' then carry out subsea surveys to monitor the completed Capital Works and the Agreed Solution at both 6 and 12 months after the Works Completion Date (the **Maintenance Surveys**).

Following the receipt of the results of the second Maintenance Survey, the Vendors pay to the Issuer an amount equal to the Maintenance Cost Estimate.

From the Effective Date until the Works Completion Date or, if earlier, the date on which the Vendors' make a payment to the Issuer of the Cost Estimate (for which see below), the Vendors will provide an indemnity to the Issuer, for any Losses (including Revenue Reduction) that do not result from any act or omission of the Issuer or member of the Issuer's group, if they result from:

- (i) bodily injury, sickness, disease or death, of any person whatsoever directly arising out of the design, execution and completion of the works or the existence of the Agreed Technical Issue (the **Injury Indemnity**);
- (ii) damage to or loss of any property (including the Transferred Assets and the Capital Works), real or personal to the extent that such damage or loss arises out of the design, execution and completion of the works or the existence of the Agreed Technical Issue (the **Property Indemnity**); or
- (iii) any Revenue Reduction arising out of any matter for which the Vendors indemnify the Issuer under limbs (i) and (ii) and arising from any temporary shut-down of the Transferred Assets (the **Revenue Reduction Indemnity**).

From the Effective Date until the date 3 months after the Works Completion Date or, if earlier, the date 3 months after the payment of the Cost Estimate, the Vendors shall indemnify the Issuer, against all Losses in respect of any claim made against the Issuer under the Relevant Crossing Agreement to the extent that such a claim is a result of the carrying out, on behalf of the Vendors of any works or the existence of the Agreed Technical Issue (the **Crossing Indemnity**).

From the Effective Date the Vendors indemnify the Issuer, from all expenses (including legal fees) incurred arising from certain of its Issuer's obligations and any expenses incurred by the Issuer in carrying out the Capital Works itself following termination (the **Expenses Indemnity**).

Certain of the Vendors liabilities and obligations are subject to the monetary caps. The BCA contains:

- (i) a Capital Work cost cap (this also caps any Cost Estimate);
- (ii) a Maintenance Work cost cap (this also caps any Maintenance Cost Estimate);
- (iii) a cap on liability for damages under the Property and Injury Indemnities;
- (iv) a cap on liability under the Revenue Reduction Indemnity;
- (v) a cap on liabilities under the Crossing Indemnity; and
- (vi) a cap on liabilities under the Expenses Indemnity.

The Issuer has the option to terminate the BCA in certain circumstances including *inter alia*, in the event that certain thresholds are exceeded in relation to the liability caps above and the Capital Works Longstop Date is exceeded and there is no reasonable prospect that the Capital Works will be completed within a further 3 months (or such longer period as the parties may expressly agree in writing).

If a notice of termination is served by the Issuer, the Vendors must pay to the Issuer an amount equal to the Cost Estimate. In such a termination scenario the Vendors shall also make a payment of the Maintenance Cost Estimate (such estimate shall be obtained by reference to such other information regarding the works, Transferred Assets, the crossing, the Crossing Counterparty's assets and such other technical matters as are available). Where termination occurs on grounds of the Capital Works Longstop Date being exceeded, the Issuer shall use its reasonable endeavours to ensure that the amount of the Cost Estimate is used in order to fund the carrying out or procurement of any outstanding Capital Work.

Upon the Works Completion Date or, if earlier, the date on which the Cost Estimate as above, the Vendors shall procure that the benefit of any warranties provided to the Vendors under any contract entered into by the Vendors with any subcontractor(s) are assigned to the Issuer.

The provisions for confidentiality, assignment and third party rights follow those agreed under the SPA. Other miscellaneous provisions under the SPA, where applicable, have also been included in the BCA.

CONSTRUCTION CONTRACTS

The SPA provides for rights to be assigned or rights and obligations to be transferred to the Issuer in respect of the construction contracts that relate to the Transmission Assets. Schedule 5 to the SPA lists out contracts to be transferred to the Issuer upon Completion, which will be transferred by one of the methods listed below. There are 28 construction contracts under the SPA that are to be transferred to the Issuer at Completion. Some of these contracts relate to both the Vendors' assets and the transmission assets (the **Shared Contracts**) and it is intended that the rights relating to the Transmission Assets under the Shared Contracts will be assigned to the Issuer.

Under the SPA, the construction contracts are to be novated or assigned under a separate novation or assignment agreement to the Issuer from Completion and in respect of the Shared Contracts or where novation cannot be achieved by Completion, the following methods will apply:

- (a) legal assignment of all contractual rights with responsibility for the discharge of the Vendors' contractual obligations placed on the Issuer under the SPA; or
- (b) in respect of those contracts that cannot be assigned by Completion due to the fact that a required third party consent has not been obtained, the Vendors will hold the benefits of the contracts on trust for the Issuer.

Most of the construction contracts contain defects warranty periods which vary from one to five years, most of which run from the date of take over.

A number of contractors have been required to provide credit support for their contractual obligations, often by way of a guarantee or performance bonds. These guarantees and performance bonds will be transferred or assigned to the Issuer (as appropriate).

INTERFACE AGREEMENT

Following Completion under the SPA and as a consequence of the division of assets and their respective utilisation, certain interface and co-operation issues will remain between the Issuer and the Vendors throughout the life of the WoDS Project.

The Interface Agreement covers the following key provisions:

Term and Termination

The Interface Agreement will remain in force until all the Generator Assets have been permanently removed from the Transmission Assets, and no facilities or services of the Issuer are required to be shared or provided under the Interface Agreement.

Rights of the Issuer and the Vendors

Certain Generator Assets have been installed on the Transmission Assets. The Interface Agreement gives effect to arrangements to reflect this, including the granting of appropriate access rights enabling the Vendors to install, repair, maintain and operate their assets.

The Vendors may replace any Generator Assets and carry out minor alterations or works to the existing buildings or structures housing the Generator Assets in accordance with the term of the Interface Agreement. Each party agrees to make specified facilities and services available to the other party at that other party's request. The Vendors agree to provide to the Issuer, among other things, protection signals to enable safe operation of the Transmission Assets.

The parties generally have reciprocal rights to request their location of Generator Assets on Transmission Assets, with the consent of the other party, in accordance with the term of the Interface Agreement.

The parties agree to co-operate in good faith in relation to the interfaces which may be required in respect of decommissioning the Wind Farm and use all reasonable steps to ensure compliance with any applicable statutes and directives.

Liability and Indemnity

Other than in certain specified exceptions, each party's liability is limited to reasonably foreseeable direct loss resulting from physical damage to property of the other party, or liability to third parties for loss arising from physical damage to property. Economic loss and indirect or consequential loss are expressly excluded except in relation to certain matters.

The Vendors agree to indemnify the Issuer against all losses and costs arising out of the exercise of the rights of access. In addition, a party (the **Indemnifying Party**) is required to indemnify the other party against (a) all losses and liabilities arising out of any claim of death or personal injury resulting from the negligence of the Indemnifying Party, and (b) damage occurring by lack of reasonable care in the course of emergency actions taken by the Indemnifying Party.

Assignment and Disposal

The Issuer and each of the Vendors may assign their rights under the Interface Agreement to any financiers by way of security, without the consent of the other Party. Each Vendor may assign its rights and obligations under the Interface Agreement without the consent of the Issuer to:

- (a) a party as required by Ofgem; or

(b) a party as required by law.

Other assignments by a party require the consent of the other party.

MANAGEMENT SERVICES AGREEMENT

The Issuer will, on or prior to the Completion Date, enter into the MSA with the MSP under which the MSP will provide certain services to the Issuer. Such services include the management and day-to-day running of the Issuer, including managing any operational issues that may arise from time to time, for example cable faults, scouring, harmonics and similar management services, and certain services are subject to additional fees at the agreed rates. One of the other key services that will be provided by the MSP is regulatory management (including an annual regulatory reporting cycle) to ensure the Issuer complies with its obligations under, among others, the OFTO Licence and industry codes. The MSP is obliged to, in performing its obligations under the MSA, ensure that the Issuer performs and observes its obligations under the Project Documents, which include all the documents the OFTO will enter into for the purpose of the WoDS Project, such as the O&M Agreement, Interface Agreement and the Finance Documents.

The MSA is a fixed term contract, which can be extended in accordance with its terms. The Issuer can terminate the MSP if, among others, the MSP (a) is insolvent, or (b) commits any material breach that is incapable of remedy or, if capable of remedy, is not remedied within a specified period. The liability of the MSP to the Issuer is capped.

The MSP can also terminate the Issuer for (a) a material breach that is not remedied within a specified period, or (b) insolvency of the Issuer. The Issuer will compensate the MSP for such termination in accordance with the terms of the MSA.

DECOMMISSIONING

In addition to the decommissioning obligations assumed by the Issuer pursuant to the Marine Licence, the SPA also provides for the Issuer to be responsible for all past, present and future liabilities and obligations of the Vendors to any third party or governmental agency in relation to the decommissioning, removal, demolition or dismantling of the offshore transmission system. Under the SPA, the Issuer also agrees to indemnify the Vendors (and keep them indemnified) against any losses suffered or incurred by the Vendors after Completion under the SPA in relation to or arising from decommissioning.

Decommissioning Obligations

Decommissioning obligations on OFTOs, including the Issuer, arise for their transmission assets pursuant to the Energy Act 2004 and pursuant to the various project documents and consents which apply to those assets.

Offshore Obligations

The Issuer is expected to be required to submit a decommissioning programme to the Secretary of State pursuant to the Energy Act 2004. Under the SPA, the Issuer is required, as part of its completion obligations, to provide evidence satisfactory to the Vendors that the Secretary of State has either (a) released the Vendors from all liability in relation to the decommissioning of the offshore transmission system and has given notice either under Section 108(8) of the Energy Act 2004 that the Issuer is from Completion liable for the decommissioning of the offshore transmission system, or (b) approved a decommissioning plan submitted by the Issuer under Section 106 of the Energy Act 2004.

In reviewing the decommissioning programme, the Secretary of State may require security to be provided (including a charge over a bank account or any other asset, a deposit of money, a performance bond or guarantee, an insurance policy, a letter of credit or a letter of comfort).

The decommissioning programme that is ultimately approved by the Secretary of State (the **Decommissioning Programme**) is also the decommissioning programme that applies in relation to the decommissioning obligations pursuant to the Crown Estate Lease. The Crown Estate Lease also requires the decommissioning works to be completed before the end of the term (see "*Offshore Property*" below). It also requires the Issuer to comply with a post-decommissioning monitoring, maintenance and management plan for as long as it is required by the Decommissioning Programme (or a legal obligation).

In carrying out decommissioning activities, it may be determined taking into account several factors, including environmental factors, that it may be most appropriate for some objects to remain buried in the seabed (for example, export cables). If this is the case, the Issuer may be required to monitor the objects which are not removed in the decommissioning process and provide for contingency plans should such objects become exposed (under such contingency plans the Issuer might, for example, be required to re-bury cables if they become unburied).

Onshore Obligations

The Duchy Lease (as defined in the section titled "Description of the Project Documents – Onshore Property") requires a removal of the cable "if so required by the appropriate statutory or regulatory authority", which the Issuer considers means the Decommissioning Programme. If removal is not needed, the Duchy Lease also contains an obligation to "purge and make safe the abandoned cables to the reasonable satisfaction of the surveyor", which the Issuer would be required to comply with.

DESCRIPTION OF THE ISSUER

General information

WoDS Transmission plc (the **Issuer**) was incorporated as a private limited liability company on 13 November 2014 under the laws of England and Wales, with registration number 9309507. The registered office of the Issuer is The American Barns, Barnbury Road, Lighthorne, Warwickshire, CV35 0AE with telephone number 01926 350073. On 10 August 2015, the Issuer was converted from being a private limited liability company to a public limited liability company.

All of the issued shares of the Issuer are held by WoDS Transmission Holdco Ltd (the **HoldCo**).

Share capital

The Issuer's issued and paid-up share capital is £50,000 divided into 50,000 ordinary shares in registered form with a par value of £1 each. There are currently no arrangements in place which may at a future date result in a change of control of the Issuer by HoldCo.

Directors

The members of the Issuer's Board of Directors are detailed in the following table:

Name	Function	Address	Significant Activities
Mark Dooley	Director	Ropemaker Place, 28 Ropemaker Street, London EC2Y 9HD	Investment banker
Louis Javier Falero	Director	16 Palace Street, London SW1E 5JD	Fund manager
Graham Farley	Director	9 Manor Close Hinstock, Market Drayton, Shropshire, TF9 2TZ	Independent non- executive director
Rowan te Kloot	Director	Ropemaker Place, 28 Ropemaker Street, London EC2Y 9HD	Investment banker

There are no potential conflicts of interest between the duties to the Issuer of the Board of Directors and their private interests and/or other duties. Other than as set out above, none of the members of the Board of Directors performs any significant activities outside of its role with the Issuer.

Business

The Issuer is a company which is authorised to raise funds by issuing negotiable instruments in the capital and money markets. Since the date of its incorporation, the Issuer has not traded. The Issuer is dependent on its rights under the WoDS Project in order to service its obligations under the Bonds.

The principal objects of the Issuer include, among others, the issuance of debentures, debt instruments and other debt securities which may be traded in domestic and international markets.

The Issuer undertakes in the Bond Trust Deed and the Common Terms Agreement that it will not pay or declare any dividends or other distributions nor will it have any subsidiaries while the Bonds are outstanding, save as permitted by the Bond Trust Deed and the Common Terms Agreement.

The Issuer also undertakes in the Bond Trust Deed and the Common Terms Agreement that it will not consolidate or merge with or into any other entity or (save as provided in the Bond Trust Deed or in the Common Terms Agreement) convey or transfer its properties and assets substantially as an entirety to any entity.

The Issuer has no assets other than its paid-up share capital and its rights under the documentation to which it is a party in connection with the issue of the Bonds.

Material contracts

The material contracts entered into by the Issuer (other than in its ordinary course of business) which are relevant to its ability to meet its obligations in respect of the issue of the Bonds are the Transaction Documents, the SPA and the Shareholder Agreement.

DESCRIPTION OF HOLDCO

General information

WoDS Transmission Holdco Ltd (**HoldCo**) was incorporated as a limited liability company on 12 November 2014 under the laws of England and Wales, with registration number 9308464. The registered office of HoldCo is The American Barns, Barnbury Road, Lighthorne, Warwickshire, CV35 0AE with telephone number 01926 350073.

The issued shares of HoldCo are held by TopCo.

Share capital

HoldCo's issued and paid-up share capital is £50,000 divided into 50,000 ordinary shares in registered form with a par value of £1 each. There are currently no arrangements in place which may at a future date result in a change of control of the HoldCo by TopCo.

Directors

The members of HoldCo's Board of Directors are detailed in the following table:

Name	Function	Address	Significant Activities
Mark Dooley	Director	Ropemaker Place, 28 Ropemaker Street, London EC2Y 9HD	Investment banker
Louis Javier Falero	Director	16 Palace Street, London SW1E 5JD	Fund manager
Graham Farley	Director	9 Manor Close Hinstock, Market Drayton, Shropshire, TF9 2TZ	Independent non- executive director
Rowan te Kloot	Director	Ropemaker Place, 28 Ropemaker Street, London EC2Y 9HD	Investment banker

There are no potential conflicts of interest between the Board of Directors' duties to HoldCo and their private interests and/or other duties. Other than as set out above, none of the members of the Board of Directors performs any significant activities outside of its role with the Issuer.

Business

HoldCo is a company which is authorised to, among other things, raise funds by issuing negotiable instruments in the capital and money markets and hold the shares in other companies.

The principal activity of HoldCo is, among others, holding the shares in the Issuer.

HoldCo undertakes in the Common Terms Agreement that it will not pay or declare any dividends or other distributions nor will it have any subsidiaries while the Bonds are outstanding, save as permitted by the Common Terms Agreement.

HoldCo also undertakes in the Common Terms Agreement that it will not consolidate or merge with or into any other entity or (save as provided in the Common Terms Agreement) convey or transfer its properties and assets substantially as an entirety to any entity.

HoldCo has no assets other than its paid-up share capital, shares held in the Issuer and its rights under the documentation to which it is a party in connection with the granting of the Guarantee.

Material contracts

The material contracts entered into by HoldCo (other than in its ordinary course of business) which are relevant to its ability to meet its obligations in respect of its Guarantee are the Transaction Documents.

DESCRIPTION OF THE PBCE PROVIDER

Establishment and status

The EIB is an autonomous public institution established by the Treaty on the Functioning of the European Union, as amended and supplemented from time to time (the **Treaty**). The EIB's capital is subscribed by the member states (the **Member States** and each a **Member State**) of the European Union (the **EU**). The EIB is situated at 98-100, boulevard Konrad Adenauer, L-2950 Luxembourg, Grand Duchy of Luxembourg.

The EIB is separate from the EU institutions and it has its own governing bodies, sources of revenues and financial operations and is solely responsible for its indebtedness. The EIB is governed by the provisions of the Treaty, the Statute of the EIB, as amended, which is annexed as a protocol to the Treaty (the **Statute**), and the Protocol on the Privileges and Immunities of the European Union.

Purpose

The EIB grants finance in the EU and outside the EU, in particular in the form of loans and guarantees for investments.

Legal Status

The EIB has a legal personality and possesses in each Member State the most extensive legal capacity accorded to legal persons under the laws of each such Member State. It may acquire and transfer property and sue and be sued in its own name.

The Treaty provides that the Court of Justice of the European Union (the **Court of Justice**) has exclusive jurisdiction in certain cases involving the fulfilment by Member States of their obligations under the Statute and the lawfulness of measures adopted by the board of governors and the EIB's board of directors. Subject to the foregoing exclusive jurisdiction of the Court of Justice, any litigation between the EIB and its creditors or debtors, including claims based on guarantees made by Member States, may be determined by competent national courts. The property and assets of the EIB within the Member States are not, except by judicial decision and with the authorisation of the Court of Justice, subject to attachment or to seizure by way of execution.

DESCRIPTION OF THE HEDGE COUNTERPARTIES

Certain information regarding Abbey National Treasury Services plc

Abbey National Treasury Services plc (**ANTS**) is a public limited liability company incorporated (on 24 January 1989) and registered in England and Wales under the Companies Act 1985 (registered number 2338548). ANTS has its registered office at 2 Triton Square, Regent's Place, London NW1 3AN. ANTS's telephone number is +44 (0) 870 607 6000. ANTS is regulated by the Prudential Regulation Authority (**PRA**) and the Financial Conduct Authority (**FCA**) and is an authorised person with permission to accept deposits under the FSMA.

ANTS is a direct wholly-owned subsidiary of Santander UK plc. ANTS and its subsidiaries are part of Banco Santander, S.A., which is the ultimate parent company. The shares of ANTS are not traded on the London Stock Exchange.

Certain information regarding Lloyds Bank plc

Lloyds Bank plc (**Lloyds Bank**), formerly Lloyds TSB Bank plc, was incorporated under the laws of England and Wales on 20 April 1865 (registration number 2065). Lloyds Bank's registered office is at 25 Gresham Street, London EC2V 7HN, United Kingdom. Lloyds Bank is authorised by the PRA and regulated by the FCA and the PRA.

Lloyds Bank is a wholly owned subsidiary of Lloyds Banking Group plc (together with its subsidiary undertakings from time to time, **Lloyds Banking Group**).

Lloyds Banking Group is a leading UK based financial services group providing a wide range of banking and financial services, primarily in the UK, to individual and business customers. The businesses of Lloyds Banking Group are in or owned by Lloyds Bank. Lloyds Banking Group owns Lloyds Bank directly which in turn owns HBOS plc directly.

Additional information, including copies of the most recent publicly available financial results of Lloyds Bank and Lloyds Banking Group, is available from Investor Relations, Lloyds Banking Group, 25 Gresham Street, London EC2V 7HN or from the following internet website address: <http://www.lloydsbankinggroup.com>. The information on this website does not form part of this Prospectus.

Certain information regarding Royal Bank Of Canada

Royal Bank of Canada (referred to in this section as **Royal Bank**) is a Schedule I bank under the Bank Act (Canada), which constitutes its charter and governs its operations. Royal Bank's corporate headquarters are located at Royal Bank Plaza, 200 Bay Street, Toronto, Ontario M5J 2J5, Canada, and its head office is located at 1 Place Ville Marie, Montreal, Quebec H3C 3A9, Canada.

Royal Bank is Canada's largest bank, and one of the largest banks in the world, based on market capitalization. Royal Bank is one of North America's leading diversified financial services companies and provides personal and commercial banking, wealth management, insurance, investor services and capital markets products and services on a global basis. Royal Bank and its subsidiaries employ approximately 78,000 full- and part-time employees who serve more than 16 million personal, business, public sector and institutional clients through offices in Canada, the U.S. and 39 other countries.

Royal Bank had, on a consolidated basis, as at April 30, 2015, total assets of C\$1,032.2 billion (approximately US\$855.6 billion⁴), equity attributable to shareholders of C\$56.4 billion (approximately

⁴ As at April 30, 2015: C\$1.00 = US\$0.828912

US\$46.8 billion⁵) and total deposits of C\$651.6 billion (approximately US\$540.1 billion⁶). The foregoing figures were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (**IASB**) and have been extracted and derived from, and are qualified by reference to, Royal Bank's unaudited Interim Condensed Consolidated Financial Statements included in its quarterly Report to Shareholders for the fiscal period ended April 30, 2015.

The senior long-term unsecured debt of Royal Bank has been assigned ratings of AA (negative outlook) by Standard & Poor's Ratings Services, Aa3 (negative outlook) by Moody's Investors Service and AA (stable outlook) by Fitch. Royal Bank's common shares are listed on the Toronto Stock Exchange, the New York Stock Exchange and the Swiss Exchange under the trading symbol "RY." Its preferred shares are listed on the Toronto Stock Exchange.

On written request, and without charge, Royal Bank will provide a copy of its most recent publicly filed Annual Report on Form 40-F, which includes audited Consolidated Financial Statements, to any person to whom this Hedge Counterparty Description is delivered. Requests for such copies should be directed to Investor Relations, Royal Bank of Canada, by writing to 200 Bay Street, 4th Floor, North Tower, Toronto, Ontario M5J 2W7, Canada, or by calling (416) 955-7802, or by visiting rbc.com/investorrelations⁷.

The delivery of this Hedge Counterparty Description does not imply that there has been no change in the affairs of Royal Bank since the date hereof or that the information contained or referred to herein is correct as at any time subsequent to its date.

⁵ As at April 30, 2015: C\$1.00 = US\$0.828912

⁶ As at April 30, 2015: C\$1.00 = US\$0.828912

⁷ This website URL is an inactive textual reference only, and none of the information on the website is incorporated in this Hedge Counterparty Description.

CONDITIONS OF THE BONDS

The following is the text of the Conditions of the Bonds which (subject to modification) will be endorsed on each Bond in definitive form (if issued):

The £254,849,000 3.446 per cent. Fixed Rate Secured Bonds due August 2034 (the **Bonds**, which expression shall in these Conditions, unless the context otherwise requires, include any further bonds issued pursuant to Condition 15 (*Further Bonds*) and forming a single series with the Bonds) of WoDS Transmission plc (the **Issuer**), are constituted by a Bond Trust Deed dated 20 August 2015 (the **Signing Date**) made between the Issuer and HSBC Corporate Trustee Company (UK) Limited (the **Bond Trustee**, which expression shall include its successor(s)) as trustee for the holders of the Bonds (the **Bondholders**), the holders of the related principal receipts (the **Receiptholders** and **Receipts**, respectively) and the holders of the interest coupons appertaining to the Bonds (the **Couponholders** and the **Coupons**, respectively).

The Bonds have the benefit (to the extent applicable) of an agency agreement (as amended, supplemented and/or restated from time to time, the **Agency Agreement**) to be dated on or about the Signing Date (to which, among others, the Issuer, the Bond Trustee and the Principal Paying Agent are party). As used herein, **Principal Paying Agent** means, in relation to the Bonds, the person specified in the Agency Agreement as the Principal Paying Agent and any successor to such person in such capacity, and **Agent** shall mean the Principal Paying Agent.

In these Conditions, a **series** of Bonds will mean the Bonds and any other tranche of Bonds issued pursuant to Condition 15 (*Further Bonds*) and series shall be construed accordingly.

The terms of the Bonds will be subject to, and have the benefit of, a common terms agreement (the **Common Terms Agreement**) dated the Signing Date between, *inter alia*, the Issuer, the Bond Trustee, the Hedge Counterparties and the PBCE Provider (as defined below).

The obligations of the Issuer under the Bonds will be secured in favour of HSBC Corporate Trustee Company (UK) Limited as Security Trustee (the **Security Trustee**, which expression shall include its successors for the time being). The security granted to the Security Trustee (the **Issuer Security**) will comprise security granted pursuant to a security agreement entered into by, *inter alia*, the Issuer, WoDS Transmission Holdco Ltd (**HoldCo**) and the Security Trustee (the **Security Agreement**).

HoldCo has, in the Security Agreement, irrevocably and unconditionally guaranteed the due and punctual payment of interest and principal and other amounts due by the Issuer under or in respect of the Bonds and the Bond Trust Deed as and when the same shall become due for payment. The security for the obligations of HoldCo under the Guarantee has been created in and pursuant to, and on the terms set out in, the Security Agreement.

In accordance with a security trust and intercreditor deed (the **STID**) entered into by, *inter alia*, the Issuer, the Bond Trustee, HoldCo, the Hedge Counterparties, the PBCE Provider (as defined below) and the Security Trustee, the Issuer Security will be held by the Security Trustee for itself and on behalf of the Bondholders, the Bond Trustee, the Hedge Counterparties, the PBCE Provider, the Principal Paying Agent, HSBC Bank plc (acting in its capacity as **Account Bank** and any other financial institution which accedes to the Account Bank Agreement as an Account Bank), each other Agent and each Additional Hedge Counterparty (together, the **Secured Creditors**).

The European Investment Bank (the **PBCE Provider**) has provided a letter of credit (the **PBCE Letter of Credit**) as a form of subordinated credit enhancement instrument for the Issuer in relation to the Bonds. Abbey National Treasury Services plc, Lloyds Bank plc and Royal Bank of Canada plc (the **Hedge Counterparties**) have agreed to enter into certain revenue hedging arrangements with the Issuer pursuant to hedging agreements (the **Hedging Agreements**).

The Bond Trust Deed, the Bonds (including these Conditions), the Security Agreement, the Agency Agreement, the Common Terms Agreement, the STID, the conditions precedent agreement to be entered into between, among others, the Issuer, HoldCo, the Bond Trustee and the Security Trustee on the Signing Date (the **CP Agreement**), the master definitions agreement between, among others, the Issuer and the Bond Trustee to be dated the Issue Date (the **Master Definitions Agreement**) and the account bank agreement between, among others, the Account Bank, the Issuer and the Security Trustee (the **Account Bank Agreement**), the Hedging Agreement and any related document (each, if not defined above, as defined below or in the Master Definitions Agreement) are, in relation to the Bonds, together referred to as the **Senior Finance Documents**.

Certain statements in these Conditions are summaries of, and are subject to the detailed provisions appearing on the face of the Bonds (which expression shall include the body thereof), the Bond Trust Deed and the other Senior Finance Documents. Copies of the Senior Finance Documents (other than the Subscription Agreement) are available for inspection by the Bondholders, the Receiptholders and Couponholders during normal business hours at the specified offices of the Principal Paying Agent.

The Bondholders are entitled to the benefit of, and are bound by, and are deemed to have notice of, all the provisions of the Senior Finance Documents applicable to them.

All capitalised terms used herein and not otherwise defined herein shall have the meanings given to them in the Master Definitions Agreement.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Bonds are in bearer form, serially numbered (in the case of definitive Bonds), in the denominations of GBP 100,000 and integral multiples of GBP 1,000 in excess thereof up to and including GBP 199,000 each with Coupons (in the case of definitive Bonds) and Receipts attached on issue.

The Bonds will initially be represented by one temporary global bond in bearer form, without coupons or talons attached (the **Temporary Global Bond**). The Temporary Global Bond will be deposited on or about 25 August 2015 (the **Issue Date**) with a common safekeeper for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**). The Temporary Global Bond will be exchangeable for interests in a corresponding permanent global bond (the **Permanent Global Bond**) in bearer form, without coupons or talons attached, from and including the date which is 40 days after the Issue Date, upon certification as to non-U.S. beneficial ownership. On the exchange of each Temporary Global Bond for the corresponding Permanent Global Bond, such Permanent Global Bond will remain deposited with the Common Safekeeper.

Interests in a Global Bond will be transferable in accordance with the rules and procedures for the time being of Clearstream, Luxembourg or Euroclear, as the case may be.

Save in certain limited circumstances detailed below, Bonds in definitive form will not be issued. If, while any of the Bonds are represented by a Global Bond: (a) either Clearstream, Luxembourg or Euroclear is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no other clearing system acceptable to the Bond Trustee is then in existence; or (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Issue Date, the Issuer or the Principal Paying Agent is or will on the next Interest Payment Date (as defined below)

be required to make any deduction or withholding from any payment in respect of such Bonds which would not be required were such Bonds in definitive form, then the Issuer will issue Bonds of the relevant tranches in definitive form (**Definitive Bonds**) in exchange for such Global Bond (free of charge to the persons entitled to them) within 30 days of the occurrence of the relevant event. These Conditions and the Senior Finance Documents will be amended in such manner as the Bond Trustee and Security Trustee require to take account of the issue of Definitive Bonds.

Definitive Bonds (which, if issued, will be in the denomination of GBP 100,000 each and integral multiples of GBP 1,000 up to GBP 199,000 thereafter) will be serially numbered and will be issued in bearer form with (at the date of issue) interest coupons, principal receipts and, if necessary, talons attached.

Bondholders means the holders of the Bonds and shall, in relation to any Bonds represented by a Global Bond, be construed as provided in Condition 1.2 below.

1.2 Title

Title to the Bonds, the Receipts and the Coupons will pass by delivery.

For so long as any of the Bonds is represented by a Global Bond held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular Outstanding Principal Amount (as defined in Condition 6.9 (*Outstanding Principal Amount*)) of such Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the Outstanding Principal Amount of such Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Principal Paying Agent, the Bond Trustee and the Security Trustee and all other persons as the holder of such Outstanding Principal Amount of such Bonds for all purposes other than with respect to the payment of principal or interest on such Outstanding Principal Amount of such Bonds, for which purpose the bearer of the relevant Global Bond shall be treated by the Issuer, the Principal Paying Agent, the Bond Trustee and the Security Trustee and all other parties as the holder of such nominal amount of such Bonds in accordance with and subject to the terms of the relevant Global Bonds and the expressions Bondholder and holder of Bonds and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular Outstanding Principal Amount of Bonds as aforesaid, the Bond Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, be conclusive and binding on all concerned.

1.3 Holder Absolute Owner

The Issuer, the Principal Paying Agent and the Bond Trustee will (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Bond, Receipt or Coupon as the absolute owner for all purposes but, in the case of any Global Bond, without prejudice to the provisions of Condition 1.2 above (whether or not the Bond, Receipt or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Bond, Receipt or Coupon or any notice of previous loss or theft of the Bond, Receipt or Coupon or of any trust or interest therein) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

2. STATUS, SECURITY AND THE GUARANTEE

2.1 Status

The Bonds, the Receipts and the Coupons are direct, unconditional, unsubordinated and secured obligations of the Issuer and rank and will rank *pari passu*, without any preference among themselves.

The Bond Trust Deed contains provisions requiring the Bond Trustee to have regard to the interests of the Bondholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Bond Trustee (except where expressly provided otherwise).

2.2 Guarantee

The payment of principal and interest in respect of the Bonds and all other moneys (including default interest) payable by the Issuer under or pursuant to the Bond Trust Deed has been unconditionally and irrevocably guaranteed by HoldCo in the Security Agreement. The obligations of HoldCo under the guarantee set out in clause 17 (Guarantee and Indemnity) of the Security Agreement (the **Guarantee**) are direct, unconditional, unsubordinated and unsecured obligations of HoldCo and claims under the Guarantee rank at least *pari passu* with all other unsecured and unsubordinated obligations of HoldCo, present and future, other than any obligations preferred by mandatory provisions of applicable law.

2.3 Security

Subject to the provisions of the STID, the obligations of the Issuer under the Bonds and certain other obligations of the Issuer are secured by, *inter alia*, the Security Agreement. The Bondholders will share in the benefit of the security constituted by the Security Agreement, upon and subject to the terms and conditions of the Security Agreement. The Bondholders and the other Secured Creditors will share in the benefit of the security constituted by the Security Agreement, upon and subject to the terms and conditions of the STID.

2.4 Application of proceeds and limited recourse

Prior to the delivery of an Enforcement Notice, the Issuer is required to apply relevant funds as set out in Schedule 5 of the Common Terms Agreement. The STID requires that the net proceeds of enforcement with respect to the Issuer Security be applied in the order specified therein.

Such net proceeds may be less than the sums due to the Bondholders (after deduction of amounts ranking above such claims in the waterfall above).

None of the Bond Trustee, the Security Trustee or any of the persons who have agreed initially to subscribe for the Bonds has any obligation to any Bondholder to pay any amount owing by the Issuer in respect of any of the Bonds or by the PBCE Provider under the PBCE Letter of Credit.

3. COVENANTS OF THE ISSUER

The Issuer will at all times comply with the covenants given by it set out in the Common Terms Agreement, the Bond Trust Deed, the Security Agreement and the other Transaction Documents.

4. INTEREST

4.1 Rate of Interest and Interest Payment Dates

The Bonds bear interest on their Outstanding Principal Amount from and including 25 August 2015, at the rate of 3.446 per cent. per annum (the **Rate of Interest**), payable semi-annually in arrear on 30 June and 31 December in each year (each an **Interest Payment Date**). The first payment shall be made on 31 December 2015 amounting to £1,198.61 per £100,000 principal amount of Bonds. Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the first or next Interest Payment Date is herein called an **Interest Period**.

4.2 Interest Accrual

Each Bond will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Bond is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event interest shall continue to accrue as provided in the Bond Trust Deed.

4.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full period, it shall be calculated on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the **Accrual Date**) to but excluding the date on which it falls due, divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date multiplied by two.

5. PAYMENTS

5.1 Payments in respect of Bonds

Payments of principal and interest in respect of each Bond will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Bond, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, and payments of principal due on an Interest Payment Date will be made against presentation of such Bond and the appropriate Receipt and surrender (or, in the case of part payment only, endorsement) of such Receipt, in each case at the specified office outside the United States of the Principal Paying Agent.

Payments of principal and interest (if any) in respect of Bonds represented by any Global Bond in bearer form will (subject as provided below) be made in the manner specified above or otherwise in the manner specified in the relevant Global Bond against presentation or surrender, as the case may be, of such Global Bond at the specified office of the Principal Paying Agent. A record of each payment, distinguishing between any payment of principal and any payment of interest, will be made on such Global Bond either by the Principal Paying Agent or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

5.2 Method of Payment

Payments will be made by credit or transfer to a sterling account (or any other account to which sterling may be credited or transferred) specified by the payee or, at the option of the payee, by sterling cheque.

5.3 Unmatured Receipts and Coupons

Each Bond should be presented for payment together with all relative unmaturing Receipts and Coupons, failing which the full amount of any relative missing unmaturing Receipt or Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmaturing Receipt or Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Receipt or Coupon at any time before (a) in the case of Coupons, the expiry of five years from the Relevant Date in respect of such Coupons of that maturity either all paid Coupons of that maturity or a list of the serial numbers of Coupons of that maturity still remaining unpaid, and (b) in the case of the Bonds or Receipts, the expiry of ten years from the Relevant Date in respect of payment of principal in respect of such Bonds or Receipts of that maturity either all payments in respect of principal in relation to such Bonds or Receipts of that maturity or a list of the serial numbers of Bonds or Receipts of that maturity still remaining unpaid; but not thereafter.

In this Condition 5.3, the **Relevant Date**, in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the moneys payable on that date has not been duly received by the Principal Paying Agent or the Bond Trustee on or prior to such date) the date on which, the full amount of such moneys having been received, notice to that effect is duly given to the relevant Bondholders in accordance with Condition 12 (*Notices*).

5.4 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*).

5.5 Payment only on a Presentation Date

A holder shall be entitled to present a Bond, Receipt or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 4 (*Interest*), be entitled to any further interest or other payment if a Presentation Date is after the due date.

Presentation Date means a day which (subject to Condition 8 (*Prescription*)):

- (a) is or falls after the relevant due date; and
- (b) is a Business Day in the place of the specified office of the Principal Paying Agent at which the Bond or Coupon is presented for payment,

and, in the case of payment by credit or transfer to a sterling account as referred to above, is a Business Day. In this Condition, **Business Day** means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London.

5.6 Initial Principal Paying Agent

The name of the Principal Paying Agent and its initial specified office are as follows:

HSBC Bank plc,
8 Canada Square,
London,

E14 5HQ

The Issuer reserves the right, subject to the prior written approval of the Bond Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent and to appoint additional or another Principal Paying Agent(s) provided that at all times the Issuer shall maintain a Principal Paying Agent. The Issuer undertakes that it will ensure that it maintains a paying agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any termination or appointment and of any changes in specified offices will be given to the Bondholders promptly by the Issuer in accordance with Condition 12 (*Notices*).

5.7 General provisions applicable to payments

The holder of a Global Bond shall be the only person entitled to receive payments in respect of Bonds represented by such Global Bond and the Issuer or, as the case may be, HoldCo will be discharged by payment to, or to the order of, the holder of such Global Bond in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Bonds represented by such Global Bond must look solely to Euroclear, or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, HoldCo to, or to the order of, the holder of such Global Bond.

6. REDEMPTION AND PURCHASE

6.1 Scheduled Redemption

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Bonds on each Interest Payment Date in an aggregate amount equal to the principal payment (after taking account of any prepayment made pursuant to Condition 6.2 on or prior to such Interest Payment Date) set out below (each, an **Amortisation Amount**), such that on each Interest Payment Date the principal amount of the Bonds then outstanding will be as set out next to that Interest Payment Date (with the final Interest Payment Date being the Final Redemption Date).

Interest Payment Date	Aggregate payments (in sterling)		Outstanding Principal Amount (in sterling)
	Interest payment	Principal payment	
31-Dec-15	3,054,642	4,339,540	250,509,460
30-Jun-16	4,316,278	5,711,447	244,798,013
31-Dec-16	4,217,870	3,266,281	241,531,731
30-Jun-17	4,161,592	3,557,344	237,974,387
31-Dec-17	4,100,299	3,603,078	234,371,309
30-Jun-18	4,038,218	3,901,175	230,470,134
31-Dec-18	3,971,000	4,003,349	226,466,786
30-Jun-19	3,902,023	4,363,805	222,102,980
31-Dec-19	3,826,834	4,414,446	217,688,534
30-Jun-20	3,750,773	4,890,477	212,798,057
31-Dec-20	3,666,511	4,835,237	207,962,820
30-Jun-21	3,583,199	5,434,629	202,528,191
31-Dec-21	3,489,561	5,229,036	197,299,155
30-Jun-22	3,399,464	4,739,115	192,560,040

Interest Payment Date	Aggregate payments (in sterling)		Outstanding Principal Amount (in sterling)
31-Dec-22	3,317,809	5,673,660	186,886,380
30-Jun-23	3,220,052	5,285,262	181,601,118
31-Dec-23	3,128,987	6,126,003	175,475,115
30-Jun-24	3,023,436	5,362,302	170,112,813
31-Dec-24	2,931,044	6,505,775	163,607,038
30-Jun-25	2,818,949	6,718,434	156,888,605
31-Dec-25	2,703,191	6,791,100	150,097,505
30-Jun-26	2,586,180	7,021,258	143,076,247
31-Dec-26	2,465,204	7,328,410	135,747,837
30-Jun-27	2,338,935	7,652,747	128,095,090
31-Dec-27	2,207,078	7,839,807	120,255,282
30-Jun-28	2,071,999	8,260,641	111,994,642
31-Dec-28	1,929,668	8,500,826	103,493,816
30-Jun-29	1,783,198	8,750,548	94,743,268
31-Dec-29	1,632,427	7,988,811	86,754,457
30-Jun-30	1,494,779	8,687,508	78,066,949
31-Dec-30	1,345,094	8,443,261	69,623,689
30-Jun-31	1,199,616	9,106,405	60,517,284
31-Dec-31	1,042,713	8,816,580	51,700,704
30-Jun-32	890,803	9,278,124	42,422,580
31-Dec-32	730,941	9,246,437	33,176,143
30-Jun-33	571,625	9,887,078	23,289,065
31-Dec-33	401,271	9,777,041	13,512,024
30-Jun-34	232,812	10,569,314	2,942,710
24-Aug-34	15,156	2,942,710	0

6.2 Mandatory Redemptions for a PBCE Rebalancing Event and in respect of Claim Proceeds, Relevant Disposal Proceeds, Insurance Proceeds, any Equity Cure Amount and acceleration of the Guarantee

- (a) If a PBCE Rebalancing Event has occurred and the Security Trustee has made a demand under the PBCE Letter of Credit in accordance with the conditions set out in Annex B to the Notice of Demand, the Issuer, upon giving not more than 20 nor less than ten days' notice to the Bond Trustee, the Principal Paying Agent and the Bondholders, in accordance with Paragraph (b) below and Condition 12 (*Notices*) shall redeem the Bonds in the Outstanding Principal Amount equal to the PBCE Available Amount (less (if any) the amount to be drawn under the PBCE Letter of Credit to pay Scheduled Debt Service on the Redemption Date together with any other amounts required to be paid pursuant to Paragraph (b) below on the Redemption Date.
- (b) The date upon which redemption is to take place under Paragraph (a) above (the **Redemption Date**) must be the Interest Payment Date on which the amounts referred to in that paragraph are received by the Issuer. Any redemption of the Bonds must be made together with the applicable accrued interest on the Bonds from (and including) the most recent Interest Payment Date to (but excluding) the Redemption Date.
- (c) If the Issuer has received any Insurance Proceeds, Claim Proceeds or Relevant Disposal Proceeds not otherwise applied in accordance with paragraph 37 (Redemption upon receipt of Claim Proceeds, Relevant Disposal Proceeds and Insurance Proceeds) of Part 3 (General Covenants) of Schedule 2 (Obligor Covenants) to the Common Terms Agreement, then, in accordance with the terms of the Common Terms Agreement, on giving not more than 60 nor less than 30 days' notice to the relevant

Bondholders in accordance with Condition 12 (*Notices*) and to the Bond Trustee, the Issuer shall apply such Insurance Proceeds, Claim Proceeds or Relevant Disposal Proceeds to redeem on the next Interest Payment Date the whole or part of the Bonds (and in the case of such partial redemption, must be such that the Outstanding Principal Amount of the Bonds to be redeemed is not a fraction of a penny).

- (d) If the Issuer has received any Equity Cure Amounts and elects to apply any such amounts (in whole or in part) in accordance with paragraph 20(a)(ii) (Equity Cure) of Schedule 3 (Events of Default) to the Common Terms Agreement, then, in accordance with the terms of the Common Terms Agreement, on giving not more than 60 nor less than 30 days' notice to the relevant Bondholders in accordance with Condition 12 (*Notices*) and to the Bond Trustee, the Issuer shall apply such Equity Cure Amounts to redeem on the next Interest Payment Date the whole or part of the Bonds (and in the case of such partial redemption, must be such that the Outstanding Principal Amount of the Bonds to be redeemed is not a fraction of a penny).
- (e) If the Issuer has received (or is to receive) any moneys from HoldCo following the acceleration of the Guarantee, the Issuer shall, on giving not more than ten nor less than five days' notice to the relevant Bondholders in accordance with Condition 12 (*Notices*) and to the Bond Trustee, apply such moneys in accordance with the Post-enforcement Priority of Payments and redeem (to the extent of such moneys as are available in accordance with the relevant Priority of Payments) the Bonds in whole or in part at their Outstanding Principal Amount plus accrued but unpaid interest on the next Interest Payment Date (or, if sooner, Final Redemption Date) (and in the case of such partial redemption, must be such that the Outstanding Principal Amount of the Bonds to be redeemed is not a fraction of a penny).
- (f) In the case of a partial redemption, the part of the Outstanding Principal Amount of the Bond redeemed pursuant to Paragraphs (a), (c), (d) or (e) above (excluding the Amortisation Amount (if any) due in respect of such Bond on the date of redemption pursuant to Condition 6.2) shall be applied to reduce the remaining Amortisation Amounts in respect of such Bond, on a *pro rata* basis; and the reduced Amortisation Amounts shall, if necessary, be rounded upwards or downwards to the nearest penny, at the discretion of the Issuer, but so that the sum of the reduced Amortisation Amounts, as so rounded, is equal to the Outstanding Principal Amount of the relevant Bond following its redemption pursuant to paragraphs (a), (c), (d) or (e) above, as applicable.
- (g) The Issuer shall specify in any such notice under this Condition 6.2, the Outstanding Principal Amount of the Bonds to be redeemed on the Redemption Date, together with the applicable accrued interest payable on the Redemption Date.
- (h) Notwithstanding the above, for so long as the Bonds are represented by one or more Global Bonds and such Global Bond(s) are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, any amounts to be applied in accordance with this Condition 6.2 towards the redemption of the Outstanding Principal Amount of the Bonds shall be treated on a pro rata basis which, for the avoidance of doubt, shall be effected as a reduction or increase, as the case may be, to the pool factor.

6.3 Optional redemption

On giving not more than 60 nor less than 30 days' notice to the relevant Bondholders in accordance with Condition 12 (*Notices*) and to the Bond Trustee and provided that: (i) on or prior to the Interest Payment Date on which such notice expires, no Enforcement Notice has been served; and (ii) the Issuer has, immediately prior to giving such notice, certified to the Bond Trustee that it will have the necessary funds to pay all principal, premium (if any) and interest due in respect of the Bonds on the relevant Interest Payment Date and to discharge all other amounts required to be paid by it on the

relevant Interest Payment Date, the Issuer may redeem on any Interest Payment Date the whole (but not part) of the Bonds.

6.4 Adjusted redemption price

- (a) Any Bond redeemed pursuant to paragraph (c) of Condition 6.2 (*Mandatory Redemptions for a PBCE Rebalancing Event and in respect of Claim Proceeds, Relevant Disposal Proceeds, Insurance Proceeds, any Equity Cure Amount and acceleration of the Guarantee*) or pursuant to Condition 6.3 (*Optional redemption*) above will be redeemed at an amount equal to the Outstanding Principal Amount of the relevant Bond (or, as the case may be, the relevant part of it) to be redeemed less, in the case of redemption in full, any amount of outstanding principal in respect of such Bond which has fallen due for payment but remains unpaid, multiplied by the Redemption Percentage (as defined below) (rounding the resulting figure to the nearest penny, half a penny being rounded upwards) together with, in each case, accrued and unpaid principal or interest on the Outstanding Principal Amount of the relevant Bond up to but excluding the date of redemption.
- (b) **Redemption Percentage** means that price (as reported in writing to the Issuer and the Bond Trustee by a financial adviser selected by the Issuer and approved in writing by the Bond Trustee (the **Redemption Financial Adviser**)) expressed as a percentage (and rounded, if necessary, to the third decimal place (0.0005 being rounded upwards)) at which the Gross Redemption Yield on the Bonds on the Relevant Adjusted Redemption Date (on the basis of redemption in accordance with Condition 6.1 (*Scheduled Redemption*)) is equal to the Gross Redemption Yield at 3.00 p.m. (London time) on that date of the Relevant Treasury Stock on the basis of the arithmetic mean (rounded, if necessary, as aforesaid) of the offered prices of the Relevant Treasury Stock quoted by the Reference Market Makers (on a dealing basis for settlement on the next following dealing day in London) at or about 3.00 p.m. (London time) on the Relevant Adjusted Redemption Date and so that, for the purpose of this paragraph (b), **Reference Market Makers** means three brokers and/or London gilt-edged market makers approved in writing by the Bond Trustee; **Relevant Adjusted Redemption Date** means the date which is the third business day in London prior to the date of redemption pursuant to paragraph (c) of Condition 6.2 (*Mandatory Redemptions for a PBCE Rebalancing Event and in respect of Claim Proceeds, Relevant Disposal Proceeds, Insurance Proceeds, any Equity Cure Amount and acceleration of the Guarantee*) or pursuant to Condition 6.3 (*Optional redemption*); **Gross Redemption Yield** means a yield calculated on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields" page 5, Section One: Price/Yield Formulae "Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date" (third edition published 16 March 2005); and **Relevant Treasury Stock** means such United Kingdom government stock as the Redemption Financial Adviser, with the advice of three brokers and/or gilt-edged market makers or such other three persons operating in the gilt-edged market as the Redemption Financial Adviser may approve, shall determine to be a benchmark gilt whose modified duration most closely matches the modified duration of the Bonds (as calculated by the Redemption Financial Adviser).

6.5 Optional redemption for taxation or other reasons

If at any time the Issuer satisfies the Bond Trustee:

- (a) that by reason of a change in tax law of the Relevant Jurisdiction (as defined in Condition 7) (or the application or official interpretation thereof of the Relevant Jurisdiction), which change becomes effective on or after the Issue Date, the Issuer, HoldCo or the Principal Paying Agent would (for reasons outside of their control) be required to deduct or withhold from any payment of principal or interest on the Bonds (other than because the relevant holder has some connection with the United Kingdom other than the holding of Bonds) any amount for, or on account of, any present or future Taxes of whatever nature imposed,

levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein; or

- (b) that by reason of a change in law (or the application or official interpretation thereof), which change becomes effective on or after the Issue Date, a Hedge Counterparty would be entitled to terminate a Hedging Agreement in accordance with its terms as a result of the Issuer or the Hedge Counterparty being required to make any withholding or deduction for or on account of any Taxes from payments in respect of such Hedging Agreement,

then the Issuer may, in order to avoid the relevant deductions or withholding but is not obliged to, use its reasonable endeavours to arrange the substitution of a company incorporated under the laws of another jurisdiction approved by the Bond Trustee as principal debtor under the Bonds upon satisfying the conditions for substitution of the Issuer as set out in Condition 13.4 (*Substitution*) or use reasonable endeavours to take such other action to prevent such relevant deductions or withholding. If the Issuer elects not to seek to avoid the relevant deductions, or is unable to arrange a substitution as described above having used reasonable endeavours to do so and, as a result, the relevant deduction or withholding is continuing or having sought to avoid the relevant deductions is unable to avoid the relevant deductions or withholding then the Issuer may, upon giving not more than 15 nor less than five Business Days' prior written notice to the Bond Trustee, HoldCo, the Secured Creditors and the Bondholders in accordance with Condition 12 (*Notices*), redeem all (but not some only) of the Bonds on any Interest Payment Date at their Outstanding Principal Amount plus accrued but unpaid interest thereon. Before giving any such notice of redemption, the Issuer (or HoldCo, as the case may be) shall provide to the Bond Trustee a certificate signed by a director of the Issuer: (i) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have been satisfied; and (ii) confirming that the Issuer will have sufficient funds on such Interest Payment Date to discharge all its liabilities in respect of the Bonds and any amounts under the Security Agreement, the STID and the CTA.

The Bond Trustee shall be entitled to accept and rely without further enquiry on any certificate referred to in this Condition 6.5 as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event they shall be conclusive and binding on the Bondholders, the Receiptholders and the Couponholders.

6.6 Purchases

The Issuer or HoldCo may, at any time, purchase, or procure that these are purchased on its behalf, any Bonds (provided that all unmatured Receipts and Coupons (if any) appertaining thereto are attached or surrendered therewith). Any Bonds purchased or otherwise held by an Obligor together with all unmatured Receipts and Coupons attached thereto and surrendered therewith shall be delivered promptly for cancellation in accordance with Condition 6.7 (*Cancellations*).

6.7 Cancellations

All Bonds which are redeemed or purchased by an Obligor will forthwith be cancelled, together with all relative unmatured Receipts and Coupons attached to the Bonds or surrendered with the Bonds, and accordingly may not be held, reissued or resold.

6.8 Notices Final

Any such notice as is referred to in Condition 6.3 (*Optional redemption*) and Condition 6.5 (*Optional redemption for taxation or other reasons*) above shall be irrevocable and, upon the expiry of such notice, the Issuer shall be bound to redeem the relevant Bonds at the applicable amounts specified above.

6.9 Outstanding Principal Amount

The **Outstanding Principal Amount** of a Bond on any date shall be its original principal amount less the aggregate amount of all principal payments in accordance with Condition 6.1 (*Scheduled Redemption*), 6.2 (*Mandatory Redemptions for a PBCE Rebalancing Event and in respect of Claim Proceeds, Relevant Disposal Proceeds, Insurance Proceeds, any Equity Cure Amount and acceleration of the Guarantee*) and 6.3 (*Optional redemption*) made in respect of such Bond which have previously been paid in respect of such Bond since the Issue Date except if and to the extent that any such payment has been improperly withheld or refused.

If the Issuer does not at any time for any reason calculate any Outstanding Principal Amount in accordance with this Condition 6.9, the Bond Trustee may (but shall not be obliged to) make such calculation (without any liability accruing to the Bond Trustee as a result) in accordance with this Condition 6.9 (based on information supplied to it by the Issuer) and each such calculation shall be deemed to have been made by the Issuer. In each case, the Bond Trustee may, at the expense of the Issuer, employ an expert to make such calculations and any such calculations shall be deemed to have been made by the Issuer.

7. TAXATION

7.1 Payment without Withholding

All payments in respect of the Bonds, Receipts or Coupons by or on behalf of the Issuer or HoldCo shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**), imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by applicable law. In that event, the Issuer or, as the case may be, HoldCo or the Principal Paying Agent shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. In addition the Issuer or, as the case may be, HoldCo shall be obliged to make additional payments to Bondholders in respect of such withholding or deduction as would result in receipt by the Bondholders and the Couponholders and Receiptholders after such withholding or deduction as would have been received by them had no such withholding or deduction been required; except that no additional amounts shall be payable in relation to any payment in respect of any Bond, Receipt or Coupon:

- (a) the holder of which is liable for Taxes in respect of such Bond, Receipt or Coupon by reason of having some connection with the Relevant Jurisdiction other than the mere holding of the Bonds; or
- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (c) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Bond, Receipt or Coupon to another paying agent in a Member State of the European Union; or
- (d) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Presentation Date (as defined in Condition 5).

Payments by the Issuer in respect of the Bonds will be subject in all cases to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement).

7.2 Additional Amounts

Any reference in these Conditions to any amounts of principal, premium or interest in respect of the Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition 7 or under any undertakings given in addition to, or in substitution for, this Condition 7 pursuant to the Bond Trust Deed.

7.3 Interpretation

In these Conditions:

- (a) Relevant Date has the same meaning as that given to it in Condition 5.5; and
- (b) Relevant Jurisdiction means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax.

8. PRESCRIPTION

Bonds, Receipts and Coupons will become void unless presented for payment (a) in the case of Coupons, the expiry of five years from the Relevant Date in respect of such Coupons of that maturity either all paid Coupons of that maturity or a list of the serial numbers of Coupons of that maturity still remaining unpaid, and (b) in the case of the Bonds or Receipts, the expiry of ten years from the Relevant Date in respect of payment of principal in respect of such Bonds or Receipts of that maturity either all payments in respect of principal in relation to such Bonds or Receipts of that maturity or a list of the serial numbers of Bonds or Receipts of that maturity still remaining unpaid, in each case subject to the provisions of Condition 5 (*Payments*).

9. EVENTS OF DEFAULT

The Events of Default (as defined in the Master Definitions Agreement) relating to the Bonds will be set out in Schedule 3 (Events of Default) to the Common Terms Agreement.

9.1 Event of Default

If an Event of Default as set out in Schedule 3 (Events of Default) to the Common Terms Agreement occurs and is continuing, the Security Trustee and the Secured Creditors, including the Bond Trustee and the Bondholders, may take action in relation to enforcement subject to, and in accordance with, the STID.

9.2 Consequences of the service of Enforcement Notices and taking of Enforcement Action

Upon service of an Enforcement Notice as described in clause 13.3 (Enforcement Notice) of the STID, the whole of the Issuer Security becomes enforceable by the Security Trustee in accordance with the STID, subject only to paragraph 21 of Schedule 3 of the Common Terms Agreement which restricts certain Enforcement Action against the Issuer until the Issuer ceases to hold the OFTO Licence (and in relation to which, clause 13.10 of the STID shall apply).

Upon the service of an Enforcement Notice pursuant to clause 13.3 (Enforcement Notice) of the STID, the Bond Trustee at its discretion may, and if so requested by holders of at least 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall, subject in each case to it being indemnified and/or secured and/or pre-funded to its satisfaction and subject to paragraph 6 of Schedule 2 of the STID, give notice to the Issuer that the Bonds are, and they shall immediately become, due and repayable at their Outstanding Principal Amount plus accrued but unpaid interest.

10. ENFORCEMENT

10.1 Enforcement by the Bond Trustee

As more particularly provided in, and subject to, the Bond Trust Deed, the Common Terms Agreement and the STID, the Bond Trustee and the Security Trustee will, in certain circumstances and, in the case of the Security Trustee, at the direction of the Secured Creditors, be obliged to take action to exercise or enforce rights under the Senior Finance Documents and/or in respect of the Bonds.

If an Event of Default occurs solely as a result of any act, omission or state of affairs in existence which relates only to HoldCo, in the circumstances outlined in the Common Terms Agreement, the Security Trustee is restricted from taking enforcement action against the Issuer for so long as the Issuer holds the OFTO Licence.

Subject as aforesaid, the Bond Trustee may at any time, at its discretion and without notice, take any such action or direct the Security Trustee to take any such action but shall not be bound as against the Bondholders, Receiptholders and Couponholders to take any such action or direct the Security Trustee to take any such action unless: (a) it has been so directed in accordance with the STID and the Bond Trust Deed; and (b) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

10.2 Limitation on Bond Trustee actions

The Bond Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Bond Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

10.3 Enforcement by the Bondholders, Receiptholders and Couponholders

No Bondholder, Receiptholder or Couponholder shall be entitled to: (a) take any steps or action against the Issuer to enforce the performance of any of the provisions of the Bond Trust Deed, the Bonds, the Receipts or the Coupons; or (b) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer, in each case unless the Bond Trustee or the Security Trustee, as the case may be, having become bound so to take any such action, steps or proceedings, fails so to do within a reasonable period and the failure shall be continuing.

11. REPLACEMENT OF BONDS, RECEIPTS AND COUPONS

Should any Bond, Receipt or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and

indemnity as the Issuer may reasonably require. Mutilated or defaced Bonds, Receipts or Coupons must be surrendered before replacements will be issued.

12. NOTICES

Any notice shall be deemed to have been duly given to the relevant Bondholders if (a) sent to the Clearing Systems for communication by them to the holders of the Bonds and shall be deemed to be given on the date on which it was so sent and (so long as the relevant Bonds are admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market) any notice shall also be published in accordance with the relevant listing rules and regulations, and (b) unless paragraph 11(b)(i) of Part 1 Schedule 2 to the Common Terms Agreement applies, (in relation to Bondholders who have registered their interests in the Issuer and the WoDS Project by subscribing to an email notification system (such parties the Registered Parties) to the Designated Website) when published on the Designated Website. The **Designated Website** is available at www.bonds.wodstransmission.com.

In addition, for so long as the Bonds are admitted to trading and listed as described above, the Issuer shall give one copy of each notice in accordance with this Condition 12 to the Irish Stock Exchange in accordance with the relevant listing rules and regulations.

The Bond Trustee shall be at liberty to sanction some other method of giving notice to the Bondholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the relevant Bonds are then admitted to trading and provided that notice of such other method is given to the Bondholders in such manner as the Bond Trustee shall require.

13. MEETINGS OF BONDHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

The provisions of this Condition 13 are subject to the provisions of Schedule 5 (Provisions for Voting in respect of STID Proposals) to the Bond Trust Deed which shall apply in respect of any STID Proposal and Schedule 4 (Provisions for Meetings of Bondholders) to the Bond Trust Deed.

13.1 Meetings of Bondholders

- (a) The Bond Trust Deed contains provisions for sending notices and for voting via the clearing system(s) or (if requested by Bondholders who in aggregate hold not less than ten per cent. of the Outstanding Principal Amount of the Bonds for the time being outstanding) convening physical meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in Schedule 4 to the Bond Trust Deed) of a modification of any of these Conditions or any provisions of the Bond Trust Deed or the other Transaction Documents. Such a vote or meeting may be held or convened by the Issuer or the Bond Trustee and shall be held or convened by the Issuer if requested by Bondholders holding not less than ten per cent. of the Outstanding Principal Amount of the Bonds for the time being outstanding.
- (b) The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more Eligible Persons present at a meeting and holding or representing not less than 20 per cent. of the Outstanding Principal Amount of the Bonds for the time being outstanding, or at any adjourned meeting, one or more Eligible Persons present at such meeting or voting via the clearing system(s) (as applicable) and representing Bondholders whatever the nominal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals concerning *inter alia*, the:

- (i) reduction or cancellation of the amount payable or, where applicable, modification, except where such modification is in the opinion of the Bond Trustee bound to result in an increase, of the method of calculating the amount payable or modification of the date of payment or, where applicable, of the method of calculating the date of payment in respect of any principal or interest in respect of the Bonds;
- (ii) alteration of the currency in which payments under the Bonds are to be made;
- (iii) alteration of the majority required to pass an Extraordinary Resolution (as defined in Schedule 4 of the Bond Trust Deed);
- (iv) the sanctioning of any such scheme or proposal or substitution as is described in paragraphs 20(i) and (j) of Schedule 4 to the Bond Trust Deed; and
- (v) alteration of this proviso or the proviso to paragraph 10 of Schedule 4 to the Bond Trust Deed,

each, a **Basic Terms Modification**, all as more particularly defined in the Bond Trust Deed in which case the necessary quorum shall be one or more Eligible Persons present at a meeting and holding or representing not less than three-quarters, or at any adjourned meeting, not less than one-quarter of the Outstanding Principal Amount of the Bonds for the time being outstanding.

- (c) Any Extraordinary Resolution (as defined in Schedule 4 to the Bond Trust Deed) duly passed shall be binding on Bondholders (whether or not they were present or represented at the meeting or voting via the clearing system(s) at which such resolution was passed) and on all Couponholders.
- (d) The Bond Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than two-thirds of the Outstanding Principal Amount of the Bonds for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution (as defined in Schedule 4 to the Bond Trust Deed) passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.
- (e) The Bond Trust Deed provides that a resolution given by way of electronic consent communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than two-thirds in aggregate Outstanding Principal Amount of the Bonds for the time being outstanding by close of business on the Relevant Date (as defined in Schedule 4 to the Bond Trust Deed) shall be as valid and effective as an Extraordinary Resolution (as defined in Schedule 4 to the Bond Trust Deed) passed at a meeting of Bondholders duly convened and held.

13.2 Modification, Waiver, Authorisation and Determination

- (a) The Bond Trustee may without the consent or sanction of the Bondholders or Couponholders at any time and from time to time concur with the Issuer or any other person or direct the Security Trustee to concur with the Issuer or any other person in making any modification, to: (i) the Bond Trust Deed or any other Transaction Document, provided that the Bond Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Bondholders (save to the extent that such modification relates to a Basic Terms Modification); or (ii) to the Bond Trust Deed or any other Transaction Document if in the opinion of the Bond Trustee such modification is of a formal, minor or technical nature or to correct a manifest error.
- (b) The Bond Trustee may without the consent or sanction of the Bondholders or Couponholders at any time and from time to time concur with the Issuer or any other person or direct the Security Trustee

to concur with the Issuer or any other person in making any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Bond Trust Deed, the Conditions or any other Transaction Document that is in the opinion of the Bond Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation, determination or waiver shall be binding on the Bondholders and the Couponholders and, if the Bond Trustee so requires, such modification shall be notified to the Bondholders as soon as practicable.

- (c) The Bond Trustee shall, without the consent or sanction of any of the Bondholders and/or Couponholders and (subject as provided below) any other Secured Creditor concur with the Issuer, and/or direct the Security Trustee to concur with the Issuer, in making any modification to the Bonds and/or Coupons, the Conditions, the Bond Trust Deed and/or the other Transaction Documents, save to the extent that such modification relates to a Basic Terms Modification, or giving its consent to any event, matter or thing that is requested by the Issuer in writing in order to comply with any criteria of the Rating Agencies which may be published after the Closing Date and which modification(s) or consent(s) the Issuer certifies to the Bond Trustee and/or the Security Trustee (as applicable) in writing (i) do not relate to or effect a Basic Terms Modification and (ii) are required to avoid a downgrade, withdrawal or suspension of the then current ratings assigned by a Rating Agency to the Bonds, which certificate shall be conclusive and binding, provided that the Bond Trustee shall not concur with the Issuer in making any such modification or giving any such consent or direct the Security Trustee to concur with the Issuer in making such modification or giving any such consent, or direct the Security Trustee to concur with the Issuer in making such modification, unless and until the Issuer has obtained the consent in writing of each other party to any relevant Bond Document to which such modification is applicable and provided further that if such document is a Finance Document to which the STID applies, the provision of the STID relating to modifications thereto shall apply and further provided that the Bond Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Bond Trustee would have the effect of: (i) exposing the Bond Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction; or (ii) adding to or increasing the obligations, liabilities or duties, or decreasing the protections, of the Bond Trustee in respect of the Bonds, in the Transaction Documents and/or these Conditions.
- (d) The Bond Trustee shall, without the consent of any of the Bondholders and/or Couponholders or any other Secured Creditor, concur with the Issuer, and/or direct the Security Trustee to concur with the Issuer, in making any modifications to the Finance Documents and/or these Conditions (save to the extent that such modification relates to or effects a Basic Terms Modification) that are requested by the Issuer in order to enable the Issuer to comply with any requirements which apply to it under Regulation (EU) 648/2012 (the **European Market Infrastructure Regulation** or **EMIR**), subject to receipt by the Bond Trustee of a certificate of the Issuer certifying to the Bond Trustee and the Security Trustee that: (i) the requested amendments are to be made solely for the purpose of enabling the Issuer to satisfy its requirements under EMIR and (ii) the requested amendments do not relate to or effect a Basic Terms Modification; and (iii) each of the Rating Agencies has been notified of the proposed amendments and have not made the Issuer aware that such amendments will result in a downgrade, withdrawal or suspension of the then current ratings assigned by a Rating Agency to the Bonds, which certificate shall be conclusive and binding.
- (e) The Bond Trustee and the Security Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Bond Trustee or the Security Trustee, as applicable, would have the effect of; (i) exposing the Bond Trustee or the Security Trustee, as applicable, to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction; or (ii) increasing the obligations or duties, or decreasing the protections, of the Bond Trustee or the Security Trustee, as applicable, in the Transaction Documents and/or these Conditions.

- (f) Any such modification may be made on such terms and subject to such conditions (if any) as the Bond Trustee may determine, shall be binding upon the Bondholders, the Couponholders and the Receiptholders and shall be notified by the Issuer to the Bondholders in accordance with Condition 12 (Notices) (unless the Bond Trustee agrees otherwise) and to the Rating Agencies, in each case as soon as practicable thereafter.

13.3 Bond Trustee to have Regard to Interests of Bondholders as a Class

In connection with the exercise of its functions (including but not limited to those referred to in this Condition 13.3), the Bond Trustee shall have regard to the interests of the Bondholders and Couponholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders or Couponholders and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Bondholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof and the Bond Trustee shall not be entitled to require, nor shall any Bondholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders or Couponholders except to the extent already provided for in Condition 7 (*Taxation*) and/or any undertaking or covenant given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Bond Trust Deed.

13.4 Substitution

The Bond Trust Deed contains provisions permitting the Bond Trustee to agree, subject to such amendment of the Bond Trust Deed and such other conditions as the Bond Trustee may require and subject to the conditions and qualifications contained in the Bond Trust Deed, but without the consent of the Bondholders or the Couponholders, to the substitution of another company in place of the Issuer, or in place of any previous substituted company, as principal debtor under the Bond Trust Deed and the Bonds provided that such substitution would not in the opinion of the Bond Trustee be materially prejudicial to the interests of the Bondholders. In the case of such a substitution, the Bond Trustee may agree, without the consent of the Bondholders or the Couponholders, to a change of the law governing the Bonds, the Coupons and/or the Bond Trust Deed provided that such change would not in the opinion of the Bond Trustee be materially prejudicial to the interests of the Bondholders.

13.5 Security Trust and Intercreditor Deed Matters

The Bond Trustee shall not be bound to take, or to give any direction to the Security Trustee to take, any actions, proceedings and/or other steps in relation to the STID unless:

- (a) (in relation to all voting or direction matters (except those involving Entrenched Rights where any Bondholder and/or Couponholder is an Affected Secured Creditor) pursuant to the STID) directed to do so in accordance with the provisions set out in the Bond Trust Deed;
- (b) (in relation to matters pertaining to Entrenched Rights (where any Bondholder and/or Couponholder is an Affected Secured Creditor) pursuant to the STID) directed to do so in accordance with the provisions set out in the Bond Trust Deed; and
- (c) it shall be indemnified and/or secured to its satisfaction against all Liabilities to which it may render itself liable or which it may incur by so doing and, for this purpose, the Bond Trustee may demand, prior to taking any such action, that there be paid to it in advance such sums as it considers (without prejudice to any further demand) shall be sufficient so to indemnify it.

The Bond Trustee shall be entitled to assume that any instruction, consent or certificate received by it from the Security Trustee, which purports to have been given pursuant to the STID, has been given in accordance with its terms and shall not incur or be responsible for any Liability in making such assumption. The Bond Trustee shall be entitled to assume that any such instructions, consents or certificates are authentic and have been properly given in accordance with the terms of the STID. If the Security Trustee, in issuing or giving any such instruction, consent or certificate, breaches any rights or restrictions set out in the Bond Trust Deed, the STID or any other Transaction Document, this shall not invalidate such instruction, consent or certificate unless the Security Trustee notifies the Bond Trustee in writing before the Bond Trustee commences to act on such instruction, consent or certificate that such instruction, consent or certificate is invalid and should not be acted on. If the Bond Trustee is so notified after it has commenced to act on such instruction, consent or certificate, the validity of any action taken shall not be affected but the Bond Trustee shall take no further action in accordance with such instruction, consent or certificate, except to the extent that it has become legally obliged to do so.

14. BOND TRUSTEE AND SECURITY TRUSTEE

14.1 Indemnification and protection of the Bond Trustee

The Bond Trust Deed contains provisions for the indemnification of the Bond Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction. The Bond Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

14.2 Bond Trustee contracting with the Issuer

The Bond Trust Deed also contains provisions pursuant to which the Bond Trustee is entitled to, *inter alia*: (a) enter into business transactions with the Issuer and act as trustee for the holders of any other securities issued, or relating to, the Issuer; (b) exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders, Receiptholders or Couponholders; and (c) retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

14.3 Security Trustee contracting with the Issuer

The STID also contains provisions pursuant to which the Security Trustee is entitled to, *inter alia*: (a) enter into business transactions with the Issuer and act as security trustee for the holders of any other securities issued, or relating to, the Issuer; (b) exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders, Receiptholders or Couponholders; and (c) retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

14.4 Reliance by the Bond Trustee

The Bond Trustee may rely without liability to Bondholders or Couponholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Bond Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Bond Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice in

which event such report, confirmation or certificate or advice shall be binding on the Issuer, the Bond Trustee, the Bondholders and the Couponholders.

15. FURTHER BONDS

15.1 Further Bonds

The Issuer will have the right, without the consent of the Bondholders but subject always to the provisions of these Conditions and the Bond Trust Deed, to raise further funds from time to time and on any date by the creation and issue of further Bonds of the same series as any of the Bonds (**Further Bonds**) in bearer form, carrying the same terms and conditions in all respects as such tranche of Bonds (save as to the issue date, the first Interest Payment Date, and the amortisation schedule), and so that the same shall be consolidated and form a single series and rank *pari passu* with such tranche of Bonds.

Unless otherwise approved by the Bondholders, the issue of Further Bonds will be subject to the following conditions precedent being fulfilled:

- (a) the aggregate principal amount of all Further Bonds to be issued on such date is not more than GBP 50,969,800 and the proceeds of the issuance of such Further Bonds will be applied towards an Additional Capacity Adjustment Investment;
- (b) any Further Bonds are assigned the same ratings as are then applicable to the Bonds with which they are to be consolidated and form a single class;
- (c) the current ratings of the Bonds then outstanding are not downgraded, withdrawn or qualified as a result of such issue of Further Bonds (as confirmed by the Rating Agencies (in writing in the case of S&P) or, in the case of any Rating Agency other than S&P, only where any of the Rating Agencies is unwilling to provide such confirmation for any reason other than related to the rating itself, as certified by the Issuer that it has notified the relevant Rating Agency of the proposed issue of Further Bonds and after having made all reasonable enquiries with the relevant Rating Agency or otherwise and providing evidence to the Bond Trustee to support such certification); and
- (d) application will be made, in respect of the Further Bonds, for such bonds to be admitted to the Official List of the Irish Stock Exchange and to be traded on its regulated market or, if the Bonds then issued are no longer admitted to trading on that exchange, such exchange, if any, on which the Bonds then issued are then admitted to trading.

15.2 Supplemental trust deeds and security

Any such Further Bonds will be constituted by a further deed or deeds supplemental to the Bond Trust Deed and have the benefit of the security constituted by the Security Agreement. Any of the Finance Documents may be amended, and further Finance Documents may be entered into, in connection with the issue of such Further Bonds and the claims of the parties to any amended Finance Document or any further Finance Document may rank ahead of, *pari passu* with, or behind, any tranche or tranches of the Bonds, but subject always to the provisions of these Conditions and the Bond Trust Deed.

16. GOVERNING LAW AND SUBMISSION TO JURISDICTION

16.1 Governing Law

The Bond Trust Deed, the Security Agreement, the Bonds, the Coupons and the other Finance Documents and any non-contractual obligations arising out of or in connection with them shall be governed by, and shall be construed in accordance with, English law.

16.2 Jurisdiction of English Courts

The Issuer has, in the Bond Trust Deed, irrevocably agreed for the benefit of the Bond Trustee, the Bondholders and the Couponholders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bond Trust Deed, the Security Agreement, the Bonds, the Coupons and the other Finance Documents (including a dispute relating to any non-contractual obligations arising out of or in connection with the Bond Trust Deed, the Security Agreement, the Bonds, the Coupons and the other Finance Documents) and accordingly has submitted to the exclusive jurisdiction of the English courts.

The Issuer has, in the Bond Trust Deed, waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Bond Trustee, the Bondholders and the Couponholders may take any suit, action or proceeding arising out of or in connection with the Bond Trust Deed, the Bonds or the Coupons respectively (including any suit, action or proceedings relating to any non-contractual obligations arising out of or in connection with the Bond Trust Deed, the Bonds or the Coupons) (together referred to as **Proceedings**) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

17. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Bond, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

FORMS OF THE BONDS

The Bonds will be in bearer form, with or without interest Coupons attached. The bonds will be issued outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**).

General

The Bonds will be initially issued in the form of a temporary global bond (the **Temporary Global Bond**) which will be exchangeable for a permanent global bond (the **Permanent Global Bond** and, together with the Temporary Global Bond, the **Global Bonds**) which, in either case, will be delivered on or prior to the Issue Date to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**).

While any Bond is represented by the Temporary Global Bond, payments of principal, interest (if any) and any other amount payable in respect of the Bonds due prior to the Exchange Date (as defined below) will be made only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Global Bond are not U.S. Persons or persons who have purchased for resale to any U.S. Person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after the Temporary Global Bond is issued, interests in such Temporary Global Bond will be exchangeable (free of charge) upon a request as described therein either for: (a) interests in a Permanent Global Bond; or (b) definitive Bonds with, where applicable, receipts, interest coupons and talons attached, in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bonds. The holder of a Temporary Global Bond will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Bond for an interest in a Permanent Global Bond or for definitive Bonds is improperly withheld or refused.

The Conditions specify that the Permanent Global Bond will be exchangeable (free of charge), in whole but not in part, for definitive Bonds with, where applicable, receipts, interest coupons and talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means: (i) that the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system acceptable to the Bond Trustee is available; or (ii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Issue Date, the Issuer or the Principal Paying Agent is or will be required to make any deduction or withholding for or on account of tax from any payment in respect of the Bonds which would not be required were the Bonds in definitive form. The Issuer will promptly give notice to Bondholders in accordance with Condition 12 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an event described in paragraph (i) of the definition of Exchange Event, Euroclear and/or Clearstream, Luxembourg or the Common Safekeeper for Euroclear and Clearstream, Luxembourg, as the case may be, on their behalf (acting on the instructions of any holder of an interest in such Permanent Global Bond) may give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 30 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Bond will be made through Euroclear and/or Clearstream, Luxembourg without any requirement for certification.

United States restrictions

The following legend will appear on all Bonds which have an original maturity of more than one year and on all receipts and interest coupons relating to such Bonds:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bonds, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Bonds, receipts or interest coupons.

Bonds which are represented by a Global Bond will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Further Bonds

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where Further Bonds are issued which are intended to form a single series with the Bonds, such Bonds shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS number assigned to Bonds until at least the expiry of the Distribution Compliance Period.

Clearing Systems

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative Clearing System as may be approved by the Issuer, the Principal Paying Agent and the Bond Trustee.

Non-petition

No Bondholder shall be entitled to proceed directly against the Issuer unless the Bond Trustee or the Security Trustee, as the case may be, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

Provisions relating to the Global Bonds

The Global Bonds will contain provisions that apply to the Bonds which they represent, some of which modify the effect of the Conditions of the Bonds as set out in this Prospectus. The following is a summary of certain of those provisions:

- (a) *Meetings*: The holder of a Global Bond shall be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, the holder of a Global Bond shall be treated as having one vote in respect of each GBP 1 (or such other amounts as the Bond Trustee may in its absolute discretion stipulate) in Outstanding Principal Amount of the Bonds represented by such person.
- (b) *Cancellation*: Cancellation of any Bond represented by a Global Bond that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by a reduction in the principal amount of the relevant Global Bond.

- (c) *Notices:* So long as any Bonds are represented by a Global Bond and such Global Bond is held on behalf of Euroclear, Clearstream, Luxembourg or any other relevant Clearing System, notices to the Bondholders may be given, subject always to listing requirements, by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or any other relevant Clearing System for communication by it to entitled Bondholders in substitution for publication as provided in the Conditions. Such notices shall be deemed to have been received by the Bondholders on the date of delivery to such Clearing Systems.

New Global Notes and Eurosystem Eligibility

The Bonds are intended to be held in a manner which would allow Eurosystem eligibility and will be deposited with one of the ICSDs (as defined below) as common safekeeper. However, the deposit of the Bonds with one of the ICSDs as common safekeeper upon issuance or otherwise does not necessarily mean that the Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at issuance or at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

Issuer-ICSDs Agreement

Prior to the issuance of the Bonds, the Issuer will enter into an Issuer-ICSDs Agreement with Euroclear Bank S.A./N.V. and Clearstream Banking SA (the **ICSDs**) in respect of the Bonds. The Issuer-ICSDs Agreement provides that the ICSDs will, in respect of any the Bonds (while in New Global Note form), maintain their respective portion of the issue outstanding amount through their records. The Issuer-ICSDs Agreement will be governed by English law.

BOOK-ENTRY CLEARANCE PROCEDURE

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg (together, the **Clearing Systems**) currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Bond Trustee nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Investors may hold their interests in Global Bonds directly through Euroclear or Clearstream, Luxembourg as direct participants or indirectly as indirect participants.

DESCRIPTION OF THE GUARANTEE AND THE SECURITY

Security Agreement

Pursuant to the Security Agreement between the Issuer, HoldCo and the Security Trustee, the obligations set forth thereunder become effective on the Issue Date.

Under the Security Agreement, HoldCo (the **Guarantor**) will provide an irrevocable, unconditional and joint and several guarantee in respect of the obligations of the Issuer under the Finance Documents (the **Guarantee**). If the Issuer fails to pay any amount of the Secured Liabilities, the Guarantor agrees to make payments under the Guarantee on demand in respect of such original payment as if it was the principal obligor. Additionally, each of the Issuer and HoldCo will grant a security interest over all of their assets (subject to such security not being prohibited by the terms of (i) any Transaction Authorisation; (ii) the Crown Estate Lease (iii) any applicable law or regulation or (iv) prevented under the terms of any relevant Transaction or Project Document).

The security constituted by the Security Agreement is expressed to include, among other things (but subject to the restrictions above):

- (a) a first fixed charge over all estates or interests in any freehold or leasehold property;
- (b) a fixed charge over:
 - (i) (to the extent that they are not the subject of a fixed charge under paragraph (a) above) over all future estates or interests in any freehold or leasehold property (in each case, including fixtures, fittings and fixed plant and machinery);
 - (ii) the shares in the Issuer including all dividends, interest and other moneys payable in respect thereof and all other rights related thereto granted by HoldCo;
 - (iii) all other shares and investments (including Cash Equivalent Investments) owned by any Obligor;
 - (iv) all moneys standing to the credit of the Obligors' bank accounts;
 - (v) all plant and machinery (except to the extent charged pursuant to paragraph (a) above)
 - (vi) all present and future book debts of the Obligors;
 - (vii) all intellectual property owned by the Obligors; and
 - (viii) the benefit of any authorisation (statutory or otherwise) held in connection with the business or the use of any of the assets of the Obligors (and the right to receive compensation thereunder);
- (c) an assignment of the benefit and whole present and future rights and claims under or in respect of all insurance;
- (d) an assignment of the Obligors' rights under the Transaction Documents⁸; and

⁸ Certain Transaction Documents have been excluded from the security ring fence on the grounds that such documents could not be assigned by way of security on the date of this Prospectus.

- (e) a first floating charge of the whole of the undertaking of the Obligors (including, without limitation, its uncalled capital).

The Security Trustee holds the benefit of the Security Agreement on trust for the Secured Creditors in accordance with and subject to the terms of the STID.

The Security Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

DESCRIPTION OF THE PBCE LETTER OF CREDIT

General

Subject to fulfilment (or waiver by the PBCE Provider in its absolute discretion) of the conditions precedent contained in the PBCE Letter of Credit and Reimbursement Deed and the CP Agreement, the PBCE Provider will, at the request of the Issuer, issue the PBCE Letter of Credit on the Initial Issue Date under which the PBCE Provider will make funds available to meet certain payments by the Issuer in respect of the Bonds and the Hedging Agreements.

PBCE Available Amount

The maximum amount that can be drawn under the PBCE Letter of Credit (the **PBCE Available Amount**) is:

the PBCE Maximum Amount;

less:

any amounts (i) drawn under the PBCE Letter of Credit, or (ii) in respect of which a Notice of Demand has been issued under the PBCE Letter of Credit and for which the date for payment specified in such Notice of Demand has not passed;

and after adding back:

any amounts drawn under the PBCE Letter of Credit which have been repaid or reimbursed, provided however, that all amounts drawn in order to fund a PBCE Rebalancing and subsequently repaid or reimbursed, shall only be credited to the PBCE Available Amount for the purposes of a subsequent drawing to fund Scheduled Debt Service (see "*Utilisation of the PBCE Letter of Credit*" below), and shall not be available for any other purpose (and if, following a PBCE Rebalancing, there is an acceleration of the Bonds pursuant to Condition 9.2, the PBCE Letter of Credit shall not be available to fund any amount, including with respect to Scheduled Debt Service).

For the avoidance of doubt, Capitalised Interest shall not count as an amount drawn under the PBCE Letter of Credit and shall not be deducted when determining the PBCE Available Amount.

The **PBCE Maximum Amount** is (a) an amount equal to 15 per cent. of the Outstanding Principal Amount of the Original Bonds (as reduced, for the avoidance of doubt, by any redemption or amortisation), or (b) following the issue of the Further Bonds, an amount equal to 15 per cent. of the Outstanding Principal Amount of the Bonds, as multiplied by a ratio representing (i) the Outstanding Principal Amount of the Original Bonds immediately prior to the issue of the Further Bonds to (ii) the overall Outstanding Principal Amount of the Bonds immediately following the issue of the Further Bonds.

Utilisation of the PBCE Letter of Credit

The PBCE Letter of Credit may be drawn at any time during the Term, in one or more of the following circumstances (where **Term** is the period from, and including, the Initial Issue Date to, but excluding, the earlier of (a) the later of the date on which all amounts due or owing by the Issuer in respect of the Bonds have been irrevocably and unconditionally discharged in full and the date on which all amounts due or owing by the Issuer in respect of the Hedging Agreements have been irrevocably and unconditionally discharged in full, (b) the last day of the Revenue Period, or (c) the day falling 20 years after the Initial Issue Date (or, if such day is not a Business Day, the immediately preceding Business Day):

Scheduled Debt Service

- (a) to meet payment of Scheduled Debt Service to the extent that there were insufficient funds standing to the credit of the Debt Service & PBCE Account, the Debt Service Reserve Account and, if applicable, the Working Capital Reserve Account respectively on the Scheduled Payment Date to pay those amounts in full. The conditions to be met in order for the Security Trustee to make a demand on the PBCE Letter of Credit in such circumstances (which include that no PBCE Rebalancing is required on the relevant Scheduled Payment Date (as in such case the PBCE Letter of Credit will be drawn in full pursuant to paragraph (b) below and any amounts required to pay Scheduled Debt Service shall be so applied)) are set out in Annex A to the Notice of Demand. Notwithstanding an acceleration of the Bonds and termination of the Hedging Agreements following such acceleration, but prior to the occurrence of either of the events mentioned in paragraph (c)(i) or paragraph (c)(ii) (*Accelerated Payments*) below, provided that no PBCE Rebalancing has occurred, the PBCE Letter of Credit may still be drawn to fund Scheduled Debt Service as if such amounts remained due and payable in accordance with the original payment profile(s) set out in the terms and conditions of the Bonds or the Hedging Agreements prior to any such acceleration or termination. Any sums so drawn shall be applied to reduce the accelerated amount or Early Termination Amount (as defined in the Hedging Agreement) then due and payable in respect of the Bonds or the Hedging Agreements in accordance with the relevant Priority of Payments (as applicable);

PBCE Rebalancing

- (b) to meet payment of mandatory partial redemption amounts in respect of the Bonds (excluding, for the avoidance of doubt, any make-whole amounts, costs or indemnities associated therewith) as a result of the occurrence of a PBCE Rebalancing Event. The conditions to be met in order for the Security Trustee to make a demand on the PBCE Letter of Credit in such circumstances are set out in Annex B to the Notice of Demand. The PBCE Letter of Credit may only be drawn on one occasion during the Term as a result of a PBCE Rebalancing Event. The PBCE Rebalancing shall take place on the PBCE Rebalancing Date unless the Issuer has certified to the PBCE Provider and the Security Trustee by no later than the date falling eleven (11) Business Days prior to a PBCE Rebalancing Date that a PBCE Rebalancing Cure has occurred; and/or

Accelerated Payments

- (c) to meet payments of amounts due in respect of interest and principal under Condition 9.2 (excluding, for the avoidance of doubt, any make-whole amounts, costs or indemnities associated therewith) due upon acceleration of the Bonds and payments of any close-out amounts due and payable on termination of the Hedging Agreements in accordance with the Post-enforcement Priority of Payments, provided that in each case either:
- (i) the Receiver appointed by and/or professional advisers of the Security Trustee have determined that the enforcement and realisation process has been completed, including receipt by the Security Trustee of all sale proceeds in respect of the assets subject to the Security (if any); or
- (ii) following an Event of Default which occurs solely as a result of any act, omission or state of affairs in existence which relates only to an Obligor other than the Issuer, as contemplated by paragraph "*Protected rights of the Issuer as holder of the OFTO Licence*" of "*Common Terms Agreement – Events of Default – Protected rights of the Issuer as holder of the OFTO Licence*" below, the Security Trustee, the Bond Trustee, the PBCE Provider and the Hedge Counterparties have entered into a settlement agreement or escrow arrangement which provides for the charge over the shares in the Issuer to be enforced on the same date on which the Bonds and the Hedging Agreements are accelerated or terminated (as applicable,

and in whole or in part as the case may be), and for the PBCE Letter of Credit to be drawn on such date,

and provided further that the PBCE Letter of Credit has not previously been drawn to fund a PBCE Rebalancing.

The PBCE Provider will arrange for, and the Security Trustee agrees that it will only request the PBCE Provider to arrange for, all amounts drawn under the PBCE Letter of Credit to be paid to the Debt Service & PBCE Account.

Reimbursement

The Issuer agrees that it will immediately reimburse the PBCE Provider for (i) a sum equal to the total of all amounts paid by the PBCE Provider under the PBCE Letter of Credit, and (ii) all charges, fees, costs and expenses of the PBCE Provider, in accordance with the relevant Priority of Payments.

Representations

In consideration of the PBCE Provider agreeing to issue the PBCE Letter of Credit, the Obligors make to the PBCE Provider the representations contained in the CTA on signing and on the Issue Date. See "*Description of the other Finance Documents – Common Terms Agreement – Representations*" below for a detailed description.

Covenants

In consideration of the PBCE Provider agreeing to issue the PBCE Letter of Credit on the terms and subject to the conditions of the PBCE Letter of Credit and Reimbursement Deed, each of the Obligors undertake to the PBCE Provider to perform the Common Terms Agreement covenants, as if the same were set forth in full herein. In addition, each Obligor further covenants with the PBCE Provider for the benefit of the PBCE Provider as follows:

- (a) prior to the Security Trustee presenting a Notice of Demand to the PBCE Provider, the Issuer will have used all other financial resources available to it, in accordance with the relevant Priority of Payments, for the purposes of paying the amounts payable to the Bondholders and the Hedge Counterparties;
- (b) at any time up to, and including, the Initial Issue Date, it will forthwith notify the PBCE Provider of anything which has or may reasonably be expected to render or have rendered untrue or incorrect in any respect any of the representations and warranties given by the Obligors and which is material in the context of the issue and offering of the Bonds, the issue of the PBCE Letter of Credit or the ability of such Obligor to perform any of its obligations under the Finance Documents;
- (c) no later than the Initial Issue Date it will, or, in the case of an Obligor other than the Issuer, will procure the Issuer to deliver to the PBCE Provider without any charge, four (4) copies of the Prospectus signed by a duly authorised officer or attorney of the Issuer and, on any future date, it will promptly deliver as many further copies of the Prospectus as the PBCE Provider may reasonably request;
- (d) the Obligors shall carry out the WoDS Project in accordance with the Permitted Business which, as at the Initial Issue Date, shall include the description of the WoDS Project as summarised in the PBCE Letter of Credit and Reimbursement Deed;
- (e) if at any time prior to the Initial Issue Date, for any reason, the Prospectus contains a statement of fact which is not true and accurate in all material respects, or omits any fact the omission of which

would make misleading in any material respect a statement in the Prospectus (whether of fact or opinion), or if, for any reason it is necessary to amend or supplement the Prospectus, then it will, or, in the case of an Obligor other than the Issuer, will procure the Issuer to promptly notify the PBCE Provider and amend or supplement or cause to be amended or supplemented the Prospectus to the reasonable satisfaction of the PBCE Provider and will, without charge, promptly supply to the PBCE Provider as many copies as the PBCE Provider may reasonably request of the amended Prospectus (or supplement as the case may be) which corrects such statement or omission. For the avoidance of doubt, the Issuer shall not be prohibited from publishing such supplement or amendment to the Prospectus as it may consider necessary in order to comply with its obligations under applicable law, but any such amendment or supplement shall not be taken into account for the purposes of assessing the accuracy of the representations of the Obligors in the PBCE Letter of Credit, unless the PBCE Provider shall have approved such amendment or supplement (acting reasonably);

- (f) each Obligor shall promptly:
 - (A) obtain, comply in all material respects with and do all that is necessary to maintain in full force and effect any Authorisation required under any applicable law or any corporate power or authority otherwise required in each case to
 - (B) enable it to enter into and deliver the Transaction Documents to which it is a party and to perform its obligations and exercise its rights thereunder and the transactions contemplated thereby where failure to do so could have a Material Adverse Effect;
 - (C) carry on its business at the times and in the manner contemplated in the OFTO Licence and the PBCE Letter of Credit and Reimbursement Deed; and
 - (D) on reasonable request, supply certified copies to the PBCE Provider of any Authorisation referred to in Clause (f)(A) above;
- (g) each Obligor shall purchase equipment, secure services and order works for the WoDS Project (a) in so far as they apply to it or to the WoDS Project, in accordance with European Union law in general and in particular with the relevant European Union Directives and (b) in so far as European Union Directives do not apply, by procurement procedures which respect the criteria of economy and efficiency;
- (h) each Obligor shall:
 - (i) comply with all Environmental Laws;
 - (ii) obtain, maintain and ensure compliance with all requisite Environmental Permits; and
 - (iii) implement procedures to monitor compliance with and prevent liability under any Environmental Law;
- (i) each Obligor shall take, within a reasonable timeframe, appropriate measures in respect of any member of its management bodies who has been convicted by a final and irrevocable court ruling of a Criminal Offence perpetrated in the course of the exercise of his/her professional duties, in order to ensure that such member is excluded from the activities of such Obligor;
- (j) each Obligor will ensure that all contracts under the WoDS Project required to be procured after the date of signature of the PBCE Letter of Credit in accordance with European Union Directives on procurement provide for:

- (i) the requirement that the relevant contractor promptly informs the PBCE Provider of a genuine allegation, complaint or information with regard to Criminal Offences related to the WoDS Project;
 - (ii) the requirement that the relevant contractor keeps books and records of all financial transactions and expenditures in connection with the WoDS Project; and
 - (iii) the PBCE Provider's right, in relation to an alleged Criminal Offence, to review the books and records of the relevant contractor in relation to the WoDS Project and to take copies of documents to the extent permitted by law;
- (k) it will not employ or propose nor permit to be employed or proposed any practice, procedure or policy in the conduct of its business which would violate any anti-money laundering law or regulation applicable to it;
- (l) each Obligor will ensure that its officers, directors, employees and/or agents acting on its behalf will not offer, give, insist on, receive or solicit any illegal payment or advantage to influence the action of any person in connection with the WoDS Project;
- (m) each Obligor shall promptly disclose to the PBCE Provider any action, suit or proceeding, by or before, any court, governmental agency, authority, body, or arbitrator, involving it or its Affiliates with respect to any Money Laundering Laws;
- (n) each Obligor shall inform the PBCE Provider promptly of:
- (i) any fact which obliges it to prepay any financial indebtedness or any European Union funding; or
 - (ii) any investigations concerning the integrity of the members of its board of directors or other administrative body or managers; or
 - (iii) to the extent permitted by law, any material litigation, arbitration, administrative proceedings or investigation carried out by a court, administration or similar public authority which, to the best of its knowledge and belief, is current, imminent or pending against it or its controlling entities or members of its management bodies in connection with Criminal Offences related to the WoDS Project, and matters incidental thereto, including (without limitation) any PBCE Document; or
 - (iv) any measure taken by it pursuant to this paragraph (n);
- (o) each Obligor will promptly inform the PBCE Provider if at any time it becomes aware of the illicit origin of any funds (including the product of money laundering or linked to the financing of terrorism) invested in the WoDS Project by the Obligors or any of their Affiliates;
- (p) each Obligor shall allow persons designated by the PBCE Provider, as well as persons designated by other institutions or bodies of the European Union (including the European Commission, the European Court of Auditors and the European Anti-Fraud Office (**OLAF**)):
- (i) to visit the sites, installations and works comprising the WoDS Project;
 - (ii) to interview representatives of the Obligor, and not obstruct contacts with any other person involved in or affected by the WoDS Project; and

- (iii) to review the Obligor's books and records in relation to the WoDS Project and to be able to take copies of related documents to the extent permitted by the law,

and each Obligor shall provide the PBCE Provider as well as persons designated by the PBCE Provider or persons designated by other institutions or bodies of the European Union, or ensure that the PBCE Provider as well as persons designated by the PBCE Provider or persons designated by other institutions or bodies of the European Union are provided with, all necessary assistance for the purposes described in this paragraph (p), provided that nothing in this paragraph shall require any Obligor or the O&M Contractor or the Generator to be in breach of laws or regulations applicable to it;

- (q) each Obligor shall, promptly upon becoming aware of the same and, in relation to the O&M Contractor, only where such occurrence, fact or circumstance relates to the WoDS Project, inform the PBCE Provider in writing of:
 - (i) any Environmental Claim against any Obligor which is current, pending or threatened in a written communication;
 - (ii) any occurrence, fact or circumstance which has or could reasonably be expected to have an effect on the Issuer's and the O&M Contractor's compliance with Environmental Law; and
 - (iii) any facts or circumstances which are reasonably likely to result in any Environmental Claim being commenced or threatened in a written communication against the Issuer or the O&M Contractor;
- (r) each Obligor shall, as soon as reasonably practicable, provide the PBCE Provider with a copy of:
 - (i) any proposed amendment to, or replacement of, the OFTO Licence;
 - (ii) any proposed material amendment to, or replacement of, a Project Document (other than the OFTO Licence) or the articles of association or other constitutional documents of any Obligor; and
 - (iii) any reports or information received by an Obligor in relation to a material change to the Decommissioning Plan;
- (s) each Obligor shall deliver to the PBCE Provider by no later than 30 April 2017 a "Project Completion Report", which shall include the following details:
 - (i) summary of environmental monitoring, indicating compliance with requirements and any key issues which have arisen and resolution actions taken;
 - (ii) operation & maintenance summary indicating, annual cost breakdown, level of effort required (person days), problems/issues that have occurred and how they have been resolved;
 - (iii) any changes to the operation & maintenance organisation structure and key personnel;
 - (iv) evolution of the spares strategy and level of spares inventory;
 - (v) availability report indicating annual availability compared with target availability, any major issues that affected the operation and the reliability of the Project;
 - (vi) monthly power flow from the wind farm (MWh);

- (vii) details of any interface issues which have arisen;
 - (viii) any legal action concerning the Project that may be ongoing; and
- (t) the Issuer shall forthwith notify the PBCE Provider of any breach of any provision of the PBCE Letter of Credit and Reimbursement Deed.

The duties and obligations of the Obligors set out in the PBCE Letter of Credit and Reimbursement Deed will continue in full force and effect until all the Obligors' obligations under the PBCE Letter of Credit and Reimbursement Deed have been fully and irrevocably discharged to the satisfaction of the PBCE Provider (or, if later, until the SLC Termination Date), notwithstanding payment of all amounts due by the Issuer in respect of the Bonds.

Conditions Precedent to the Issue of the PBCE Letter of Credit

The issue of the PBCE Letter of Credit is subject to certain conditions precedent which include, *inter alia*: (i) compliance with the CP Agreement; (ii) no rule, regulation or order that would make the WoDS Project illegal or prevent the consummation of the WoDS Project; (iii) the PBCE Provider receiving confirmation that the Bonds (when issued) will be rated at least A3 by Moody's and the Bonds of the Issuer have received an appropriate shadow or public rating by Moody's which is at least Baa1; and (iv) no Event of Default or Potential Event of Default is subsisting on the Issue Date, or would result from the issuance of the Bonds.

Governing law

The PBCE Letter of Credit and the PBCE Letter of Credit and Reimbursement Deed are governed by English law.

DESCRIPTION OF THE OTHER FINANCE DOCUMENTS

Common Terms Agreement

General

Each of the Obligors, the Bond Trustee, the Security Trustee, the PBCE Provider, the Principal Paying Agent, the Account Bank and the Initial Hedge Counterparties will enter into the common terms agreement (the **CTA**) on or about the Issue Date. The CTA sets out the representations, covenants (positive, negative and financial), and Events of Default which apply to each Authorised Credit Facility.

The CTA will contain certain indemnities of the Obligors to the Finance Parties in respect of losses caused, inter alia, by Events of Default.

A summary of the representations, covenants and Events of Default included in the CTA is set out below.

Representations

On the date of the CTA and Issue Date, each Obligor will make a number of representations in respect of itself only to each Finance Party. These representations include (subject, in some cases, to agreed exceptions and qualifications as to materiality and reservations of law) representations as to:

- (a) its due incorporation, power and authority to own and operate its assets and carry out the WoDS Project;
- (b) its power to enter into, perform and deliver the Transaction Documents and the transactions contemplated by those Transaction Documents;
- (c) all necessary action to authorise its entry into, performance of and delivery of the Transaction Documents and the transactions contemplated by those Transaction Documents having been obtained;
- (d) all relevant consents, authorisations, licences and approvals for entry into and exercise of its rights and obligations under the Transaction Documents having been obtained;
- (e) its obligations under the Transaction Documents being legal, valid, binding and enforceable;
- (f) that any unsecured and unsubordinated claims against any Obligor under the Finance Documents rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors except those creditors mandatorily preferred by law;
- (g) its entry into and performance under the Transaction Documents not conflicting with any document or agreement which is binding upon it, its constitutional documents or any applicable law or regulation which could reasonably be determined to have a Material Adverse Effect;
- (h) having good title to its assets, or valid leases or licences of and all appropriate authorisations necessary to carry on its business;
- (i) the absence of Events of Default, Insolvency Events and other similar events and circumstances;
- (j) group structure;
- (k) absence of litigation, arbitration, administrative proceedings or other proceedings;

- (l) matters relating to environmental compliance and claims;
- (m) matters relating to insurances;
- (n) the accuracy of certain information including financial statements, the Model and this Prospectus;
- (o) that the assumptions used to calculate the financial ratios were made in good faith and after due and careful consideration;
- (p) the absence of any breach of any law or regulation or licence in any material respect;
- (q) matters relating to taxation;
- (r) no representation or warranty (as qualified by the Disclosure Letter) given by any party to the Acquisition Documents being untrue or misleading, to the best of its knowledge;
- (s) matters relating to holding companies;
- (t) matters relating to the issue or transfer of any share capital or loan stock;
- (u) the granting of valid security over any share or loan capital of an Obligor that is subject to such security;
- (v) the Transaction Documents being in full force and effect;
- (w) the absence of any breach of the Project Documents;
- (x) matters relating to its centre of main interest;
- (y) matters relating to the ranking of any security;
- (z) the absence of any outstanding Financial Indebtedness other than Permitted Financial Indebtedness;
- (aa) the absence of any Security Interest over the assets of an Obligor other than Permitted Security;
- (bb) matters relating to the nature of the Security created pursuant to the Security Agreement;
- (cc) matters relating to the application for approval of this Prospectus and the listing of the Bonds;
- (dd) matters relating to corrupt gifts;
- (ee) the absence of any funds invested in the WoDS Project from an illicit origin; and
- (ff) matters relating to ownership of the Transmission Assets and assets that are subject to security.

In addition, on the date the Issuer issues any further Bonds in accordance with Condition 15 (*Further Bonds*) each Obligor will repeat certain of such representations.

On each Payment Date each Obligor shall make certain repeating representations, including those set out in paragraphs (a) to (e), (g) to (i), (n), (o), (aa) and (t), above (the **Repeating Representations**).

Covenants

The CTA contains certain covenants from each of the Obligors. A summary of the covenants is set out below.

Information Covenants

Financial Statements

- (a) The Issuer must: (x) supply to the Security Trustee, the PBCE Provider, the Hedge Counterparties, the Rating Agencies and the Bond Trustee in sufficient copies for all the Secured Creditors (other than the Bondholders) and (y) publish on the Designated Website:
- (i) audited financial statements (the **Annual Financial Statements**) (consolidated if appropriate) of each Obligor and each Major Project Party, as soon as they are available and, in any event, within 180 days after the end of each Financial Year;
 - (ii) unaudited management accounts (the **Semi-Annual Financial Statements**) (consolidated if appropriate) of each Obligor for the first financial half year in each Financial Year, as soon as they are available and, in any event, within 90 days after the end of such financial half-year; and
 - (iii) the regulatory accounts of the Issuer produced in accordance with Standard Condition B1 (Regulatory Accounts) of the OFTO Licence for each Financial Year, on or before the date on which those accounts are published in accordance with paragraph 4 of Standard Condition B1 (Regulatory Accounts) of the OFTO Licence.

Form of Financial Statements

- (b) The Issuer must ensure that each set of Financial Statements supplied by it:
- (i) is prepared in accordance with the Accounting Standards and includes a cashflow statement, a profit and loss statement and a balance sheet; and
 - (ii) gives (if audited) a true and fair view of or, in the case of any unaudited Financial Statement, fairly presents, its financial condition (consolidated or otherwise) as at the date to which those Financial Statements were drawn up and of the results of its operations during such period.
- (c) The Issuer must, as soon as reasonably practicable, notify (in a form and content accepted by Euroclear and/or Clearstream, Luxembourg) the Security Trustee for onward transmission to the other Secured Creditors by the following means: (x) in respect of the Bondholders, by email to the Principal Paying Agent (that is in form and content accepted by Euroclear and/or Clearstream, Luxembourg) for distribution to the Bondholders via Euroclear and/or Clearstream, Luxembourg; and (y) in respect of each other Secured Creditor, by email, of any material change to the basis on which any Financial Statements are prepared.

Models

- (d) The Issuer shall prepare an updated Model annually in respect of each Calculation Date falling in December except that, the Issuer shall also prepare an updated Model on each Calculation Date on which an (i) Emergency is subsisting, (ii) the PBCE Letter of Credit is being drawn, (iii) any amounts under the PBCE Letter of Credit remain outstanding, or (iv) in case of the availability of the Transmission Assets are or forecasted to be below 98 per cent. during the current and next Calculation Period. Each updated Model shall be prepared in accordance with paragraphs (d) to (o) inclusive and shall not be subject to the approval of the Security Trustee or any other Secured Creditor, and the Issuer shall deliver a copy of the updated Model to the PBCE Provider as soon as it is available. Each updated Model shall include a projected consolidated profit and loss, balance sheet and cashflow statement for the Security Group, projected Operating Costs, the Economic

Assumptions, the Key Assumption, the capital expenditure, projections for the Projected DSCR, the Historic DSCR and the Debt Life Cover Ratio for each Calculation Date and a forecast to the end of the Revenue Period.

- (e) If, in respect of any Model prepared for the relevant Calculation Dates in accordance with the provisions of paragraphs (d) to (n) inclusive, the Issuer proposes to change (but excluding any increases due to inflation):
- (i) the Key Assumption in the Model for the relevant Calculation Dates; or
 - (ii) the projected Operating Costs set out in the Model, in respect of any Calculation Period occurring prior to the Final Maturity Date, in an amount that would be in excess of:
 - (A) 120 per cent. of those costs set out for the corresponding Calculation Period in the previous Model; or
 - (B) 200 per cent. of those costs set out for the corresponding Calculation Period in the Model prepared on or about the Initial Issue Date,
- the Issuer shall provide:
- (C) in respect of sub-paragraph (i) above, a copy of that amended Key Assumption to the Technical Adviser; or
 - (D) in respect of sub-paragraph (ii) above, a summary of those projected Operating Costs to the Technical Adviser and (to the extent that such projected Operating Costs relate (in whole or in part) to Insurances) the Insurance Adviser,
- in each case, not later than 35 Business Days, and not earlier than 50 Business Days, before that Calculation Date.
- (f) The Issuer shall, no later than that Calculation Date, deliver to the Security Trustee and the PBCE Provider, and publish on the Designated Website, a certificate signed by an Authorised Signatory of the Issuer summarising the changes made to the Model and confirming that the changes have been approved by the Technical Adviser or the Insurance Adviser (as applicable) in accordance with paragraphs (d) to (o) and the Model has been updated accordingly.
- (g) If, in respect of any Model prepared for the relevant Calculation Dates in accordance with the provisions of paragraphs (d) to (o):
- (i) the Key Assumption is the same as that set out for the corresponding Calculation Period in the previous Model; and
 - (ii) the Issuer does not propose to change the projected Operating Costs set out in the Model, in respect of any Calculation Period occurring before the Final Maturity Date, in an amount that would be in excess of:
 - (A) 120 per cent. of those costs set out for the corresponding Calculation Period in the previous Model; or
 - (B) 200 per cent. of those costs set out for the corresponding Calculation Period in the Model prepared on or about the Initial Issue Date,

- (iii) the Issuer shall, not later than that Calculation Date, deliver to the Security Trustee and the PBCE Provider, and publish on the Designated Website, a certificate signed by an Authorised Signatory of the Issuer confirming the statements set out in subparagraphs (i) and (ii) above.
- (h) Within 10 Business Days following receipt of a notice pursuant to paragraph (e)(ii)(D) above or paragraph (m) below, the Technical Adviser and/or the Insurance Adviser (as applicable) shall confirm whether it believes that the proposed changes to the Key Assumption or the projected Operating Costs (as applicable) are, in its opinion, reasonable and in accordance with Good Industry Practice and a copy of that confirmation (if given) will be provided to the Security Trustee and published on the Designated Website by the Issuer.
- (i) If the Technical Adviser and/or the Insurance Adviser (as applicable) does not provide the confirmation contemplated by paragraph (h) above within the time period set out in that paragraph, then the current Model (unamended to take account of the proposed amendments to the Key Assumption or the projected Operating Costs (as applicable)) will continue to be the Model for the purposes of the Finance Documents.
- (j) Any determination or approval by the Technical Adviser and/or the Insurance Adviser in accordance with paragraph (h) above will be final and binding on the Issuer and the Model shall be deemed to be updated in accordance with any such determination or approval.
- (k) The Issuer shall ensure that the Economic Assumptions in each Model prepared in respect of the relevant Calculation Dates in accordance with paragraphs (d) to (o) are updated by reference to the relevant source set out in Schedule 7 (Economic Assumptions) of the Common Terms Agreement prior to any submission of that Model under paragraphs (d) to (o).
- (l) The Issuer shall pay all the costs and expenses of the Technical Adviser and Insurance Adviser appointed in accordance with the paragraphs (d) to (o).
- (m) If, in any Calculation Period, the Issuer intends to incur any projected Operating Costs which are in excess of:
 - (i) 120 per cent. of those costs set out for the corresponding Calculation Period in the then current Model; or
 - (ii) 200 per cent. of those costs set out for the corresponding Calculation Period in the Model prepared on or about the Initial Issue Date,

then, prior to incurring such projected Operating Costs (as applicable), the Issuer shall submit a summary of those projected Operating Costs to the Technical Adviser and/or the Insurance Adviser (as applicable) for review and the process described in paragraphs (h) to (j) above shall apply *mutatis mutandis*.

- (n) The Issuer shall ensure that each (i) Model, (ii) Computer Model, (iii) Investor Report and (iv) technical report to be delivered in accordance with paragraph 5 of the CTA:
 - (i) be prepared in good faith and after reasonable due diligence;
 - (ii) accurately document historical data and include the Issuer's best estimate of projected receipts, availability and expenditure;
 - (iii) be true and accurate in all material respects and not omit anything which would make it misleading in a material respect;

- (iv) comply with the Finance Documents and take into account obligations and rights under the Transaction Documents; and
 - (v) in the case of the Model, calculate tax payments on the basis of legislation and practice in force at the time of the preparation of the Model.
- (o) The Issuer shall, as soon as reasonably practicable notify the Security Trustee of, and publish on the Designated Website, any error in the Model which would affect any financial calculation.

Emergency Capital Expenditure

- (p) Subject to paragraph (dd) (*Capital Expenditures*) below, where an Emergency has occurred or is continuing and the Issuer intends to incur any Emergency Capital Expenditure, the Issuer shall notify the Technical Adviser and provide reasonable details of the Emergency and proposed Emergency Capital Expenditure within 35 Business Days of the Issuer becoming aware of the Emergency. Within 20 Business Days following receipt of a proposal from the Issuer regarding the Emergency Capital Expenditure, the Technical Adviser shall:
- (i) confirm whether the Issuer's proposal complies with the Operational Parameters; or
 - (ii) discuss amendments to the Issuer's proposal that will enable the Issuer to comply with the Operational Parameters and, following any such discussions and/or amendments being made to the Issuer's proposal, confirm whether or not the Issuer's proposal complies with the Operational Parameters.

For the purpose of this Paragraph (p), the **Operational Parameters** are that any step, action and/or decision taken by the Issuer is to be in accordance with Good Industry Practice, the terms of the OFTO Licence and the relevant Transaction Documents.

- (q) If the Technical Adviser and the Issuer agree the Emergency Capital Expenditure in accordance with Paragraph 4.1 within 55 Business Days of the Issuer submitting its proposal to the Technical Adviser, the Issuer shall be entitled to incur such Emergency Capital Expenditure.
- (r) If the Technical Adviser and the Issuer are unable to agree the Emergency Capital Expenditure in accordance with paragraph 4.1 of the CTA within 55 Business Days of the Issuer submitting its proposal to the Technical Adviser, the Issuer shall not be entitled to incur such Emergency Capital Expenditure.
- (s) A copy of the confirmation (if given) will be delivered to the Security Trustee and published on the Designated Website by the Issuer.
- (t) The Issuer shall pay all the costs and expenses of the Technical Adviser appointed in accordance with this paragraph (t).

Reports

- (u) The Issuer must supply by email to the Security Trustee, the PBCE Provider, the Hedge Counterparties, the Rating Agencies and the Bond Trustee annually on each anniversary of the Initial Issue Date, the technical report from the Technical Adviser containing the information required by the CTA.

Notification of Default

- (v) Unless the Security Trustee has already been so notified by another Obligor, each Obligor (or the Issuer on its behalf) must notify (in a form and content accepted by Euroclear and/or Clearstream, Luxembourg) the Security Trustee, for onward transmission to the other Secured Creditors by the following means (x) in respect of the Bondholders, by email to the Principal Paying Agent (that is in form and content accepted by Euroclear and/or Clearstream, Luxembourg) for distribution to the Bondholders via Euroclear and/or Clearstream, Luxembourg; and (y) in respect of each other Secured Creditor, by email, of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.

Investor Reports

- (w) The Issuer (on behalf of each Obligor) must, on or before 31 December and 30 June of each year following Completion: (x) supply, to the Security Trustee, the PBCE Provider, the Hedge Counterparties, the Rating Agencies and the Bond Trustee by email; and (y) publish on the Designated Website (<http://bondholders.ggofto.co.uk>), an Investor Report.

Annual Presentation

- (x) The Issuer must hold each year an investor update conference call presentation, with an opportunity for questions, made by the Issuer to the Secured Creditors and the Bondholders.

Obligor Information

- (y) So far as not prohibited by any applicable law, regulations or order, each Obligor must supply (in a form and content accepted by Euroclear and/or Clearstream, Luxembourg) to the Security Trustee, except as provided for below, for onward transmission to the other Secured Creditors by the following means (x) in respect of the Bondholders, by email to the Principal Paying Agent (that is in form and content accepted by Euroclear and/or Clearstream, Luxembourg) for distribution to the Bondholders via Euroclear and/or Clearstream, Luxembourg; and (y) in respect of each other Secured Creditor, by email:
 - (i) as soon as reasonably practicable after becoming aware of the same, details of any:
 - (A) communication, enquiry, investigation or proceeding with, from or involving any regulator or other governmental authority where such communication relates to a matter which has or could reasonably be expected to have a Material Adverse Effect or where such enquiry, investigation or proceeding, if adversely determined, would have or could reasonably be expected to have a Material Adverse Effect; and
 - (B) occurrence, fact or circumstance which has or could reasonably be expected to have an effect on the Issuer's compliance with Environmental Law, to the extent such occurrence, fact or circumstance relates to the WoDS Project, the O&M Contractor's compliance with Environmental Law;
 - (ii) promptly upon becoming aware of them, details of any material litigation, arbitration or administrative proceedings (including Environmental Claims) against the Issuer or HoldCo which are current, threatened or pending or similar proceedings based on an allegation of negligence, default, breach of duty or breach of trust by a director of the Issuer or HoldCo which has been started or threatened;
 - (iii) any change in its accounting practices having an effect which is material to the interest of the Secured Creditors as a group on the definition of Net Cashflow;

- (iv) promptly upon becoming aware of them, details of any claim made under any Insurance where the claim is for a sum in excess of £1,000,000 (before deductibles) or where the amount of the claim when aggregated with all other amounts claimed under any Insurance during the previous six months exceeds £2,000,000;
- (v) any fact or event known to the Issuer, which may substantially prejudice or adversely affect operation of the WoDS Project (including providing notice and details of any material outages and unavailability of the Transmission Assets);
- (vi) as soon as reasonably practicable, a copy of any proposed material amendment made to, or replacement of, a Project Document or to the articles of association or other constitutional documents of any Obligor or any new Project Document entered into, provided that any such new Project Document shall not be further transmitted by the Security Trustee to the other Secured Creditors other than the PBCE Provider;
- (vii) within 15 Business Days of demand, such material information (including hedging information) about the business and financial condition of the Issuer which can be requested by the Security Trustee on a reasonable request of Senior Creditors holding at least 20 per cent. by value of the Senior Voting Debt, provided that, at any time when no Event of Default has occurred and is subsisting, a maximum of one such request for information may be made, in any Financial Year;
- (viii) within 15 Business Days of demand, such material information (including hedging information) about the business and financial condition of the Issuer which can be requested by the Security Trustee on the instructions of the PBCE Provider (acting reasonably), provided that, at any time when no Event of Default has occurred and is subsisting, a maximum of one such request for information may be made, in any Calculation Period;
- (ix) details of any Insolvency Proceedings in relation to it;
- (x) as soon as reasonably practicable after becoming aware of the same details of any steps which have been taken (or any proposal to take steps) to challenge, revoke or cancel any Authorisation where such challenge, revocation or cancellation has or is reasonably likely to have a Material Adverse Effect;

as soon as reasonably practicable upon receipt of a copy of any notice that any Authorisation not yet required but which will be required will not be obtained or effected at the time it is required, where such failure to be obtained or effected would have or would reasonably be expected to have a Material Adverse Effect, provided that any such notice shall not be further transmitted by the Security Trustee to the other Secured Creditors other than the PBCE Provider;

- (xi) in respect of each Project Document, copies of all communications (including, without limitation, notices relating to, contract extension and force majeure) served on it by or received from counterparties to such Project Documents or any third party within 10 Business Days of the Obligor receiving such notice where such communication or the details described in such communication has or is reasonably likely to have a Material Adverse Effect;
- (xii) as soon as reasonably practicable, copies of the annual information that is to be provided to Ofgem under Standard Condition E8 (Adequacy of Available Resources) of the OFTO Licence;
- (xiii) immediately, an E21 Direction received by the Issuer, and as soon as possible all relevant information in relation to any such direction which is threatened, proposed, discussed or

otherwise intimated as possible or likely in discussions or correspondence between the Issuer and the Authority and the Issuer must share any written or other communication with the Authority relating to a potential or actual E21 Direction including, without limitation, any information received from the Authority during such consultation and any plans being made to operate and maintain assets in accordance with the E21 Direction;

- (xiv) at any time after the Completion Date, as soon as reasonably practicable copies or summaries of any material agreements or contracts that the Issuer has entered into;
- (xv) within 15 Business Days of the appointment of a replacement Technical Adviser, notice of such replacement;
- (xvi) promptly upon becoming aware of it, any change in law which could reasonably be likely to have a Material Adverse Effect;
- (xvii) upon becoming aware of its occurrence, as soon as reasonably practicable, notification of financial defaults, as well as material disputes, default notices, termination notices and other material notices under the OFTO Licence (and immediately, notification of the issuances of any of the notices under Schedule 2, Paragraphs 1 to 4 of the Generic OFTO Special Licence Conditions), provided that any such notices or notifications shall not be further transmitted by the Security Trustee to the other Secured Creditors other than the PBCE Provider;
- (xviii) as soon as practicable after receipt, copies of any reports or information received by an Obligor in relation to a material change to the Decommissioning Plan, provided that any such copies of reports shall not be further transmitted by the Security Trustee to the other Secured Creditors other than the PBCE Provider;
- (xix) any facts or circumstances which are reasonably likely to result in any Environmental Claim being commenced or threatened in a written communication against the OFTO where such facts or circumstances relate to the WoDS Project, the O&M Contractor; and
- (xx) within 5 Business Days of receiving notice of any material breach, Default, termination, step-in, suspension, claim, non-compliance or dispute affecting the WoDS Project, details of such event and within 10 Business Days of receiving any such notice, details of any action proposed to be taken in relation thereto.

Licence Trigger Event Remediation

- (z) Following the occurrence of a Licence Trigger Event, the Issuer must immediately notify the Security Trustee and provide copies of all relevant documentation relating to such event. The Issuer must deliver to the Security Trustee, and publish on the Designated Website a preliminary remediation plan (a **Preliminary Licence Trigger Event Remediation Plan**) within 15 Business Days, or such shorter period as is required to ensure that the Issuer remains in compliance with the OFTO Licence, of the occurrence of such Licence Trigger Event, which sets out:
 - (i) the remedial action that it proposes to take in such circumstances; and
 - (ii) the manner and timetable in which such remedial action will be carried out (including the date by which it is proposed that such Licence Trigger Event or Licence Trigger Events will be remedied).

As soon as the Issuer agrees a final remediation plan (a **Final Licence Trigger Event Remediation Plan**) with Ofgem in respect of a Licence Trigger Event, the Issuer shall deliver to the Security Trustee, and publish on the Designated Website such Final Licence Trigger Event Remediation Plan.

Use of Websites

- (aa) Except as provided below, the Issuer shall maintain an open access investor website (the Designated Website) on which information under paragraphs (a) (*Financial Statements*), (g) (*Model*), (h) (*Model*), (j) (*Model*), (v) (*Notification of Default*), (x) (*Annual Presentation*), (y) (*Obligor Information*) and (aa) (*Use of Websites*) of this document that is required to be delivered to the Secured Creditors shall be published. Without prejudice to its obligations to maintain a Designated Website, the Issuer may designate a third party to operate and manage the Designated Website on its behalf.
- (bb) The Issuer shall:
- (i) ensure that the Designated Website allows any third party to register its interest by subscribing to an email notification system (each a **Registered Party**) to be notified that information has either been provided to the Security Trustee for submission by the Principal Paying Agent to the Bondholders via Euroclear and/or Clearstream, Luxembourg in accordance with the CTA and paragraphs (a) (*Financial Statements*), (v) (*Notification of Default*) and (x) (*Annual Presentation*) or been posted by it on the Designated Website; and
 - (ii) upon each occasion that it provides information to the Security Trustee for submission by the Principal Paying Agent to the Bondholders via Euroclear and/or Clearstream, Luxembourg in accordance with the CTA and paragraphs (w) (*Investor Reports*), (y) (*Obligor Information*) and (z) (*Licence Trigger Event Remediation*) or it posts information on the Designated Website, notify each Registered Party by email of such event.

Except as provided below, the Issuer may deliver any information under the CTA to the Bondholders by posting it on to the Designated Website provided that the Issuer notifies the Bondholders of the address of the Designated Website.

The Issuer must, as soon as reasonably practicable, upon becoming aware of its occurrence notify the Security Trustee and the Bond Trustee if:

- (i) the Designated Website cannot be accessed for a period of five (5) Business Days; or
- (ii) the Designated Website or any information on the website is infected by any electronic virus or similar software for a period of five (5) Business Days.

If the circumstances in sub-paragraphs (i) or (ii) above occur, each relevant Obligor must supply all information required to be delivered under the CTA (in a form and content accepted by Euroclear and/or Clearstream, Luxembourg) to the Security Trustee and the Principal Paying Agent as may be requested by any Finance Party for onward transmission to the other Secured Creditors by the following means:

- (i) in respect of the Bondholders, by email to the Principal Paying Agent (that is in form and content accepted by Euroclear and/or Clearstream, Luxembourg) for distribution to the Bondholders via Euroclear and/or Clearstream, Luxembourg; and
 - (ii) in respect of each other Secured Creditor, by email.
- (cc) The Issuer shall ensure that if one of the circumstances described in subparagraph (bb)(i) or (ii) above occurs in relation to the Designated Website and is continuing for a period of ten (10) Business Days or more it shall until such event ceases to subsist, set up, operate and manage a replacement open access investor website for information to be published on in accordance with the Finance Documents.

- (dd) Nothing in paragraphs (aa) to (dd) shall oblige any Obligor to publish any information on the Designated Website (or otherwise provide any information in paper form as contemplated by paragraph (aa) above (*Use of Websites*) if to do so would contravene any applicable law, regulation or order.

"Know Your Customer" Checks

- (ee) If:
- (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of the Common Terms Agreement;
 - (ii) any change in the status of an Obligor after the date of the Common Terms Agreement; or
 - (iii) a proposed assignment or transfer by an Authorised Credit Provider of any of its rights and obligations under any Authorised Credit Facility to a party that is not an Authorised Credit Provider prior to such assignment or transfer,

obliges any Authorised Credit Provider or its agent (or, in the case of the event described in paragraph (c) above, any prospective new Authorised Credit Provider) to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, each Obligor shall, as soon as reasonably practicable, upon the request of any Authorised Credit Provider or its agent supply, or procure the supply of, such documentation and other evidence as is customary and reasonably requested by the relevant Authorised Credit Provider's agent (for itself or on behalf of such Authorised Credit Provider) or any Authorised Credit Provider (for itself or, in the case of the event described in paragraph (c) above, on behalf of any prospective new Authorised Credit Provider) in order for the Authorised Credit Provider's agent, such Authorised Credit Provider or, in the case of the event described in paragraph (c) above, any prospective new Authorised Credit Provider, to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

Delivery of documents to Secured Parties

- (ff) If an Obligor is required to deliver a document to any Secured Creditor (other than the Security Trustee) under the terms of the Finance Documents, the Issuer shall supply that document to the Security Trustee and the Security Trustee shall also deliver such documents to the relevant Secured Creditor(s).

Financial Information

Confirmations Regarding Calculations

- (a) The Obligors shall, in each Investor Report pursuant to paragraph 7 (Investor Reports) of Part 1 (Information Covenants) of the CTA, confirm that each of the ratios listed in paragraph 2 (Financial ratios) of the CTA has been calculated, specify the results of such calculations and provide a copy of the computations made in respect of the calculation of such ratios (including, where applicable, all Equity Cure Amounts that have been applied in each Relevant Period to which that Investor Report relates).
- (b) The Historic DSCR shall be calculated using the Computer Model and the Debt Life Cover Ratio and the Projected DSCR shall be calculated using the Model.

Financial Ratios

The ratios to be calculated by each Calculation Date are as follows:

- (a) the Projected DSCR in respect of the Relevant Period;
- (b) the Historic DSCR in respect of the Relevant Period;
- (c) the Debt Life Cover Ratio in respect of the Relevant Period; and
- (d) if required under paragraph 3(a)(i) (*PBCE Rebalancing*) of Schedule 8 (PBCE Drawing Mechanism) of the CTA, the PBCE Rebalancing DLCR.

General Covenants

Pursuant to the CTA, the Obligors will give covenants that are customary for a financing of the type (with customary carve-outs, thresholds and caveats) including in relation to compliance with laws, conduct of business and maintenance of licences and authorisations. In particular, the Obligors will give the following covenants:

Authorisations

- (a) to obtain, comply with in all material respects and do all that is necessary to maintain in full force and effect, any Authorisation required under any law or regulation of a Relevant Jurisdiction to:
 - (i) enable it to perform its obligations under the Transaction Documents;
 - (ii) ensure, subject to the Reservations, the legality, validity enforceability or admissibility in evidence of any Transaction Document; and
- (b) to supply certified copies of any such Authorisation to the Security Trustee upon request;

Compliance with laws and regulation

- (c) to comply with the OFTO Licence in all material respects; and
- (d) to comply with all laws and regulations (other than the OFTO Licence) to which it may be subject, if failure so to comply has or is reasonably likely to have a Material Adverse Effect;

Environmental Matters

- (e) to comply with all Environmental Laws in all material respects;
- (f) to obtain, maintain and ensure compliance with all requisite Environmental Permits; and
- (g) to implement procedures to monitor compliance with and prevent liability under any Environmental Law;
- (h) to inform as soon as reasonably practicable, upon becoming aware of the same, inform the Security Trustee in writing of:
 - (i) any material Environmental Claim against any Obligor which is current, pending or threatened in writing;

- (ii) any facts or circumstances which are reasonably likely to result in any material Environmental Claim being commenced or threatened against it; and
- (iii) any suspension, revocation, termination, rescission, repudiation or modification of any material Environmental Permit;

Taxation

- (i) to pay and discharge all Taxes imposed upon it or its assets within the time period allowed without incurring penalties unless and only to the extent that:
 - (i) such payment is being contested in good faith;
 - (ii) adequate reserves are being maintained for those Taxes and the costs required to contest them which have been disclosed in its latest financial statements delivered to the Security Trustee; and
 - (iii) such payment can be lawfully withheld;
- (j) not to change its residence for Tax purposes;
- (k) not to surrender or dispose of any group Tax relief: (i) to any third party; or (ii) to any member of the Security Group, without the prior written consent of the Security Trustee acting in accordance with the STID unless, in relation to certain disposals allowed by the CTA, the disposal is for consideration in cash in an amount at least equal to the Tax which such Obligor could have saved by use of such Tax Loss and the proceeds of such surrender or disposal are deposited into the Proceeds Account;

Merger

- (l) not to enter into any amalgamation, demerger, merger, consolidation or corporate reconstruction other than a Permitted Transaction or a Permitted Disposal;

Change of Business

- (m) to carry on only Permitted Business from the date of the CTA;

Acquisitions

- (n) except as permitted under paragraph (o) below, no Obligor shall:
 - (i) acquire a company or any shares or securities or a business or undertaking (or, in each case, any interest in any of them); or
 - (ii) incorporate a company.
- (o) paragraph (n) above does not apply to an acquisition of a company, of shares, securities or a business or undertaking (or, in each case, any interest in any of them) or the incorporation of a company which is:
 - (i) a Permitted Acquisition; or
 - (ii) a Permitted Transaction.

HoldCo

- (p) HoldCo shall not trade, carry on any business, own any assets or incur any liabilities except for:
- (i) the provision of administrative services to other members of the Security Group of a type customarily provided by a holding company to its Subsidiaries;
 - (ii) the ownership of the Issuer;
 - (iii) credit balances in bank accounts, cash and Cash Equivalent Investments but only if those credit balances, cash and Cash Equivalent Investments are subject to any Security Document;
 - (iv) any assets and liabilities and performing obligations under the Transaction Documents to which it is a party and professional fees and administration costs in connection therewith and otherwise in the ordinary course of business as a holding company;
 - (v) incurring liability to pay Tax and paying the Tax;
 - (vi) Permitted Loans or making Restricted Payments; or
 - (vii) Permitted Payments and all activities reasonably incidental thereto;

Operation and Maintenance

- (q) the Issuer must:
- (i) diligently maintain, or ensure the diligent maintenance of, the WoDS Project in a safe, efficient and business-like manner and in accordance with the OFTO Licence, applicable industry codes and standards and Good Industry Practice;
 - (ii) comply with its material obligations under the OFTO Licence and STC;
 - (iii) maintain and operate its assets in accordance with the Authorisations in all material respects; and
 - (iv) maintain its intellectual property rights, if failure to do so would be reasonably likely to have a Material Adverse Effect;

Pari Passu ranking

- (r) subject to the Reservations, each Obligor shall ensure that at all times any unsecured and unsubordinated claims of a Secured Creditor against it under the Finance Documents rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors except those creditors whose claims are mandatorily preferred by laws of general application to companies.

Acquisition Documents

- (s) to pay promptly all amounts payable to the Vendor under the Acquisition Documents as and when they become due and take all reasonable and practical steps to preserve and enforce its rights and pursue any claims and remedies arising under any Acquisition Documents;

Negative Pledge

- (t) except as permitted under paragraph (v) below not to create or permit to subsist any Security Interest over any of its assets;
- (u) not to:
 - (i) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by an Obligor;
 - (ii) sell, transfer or otherwise dispose of any of its receivables on recourse terms;
 - (iii) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set off or made subject to a combination of accounts; or
 - (iv) enter into any other preferential arrangement having a similar effect,

in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset;
- (v) paragraphs (t) and (u) above do not apply to any Security Interest or (as the case may be) Quasi-Security, which is Permitted Security, a Permitted Disposal or a Permitted Transaction;

Disposals

- (w) not to enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any asset, unless it is a Permitted Disposal or a Permitted Transaction;

Arm's Length Basis

- (x) except as permitted by paragraph (y) below, not to enter into any transaction with any person, except on arm's length terms and for fair market value;
- (y) the following transactions shall not be a breach of paragraph (x) above:
 - (i) loans between Obligors and any Investor Funding Loans permitted under paragraph (z) below (Loans or Credit) ;
 - (ii) fees, costs and expenses payable to Secured Creditors under the Transaction Documents in the amounts set out in the Transaction Documents; and
 - (iii) a transaction expressly permitted by the Transaction Documents or any Permitted Payment;

Loans or Credit

- (z) not to be a creditor in respect of any Financial Indebtedness other than where such Financial Indebtedness is a Permitted Loan or Permitted Transaction;

No Guarantees or Indemnities

- (aa) not to incur or allow to remain outstanding any guarantee in respect of any obligation of any person other than a Permitted Guarantee or Permitted Transaction;

Restricted Payments

- (bb) not to make a Restricted Payment unless the Restricted Payment Conditions are satisfied, other than where such Restricted Payment is a Permitted Payment or a Permitted Transaction;

Financial Indebtedness

- (cc) not to incur or allow to remain outstanding any Financial Indebtedness other than Permitted Financial Indebtedness or a Permitted Transaction;

Capital expenditures

- (dd) Subject to paragraph (p) (*Emergency Capital Expenditure*), the Issuer must not incur any capital expenditure other than:
 - (i) as permitted in accordance with the criteria and parameters set out in the current Model without first obtaining the consent of the Security Trustee (acting in accordance with the STID);
 - (ii) as a result of an Emergency or other unforeseen event or circumstance that require immediate action provided that such capital expenditure is not prohibited under the OFTO Licence and is required to discharge the Issuer's obligations or to avoid or mitigate costs and revenue deductions from Real Transmission Revenue, in each case, under the OFTO Licence; or
 - (iii) as a result of requirements under Licence Condition E17;

Procurement procedure

- (ee) the Issuer shall purchase equipment, secure services and order works for the WoDS Project (a) in so far as they apply to it or to the WoDS Project, in accordance with EU law in general and in particular with the relevant European Union Directives and (b) in so far as European Union Directives do not apply, by procurement procedures which respect the criteria of economy and efficiency;

Share Capital

- (ff) not to issue any shares except pursuant to a Permitted Share Issue or a Permitted Transaction;

Insurance

- (gg) all Insurance and any other insurance required to be effected under any Transaction Document (other than any terrorism insurance) will be provided by a Qualifying Insurer or as agreed by the Security Trustee in accordance with the STID;
- (hh) the Issuer shall in accordance with Good Industry Practice, apply the proceeds relating to any loss or damage to the Transmission Assets or to any property or assets of the Issuer to reinstate, replace, restore or repair the Transmission Assets, property or assets in respect of which such proceeds or compensation were paid;
- (ii) subject to paragraph 8 (Changes in circumstances and determining insurance) of the Common Terms Agreement, if the Issuer elects to change a policy of insurance, the Issuer shall certify to the Security Trustee that:

- (i) the replacement policy of insurance is in line with other relevant policies purchased in respect of comparable projects that are familiar to the Insurance Adviser; and
 - (ii) the replacement policy is substantially consistent with the requirements of the Common Terms Agreement or is the best available on reasonably commercial terms in the market at that time;
- (jj) if the Security Trustee (acting on the written advice of the Insurance Adviser) confirms its agreement with the Issuer's certification under paragraph (ii) above, then the Issuer shall be entitled to renew or replace the insurance(s) in accordance with that proposal;
 - (kk) if the Security Trustee (acting on the written advice of the Insurance Adviser) does not confirm its agreement as provided in paragraph (jj) above, the Issuer will request that the Qualifying Secured Creditors (following receipt of advice from the Insurance Adviser) consent to any alterations to the requirements of the insurance programme as an Ordinary Voting Matter;

Litigation

- (ll) the Issuer shall defend any dispute (whether under the relevant dispute resolution procedure or otherwise), action, claim or other proceeding relating to any Project Document which is likely to have a financial impact in excess of £5,000,000 (Indexed) or to result in a Material Adverse Effect unless it has been advised by reputable independent legal counsel that there is no realistic prospect of success, in which case it shall take all steps necessary to reach a settlement in respect of such action, claim or other proceeding.

Access

- (mm) the Issuer must ensure that the Technical Adviser is (after it has given prior reasonable notice to the Issuer) given access to inspect the WoDS Project and any records of the WoDS Project (including all drawings and specifications) during normal business hours and to take copies of any documents inspected to the extent this is permitted under the OFTO Licence and the O&M Agreement;
- (nn) the Issuer must maintain up-to-date statutory books, books of account, bank statements and other records of the Issuer in accordance with good business practice and all applicable laws;
- (oo) if an Event of Default is continuing or the Security Trustee suspects a Default is continuing, each Obligor shall to the extent it is able to do so under existing contractual arrangements and applicable law, to permit the Security Trustee and/or accountants or other professional advisers and contractors of the Security Trustee free access at all reasonable times and on reasonable notice at the risk and cost of the Obligor to (a) the premises, assets, books, accounts and records of each Obligor and to (b) meet and discuss matters with senior management of the Security Group. Each of the Security Trustee and/or accountants or other professional advisers and contractors of the Security Trustee must, when accessing the premises with the Transmission Assets, comply with all health and safety requirements of the O&M Contractor as notified to it;

Amendments to Finance Documents

- (pp) not to amend, vary, novate, supplement, supersede, waive or terminate any term of a Finance Document, except in accordance with the provisions of the STID and its own terms;

Amendments to constitutional documents and other documents

- (qq) without the prior written consent of the Security Trustee not to change its memorandum or articles of association or other constitutional documents in a way which would have a Material Adverse Effect;

Project Documents

- (rr) to exercise and enforce its material rights and comply with its material obligations under each Project Document to which it is a party in a proper and timely manner;
- (ss) not to assign, transfer, novate, dispose of, terminate, suspend or abandon the O&M Agreement or the O&M Guarantee except as otherwise expressly permitted by the Finance Documents;
 - (i) not to amend or waive the Management Services Agreement, the O&M Agreement or the O&M Guarantee in any material respect unless:
 - (A) that amendment or waiver is required by the Authority, law or regulation; or
 - (B) in the case of the Management Services Agreement and O&M Agreement only, the amendment to the Management Services Agreement or O&M Agreement relates to an extension of the existing term of the O&M Agreement with the existing O&M Contractor or the Management Services Agreement with the existing Management Services Provider; or
 - (C) in respect of the Management Services Agreement, O&M Agreement or a change to the O&M Contractor, an O&M Guarantor or the Management Services Provider, the Issuer certifies in writing to the Technical Adviser and the Security Trustee that its proposal for a new O&M Contractor, O&M Guarantor, Management Services Provider or proposed amendment to the O&M Agreement or Management Services Agreement complies with the following conditions:
 - I. is not a Substantial Amendment to the O&M Agreement or the Management Services Agreement;
 - II. is in compliance with the terms of the other Project Documents, the Finance Documents, the OFTO Licence and Good Industry Practice;
 - III. the risk profile of the new O&M Agreement is substantially and materially the same as the then existing O&M Agreement or is a reasonable and appropriate risk profile taking into account similar O&M arrangements that are available in the market at that time;
 - IV. the new O&M Contractor, O&M Guarantor, Management Services Provider (as applicable) have the requisite technical experience, are sufficiently financially robust/credit-worthy and have the resources available to it to perform its obligations under the O&M Agreement, Management Services Agreement and in accordance with the OFTO Licence and Good Industry Practice; and
 - V. the Technical Adviser does not notify the Issuer that it disagrees with the Issuer's certification under this sub-paragraph (C) within 10 Business Days of receiving such certification,

and where the Technical Adviser disagrees with the Issuer's certification under sub-paragraph (C) above and has notified the Issuer of its disagreement within 10 Business Days of receiving such certification, no amendment or change shall be permitted.

For the purposes of subparagraph I above, **Substantial Amendment** means an amendment that would lead to (i) any material increase in the amount of consideration payable thereunder, (ii) an amendment that brings forward the termination date; or (iii) an amendment that is technical in nature and which materially affects the operation of the Issuer, other than any amendments that are reasonable and appropriate to make taking into account similar O&M arrangements that are available in the market at that time;

- (ii) all or any part of a Project Document (other than the Management Services Agreement, the O&M Agreement or the O&M Guarantee) where to do so has or would reasonably be expected to have a Material Adverse Effect unless that amendment or waiver is required by the Authority, law or regulation; or
 - (iii) all or any part of an Authorisation other than any administrative, procedural, or other minor variations which are immaterial to the interests of the Finance Parties or which rectify any manifest error or which comply with any court order, adjudication, or arbitration decision which is binding on the Issuer;
- (tt) not to and not to agree to, without the written consent of the Security Trustee (acting in accordance with the STID and having regard to the relevant time limits in the Project Documents):
- (i) assign, transfer, novate or dispose or take any other similar action in relation to a Project Document (other than the OFTO Licence, the O&M Agreement or the O&M Guarantee) (in the case of each Project Document only, where the same would have a Material Adverse Effect) or Authorisation; or
 - (ii) terminate, suspend or abandon a Project Document (in the case of each Project Document only, where the same would have a Material Adverse Effect) or Authorisation or take any steps to do so; or
 - (iii) assign, transfer, novate or dispose or take any similar action in relation to the OFTO Licence in any material respect unless it is required to do so by the Authority pursuant to the OFTO Licence, or by law or regulation,
- in each case, except as otherwise expressly permitted by the Finance Documents);
- (uu) not to enter into any material agreements, arrangements or documents (other than the Transaction Documents) without the prior written consent of the Security Trustee (acting in accordance with the STID);

Treasury Transactions

- (vv) not to enter into any Treasury Transaction, other than the hedging transactions documented by the Hedging Agreements, which:
- (i) for each Calculation Period, hedge the inflation rate risk in relation to the revenues of the Issuer from its operations such that the aggregate of the notional amounts of any such inflation hedging is at any time equal to greater than 95 per cent. of the RPI Hedged Amount but does not exceed 110 per cent. of the RPI Hedged Amount;
 - (ii) are subject to and governed by a Hedging Agreement which provides for "two way payments" on termination of a Hedging Agreement;
 - (iii) to the extent entered into after the Signing Date, are on the same terms or on terms which are substantially no worse (other than in relation to economic terms) for an Obligor as the

Treasury Transactions and related Hedging Agreements entered into on the Signing Date and in substantially the same form as the Treasury Transactions and related Hedging Agreements entered into on the Signing Date or otherwise be on terms and in a form and substance satisfactory to the Security Trustee (acting in accordance with the STID);

- (iv) must comply with the relevant hedging provisions of the STID; and
- (v) the rights of the Obligor under or in relation to Treasury Transaction and the related Hedging Agreement must be assigned to the Security Trustee by way of security or otherwise secured in favour of the Security Trustee, and in a manner acceptable to, the Security Trustee (acting in accordance with the STID);
- (ww) on or around the Signing Date to enter into Treasury Transactions which in aggregate hedge the inflation rate risk in relation to the revenues of the Issuer from its operations in an amount which is at least equal to the revenue required for Debt Service;
- (xx) to maintain at all times Treasury Transactions that hedge the inflation rate risk within the levels set out in subparagraph (vv)(i) above (*Treasury Transactions*). If the Treasury Transactions that hedge the inflation rate risk are:
 - (i) greater than those set out in subparagraph (vv)(i) above (*Treasury Transactions*) (vv)(i) above the Issuer shall as soon as reasonably practicable terminate the Treasury Transactions (or part thereof) pro rata between the Hedge Counterparties to ensure that they are no greater than those set out in subparagraph (vv)(i) above (*Treasury Transactions*); or
 - (ii) lower than those set out in subparagraph (vv)(i) above (*Treasury Transactions*) (vv)(i) above the Issuer shall as soon as reasonably practicable enter into additional Treasury Transactions to ensure that they are no lower than those set out in subparagraph (vv)(i) above (*Treasury Transactions*) above;
- (yy) only to enter into a Hedging Agreement with a Hedge Counterparty:
 - (i) whose short-term unsecured and unsubordinated debt obligations are assigned a rating by the Rating Agencies which is no less than A-1 by S&P, F-1 by Fitch or P-1 by Moody's or any equivalent short-term rating by another Rating Agency; and whose long-term unsecured and unsubordinated debt obligations are assigned a rating by the Rating Agencies which is no less than A- by S&P, A- by Fitch or A3 by Moody's or any equivalent long-term rating by another Rating Agency; or
 - (ii) whose long-term unsecured and unsubordinated debt obligations are assigned a rating by the Rating Agencies which is no less than the then current rating of the Bonds,
as at the date on which that Hedging Agreement is entered into, provided that a transfer by novation of a Hedge Counterparty's interest in a Hedging Agreement in accordance with the STID shall be deemed to be in compliance with this paragraph (yy); or
 - (iii) where a guarantee is provided by an institution that meets the criteria set out in subparagraph (i) above;
- (zz) subject to paragraph (aaa) below (*Treasury Transactions*), no Obligor shall be deemed to be in breach of paragraph (vv)(i) above (*Treasury Transactions*) (vv)(i) above (and will not be required to take any action in accordance with paragraph (xx)(ww) above (*Treasury Transactions*)) unless:

- (i) on any Calculation Date it is forecast to fail to comply with paragraph (vv)(i) (Treasury Transactions) for the following four consecutive Calculation Periods following that date according to the then current Model; or
- (ii) on any Calculation Date
 - (A) it has failed to comply with the provisions of paragraph (vv)(i) in one or more of the Calculation Periods preceding that Calculation Date; and
 - (B) it (or any other Obligor) is forecast to fail to comply with paragraph (vv)(i) in one or more of the following consecutive Calculation Periods,

such that the aggregate total number of consecutive breaches (both immediately preceding and following that Calculation Date) of the relevant limits referred to in (vv)(i) by it (or any other Obligor) is equal to or more than four; or

- (iii) it has failed to comply with the provisions of paragraph (a)(i) in four or more Calculation Periods (whether or not consecutive);

(aaa) in respect of:

- (i) sub-paragraphs (vv)(i) and (vv)(ii) (Treasury Transactions) above, the relevant Obligor shall be required to reduce or increase (as the case may be) the notional amount of the relevant Treasury Transactions in respect of the fourth consecutive Calculation Period for which a breach of limits set out in paragraph (vv)(i) above (Treasury Transactions) is forecast, and in respect of any subsequent Calculation Period for which a breach is forecast; and
- (ii) sub-paragraph (vv)(iii) (Treasury Transactions) above, the relevant Obligor shall be required to reduce or increase (as the case may be) the notional amount of the relevant Treasury Transactions in respect of each Calculation Period following the Calculation Period on which the provisions of paragraph (vv)(i) (Treasury Transactions) have been breached for the fourth time;

Further Assurance

- (bbb) to do as soon as reasonably practicable all such acts or execute all such documents (including assignments, transfers, mortgages, charges, notices and instructions) as the Security Trustee may specify (and in such form as the Security Trustee may require in favour of the Security Trustee or any of its nominees):
 - (i) to perfect the Security Interests created or intended to be created under or evidenced by the Security Documents (which may include the execution of a mortgage, charge, assignment or other Security Interest over all or any of the assets which are, or are intended to be, the subject of any Security Document) or for the exercise of any rights, powers and remedies of the Security Trustee or the Secured Creditors provided by or pursuant to the Finance Documents or by law;
 - (ii) to confer on the Security Trustee or confer on the Secured Creditors a Security Interest over any property and assets of that Obligor (as applicable) located in any jurisdiction equivalent or similar to the Security Interest intended to be conferred by or pursuant to any Security Document; and/or
 - (iii) to facilitate the realisation of the assets which are, or are intended to be, the subject of any Security Document;

- (ccc) to take all such action as is available to it (including making all filings and registrations) as may be necessary for the purpose of the creation, perfection, protection or maintenance of any Security Interest conferred or intended to be conferred on the Security Trustee or the Secured Creditors by or pursuant to the Finance Documents;

Credit Rating

- (ddd) to use reasonable endeavours to maintain a long-term credit rating of BBB- from at least one Rating Agency for the Bonds issued by the Issuer and to co-operate with the Rating Agencies in connection with any reasonable request for information in respect of the maintenance of a rating and with any review of its business which may be undertaken by one or more of the Rating Agencies after the Initial Issue Date;

Accounting Reference Date

- (eee) not to change its Accounting Reference Date;

Cash Management

- (fff) to comply with the cash management provisions (see "Obligor Cash Management" below for more details);

Auditors

- (ggg) to retain Auditors as its auditors and, as soon as reasonably practicable, to inform the Security Trustee of any change to its auditors;

Insolvency

- (hhh) each Obligor must not take any step for the winding-up, administration of or dissolution of, or any insolvency proceeding, or for a voluntary arrangement, scheme of arrangement or other analogous step in relation to themselves or to each other;

WoDS Project Accounts

- (iii) except with the prior consent of the Security Trustee, not to open or maintain any account or enter into a banking relationship with any branch of any bank or other financial institutions providing similar services, other than the holding of the Accounts with the Account Bank;

Operating Costs

- (jjj) unless approved in accordance with, or permitted under, the CTA, not to incur or pay any cost or expense where that cost or payment exceeds:
- (i) 120 per cent. of the projected Operating Costs for the corresponding Calculation Period as set out in the then current Model; or
 - (ii) 200 per cent. of the projected Operating Costs set out for the corresponding Calculation Period set out in the Model prepared on or about the Initial Issue Date;

Redemption upon receipt of Claim Proceeds, Relevant Disposal Proceeds and Insurance Proceeds

- (kkk) within 60 days of receipt by the Issuer of any Claim Proceeds or Relevant Disposal Proceeds, the Issuer shall (and each Obligor (other than the Issuer) shall ensure that the Issuer will) apply an amount equal to the sum of the amount of the Claim Proceeds or Relevant Disposal Proceeds

- (i) first, to repay amounts outstanding under the PBCE Letter of Credit which have not been repaid or reimbursed pursuant to the PBCE Letter of Credit and Reimbursement Deed; and
 - (ii) second, either to:
 - (A) voluntarily redeem the Bonds in accordance with Condition 6.2(c) (*Mandatory Redemptions for a PBCE Rebalancing Event and in respect of Claim Proceeds, Relevant Disposal Proceeds, Insurance Proceeds, any Equity Cure Amount and acceleration of the Guarantee*) on the next Interest Payment Date; or
 - (B) purchase Bonds in the secondary market for immediate cancellation;
- (lll) as soon as reasonably possible following receipt by the Issuer of any Insurance Proceeds, to apply the Insurance Proceeds in the following order:
- (i) first, to the extent that amounts have been withdrawn from the Debt Service Reserve Account and/or the Working Capital Reserve Account, to transfer to the Debt Service Reserve Account and/or the Working Capital Reserve Account (as applicable) an amount equal to the amount withdrawn for those purposes from such account;
 - (ii) second, to repay amounts outstanding under the PBCE Letter of Credit which have not been repaid or reimbursed pursuant to the PBCE Letter of Credit; and
 - (iii) third, either to:
 - (A) voluntarily redeem the Bonds in accordance with Condition 6.2(c) (*Mandatory Redemptions for a PBCE Rebalancing Event and in respect of Claim Proceeds, Relevant Disposal Proceeds, Insurance Proceeds, any Equity Cure Amount and acceleration of the Guarantee*) on the next Interest Payment Date; or
 - (B) purchase Bonds in the secondary market for immediate cancellation;
- (mmm) where Excluded Claim Proceeds and Excluded Insurance Proceeds include amounts which are intended to be used for a specific purpose within a specified period (as set out in the relevant definition of Excluded Claim Proceeds or Excluded Insurance Proceeds), to ensure that those amounts are used for that purpose and, if requested to do so by the Security Trustee (acting in accordance with the STID), to deliver a certificate to the Security Trustee at the time of such application and at the end of such period confirming the amount (if any) which has been so applied within the requisite time periods provided for in the relevant definition;

Mandatory Redemption upon PBCE Rebalancing

- (nnn) subject to paragraph (ooo) below, upon the occurrence of a PBCE Rebalancing Event, to mandatorily redeem the Bonds at their Outstanding Principal Amount in accordance with Condition 6.3 (*Mandatory Redemptions for a PBCE Rebalancing Event and in respect of Claim Proceeds, Relevant Disposal Proceeds, Insurance Proceeds, any Equity Cure Amount and acceleration of the Guarantee*) on the immediately following Interest Payment Date in an amount equal to the amount to be drawn under the PBCE Letter of Credit for that PBCE Rebalancing Event;
- (ooo) the provisions of paragraph (nnn) above will not apply in respect of a PBCE Excess Draw Rebalancing Event if a PBCE Rebalancing Cure has occurred on or before the PBCE Rebalancing Cure Date;

OFTO Licence

- (ppp) not to exercise any of the following rights or discretions under the OFTO Licence in a manner which has or would be reasonably likely to have a Material Adverse Effect:
- (i) (without prejudice to the Issuer's obligations to inform the Authority of an income adjustment that has led to a cost saving under paragraph 14 (Formula for the Income Adjusting Event Revenue Adjustment (IATt) of Amended Standard Condition E12-J3) making any representation or submission to the Authority on the calculation of the pass-through revenue adjustment term under Amended Standard Conditions E12-J2 to E12-J9;
 - (ii) exercising any rights in relation to any proposed changes to the STC and/or CUSC; or
 - (iii) giving notice to the Authority of any challenge to any order under section 27 of the Electricity Act;

Technical Adviser and Insurance Adviser

- (qqq) the Security Trustee shall (on instruction of the Secured Creditors in accordance with the STID), at any time any such Secured Creditor reasonably believes that the Technical Adviser and/or Insurance Adviser is not performing its role to the standard it is required to observe under the Finance Documents, give notice of such matter to the Issuer. Following such notice, to respond promptly confirming either:
- (i) the steps that it is taking to ensure that the Technical Adviser and/or Insurance Adviser meets the standard of performance reasonably expected of it by the Secured Creditors; or
 - (ii) the steps that it shall take to replace the Technical Adviser and/or Insurance Adviser with a person demonstrably capable of performing such role and which is of international repute and with equivalent experience in transactions and projects of a similar nature to the WoDS Project;

Adviser Reports

- (rrr) (on or after the Signing Date) not to request that any provider of an Adviser Report extend its reliance to any additional Secured Creditor without the prior written consent of the Security Trustee (acting in accordance with the STID);

Availability Incentive Financial Security Plan

- (sss) on or before the date being three months prior to the date falling on the first date of the sixteenth year after the date of the Initial Issue Date, the Issuer shall provide to the Security Trustee a plan which sets out how the Issuer will satisfy its obligations to procure the financial security pursuant to and in compliance with paragraphs 14 and 15 of Amended Standard Condition E12-J4;

Voluntary redemption or purchase

- (ttt) the Issuer shall only make a voluntary redemption of the Bonds or any voluntary purchase of the Bonds provided that it has sufficient funds available to make any resulting termination payments under the relevant Hedging Agreements in accordance with the relevant Priority of Payments;

Bond specific covenants

- (uuu) to give or procure to be given to the Bond Trustee such opinions certificates, information and evidence as it shall reasonably require and in such form as it shall reasonably require (including without limitation the procurement by the Issuer of all such certificates called for by the Bond Trustee pursuant to the Bond Trust Deed) for the purpose of the discharge or exercise of the duties, trusts, powers, authorities and discretions vested in it under any Finance Document or by operation of law;
- (vvv) cause to be prepared and certified by its Auditors in respect of each financial accounting period accounts in such form as will comply with all relevant legal and accounting requirements and all requirements for the time being of the Central Bank of Ireland and/or the Irish Stock Exchange;
- (www) to keep at all times proper books of account and allow the Bond Trustee and any person appointed by the Bond Trustee to whom the Issuer shall have no reasonable objection free access to such books of account at all reasonable times during normal business hours;
- (xxx) to maintain at all times a Principal Paying Agent in accordance with the Conditions;
- (yyy) to procure the Principal Paying Agent to notify promptly the Bond Trustee in the event that the Principal Paying Agent does not, by the time specified in the Agency Agreement for any payment to it in respect of the Bonds or any of the relative Coupons or Receipts, receive unconditionally, pursuant to and in accordance with the Agency Agreement, payment of the full amount in the requisite currency of the moneys payable on such due date on the Bonds, Coupons or Receipts as the case may be;
- (zzz) in the event of the unconditional payment to the Principal Paying Agent or the Bond Trustee of any sum due in respect of the Bonds or any of the relative Coupons or Receipts being made after the time specified in the Agency Agreement for such payment, to promptly give or procure to be given notice to the relevant Bondholders in accordance with the Conditions that such payment has been made;
- (aaaa) to use its best endeavours to maintain the listing of the Bonds on the official list of the Irish Stock Exchange and the admission of the Bonds to trading on the Irish Stock Exchange or, if it is unable to do so having used its best endeavours or if the Bond Trustee considers that the maintenance of such listing and/or admission to trading is unduly onerous and the Bond Trustee is of the opinion that to do so would not be materially prejudicial to the interests of the Bondholders, use its best endeavours to obtain and maintain a quotation or listing of the Bonds on such other stock exchange or exchanges or securities market or markets as the Issuer may (with the prior written approval of the Bond Trustee) decide and shall also upon obtaining a quotation or listing of the Bonds on such other stock exchange or exchanges or securities market or markets enter into a trust deed supplemental to the Bond Trust Deed to effect such consequential amendments to the Finance Documents as the Bond Trustee may require or as shall be requisite to comply with the requirements of any such stock exchange or securities market;
- (bbbb) to give notice to the Bondholders in accordance with the Conditions of any appointment, resignation or removal of any Principal Paying Agent in accordance with the terms of the Agency Agreement or any change of the Principal Paying Agent's specified office and (except as provided by the Agency Agreement or the Conditions) at least thirty (30) days prior to such event taking effect; provided always that so long as any of the Bonds, Coupons or Receipts remain outstanding in the case of the termination of the appointment of the Principal Paying Agent no such termination shall take effect until a new Principal Paying Agent (as the case may be) has been appointed in accordance with the terms of the Agency Agreement;

- (cccc) to send to the Bond Trustee, not less than fourteen (14) days prior to the date on which any such notice is to be given, the form of every notice to be given to the Bondholders in accordance with the Conditions and obtain the prior written approval of the Bond Trustee and to promptly give to the Bond Trustee two copies of the final form of every notice to be given to the Bondholders in accordance with the Conditions (such approval, unless so expressed, not to constitute approval for the purposes of Section 21 of the FSMA of a communication within the meaning of Section 21 of the FSMA);
- (dddd) to comply with and perform all its obligations under the Agency Agreement and each other Finance Document and to exercise all rights that are available to it under those documents to procure that the Principal Paying Agent, Euroclear, Clearstream, Luxembourg, and each party to any of the other Finance Documents comply with and perform all their respective obligations thereunder and (in the case of the Principal Paying Agent) any notice given by the Bond Trustee pursuant to the Bond Trust Deed and not make any amendment or modification to such agreement or any other Bond Document without the prior written approval of the Bond Trustee and use all reasonable endeavours to make such amendments to such agreement or any other Bond Document as the Bond Trustee may require;
- (eeee) in order to enable the Bond Trustee to ascertain the principal amount of Bonds for the time being outstanding for any of the purposes referred to in the proviso to the definition of **outstanding** in the Master Definitions Agreement to deliver to the Bond Trustee forthwith upon being so requested in writing by the Bond Trustee, a certificate in writing signed by a director of the Issuer setting out the total number and aggregate principal amount of Bonds which are at the date of such certificate held by, for the benefit of, or on behalf of, the Issuer, any Holding Company of the Issuer or any other Subsidiary of such Holding Company;
- (ffff) to procure that the Principal Paying Agent makes available for inspection by Bondholders at its specified office copies of the Bond Trust Deed and the other Finance Documents and the then latest audited Annual Financial Statements of the Issuer;
- (gggg) to give notice to the Bond Trustee of the proposed redemption of the Bonds at least five (5) Business Days prior to the giving of any notice of redemption in respect of such Bonds in accordance with the Conditions;
- (hhhh) to use at all times all reasonable endeavours to procure that Euroclear and Clearstream, Luxembourg (as the case may be) issue(s) any record, certificate or other document requested by the Bond Trustee as contemplated by the Bond Trust Deed as soon as possible after such request; and
- (iiii) at any time within 14 days of a demand therefor from the Bond Trustee or the Security Trustee, deliver to the Bond Trustee and the Security Trustee a certificate signed by two directors of the OFTO certifying that so far as it is aware there did not exist, up to a specified date not earlier than five business days before the date of such certificate (the **Certification Date**), any Default or other breach of any of the Transaction Documents since the most recent (i) the Certification Date of the last certificate provided pursuant to this paragraph (iiii) (or if there is no such certificate, the date of the CTA) or (ii) the date of the last Investor Report or, if it is aware that a Default or other such breach did then exist had been delivered, specifying the same.

Events of Default

The CTA will contain the following events of default which will constitute the Events of Default under each Finance Document other than any Hedging Agreement (each one being an **Event of Default**):

(a) *Non-payment*

Non-payment by the Issuer on the due date of any amount payable by it under the Finance Documents (other than a Direct Agreement) is not paid on the due date as required under such documents unless (a) its failure to pay is caused by an administrative or technical error and such payment is received within five Business Days of the due date or (b) (only to the extent that the Issuer has insufficient funds to meet such obligation having regard to the priority of payments such amount is an amount referred to in paragraph (n) of the Pre-enforcement Priority of Payments (see "*Cashflows – Pre-Enforcement Priority of Payments*" below).

(b) *Breach of Financial Covenant and other obligations*

Either (when taking into account the undrawn balance of the PBCE Letter of Credit at the relevant Calculation Date):

- (i) the Projected DSCR;
- (ii) the Historic DSCR; and/or
- (iii) the Debt Life Cover Ratio,

in each case in respect of the Relevant Period, as at the relevant Calculation Date as stated in the Investor Report provided to the Security Trustee, is not equal to or greater than the applicable Default Ratio Level and provided that an Event of Default under subparagraph (i), (ii) or (iii) above may be cured by exercise of any Equity Cure Right and/or a PBCE Rebalancing.

For the purpose of this paragraph (b), the amount of Net Cashflow will take into account the undrawn balance of the PBCE Letter of Credit as at the start of the Relevant Period applicable to the relevant Calculation Date when calculating each of the Projected DSCR, the Historic DSCR and the Debt Life Cover Ratio.

(c) *Breach of other obligations*

- (i) Any Obligor does not comply with any provision of the Finance Documents (other than those referred to in paragraphs (a) and (b) above and/or prior to the Senior Discharge Date, those provisions set out in clause 2.4 (Covenants of the Obligor) of the PBCE Letter of Credit and Reimbursement Deed).
- (ii) No Event of Default under paragraph (c)(i) above will occur if the failure to comply is capable of remedy and is remedied within 20 Business Days of the earlier of (i) the Security Trustee giving notice to the Issuer and (ii) the Issuer becoming aware of the failure to comply.

(d) *STID*

- (i) Any party to the STID (other than a Finance Party or an Obligor) fails to comply with the provisions of, or does not perform its obligations under, the STID; or
- (ii) a representation or warranty given by that party in the STID is incorrect in any material respect

and, if the non-compliance or circumstances giving rise to the misrepresentation are capable of remedy, it is not remedied within fifteen (15) Business Days of the earlier of (i) the Security Trustee giving notice to that party or (ii) that party becoming aware of the non-compliance or misrepresentation.

(e) *Misrepresentation*

- (i) Any representation or statement made by an Obligor in any Finance Document (other than a Direct Agreement) or in any other document delivered by or on behalf of any Obligor under or in connection with any Finance Document is or proves to have been incorrect or misleading in any respect when made or deemed to be repeated
- (ii) no Event of Default under paragraph (i) above will occur if the failure or event or circumstance giving rise to the breach is capable of remedy and is remedied within 20 Business Days of the earlier of (A) the Security Trustee giving notice to the Issuer and (B) the Issuer becoming aware of the event or circumstance.

(f) *Cross-default*

- (i) Any of the following occurs in respect of an Obligor:
 - (A) non-payment of amounts payable after the expiry of any originally applicable grace period in respect of any of its Financial Indebtedness (other than in respect of the Secured Debt or the Subordinated Intragroup Liabilities) in excess of £100,000 (Indexed) or its equivalent; or
 - (B) as a result of an Event of Default (howsoever described) an amount of its Financial Indebtedness (other than in respect of the Secured Debt or the Subordinated Intragroup Liabilities) in excess of £100,000 (Indexed) or its equivalent:
 - I. is declared due and payable prior to its specified maturity; or
 - II. is cancelled or suspended by a creditor; or
 - III. is capable of being declared by a creditor to be prematurely due and payable prior to its specified maturity.

(g) *Insolvency*

Any Obligor is unable or admits inability to pay its debts as they fall due or is deemed to or declared to be unable (other than pursuant to section 123(i)(a) of the Insolvency Act 1986) to pay its debts under applicable law, suspends or threatens to suspend making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with its creditors generally with a view to rescheduling any of its indebtedness.

A moratorium is declared in respect of any indebtedness of any Obligor. If a moratorium occurs, the ending of the moratorium will not remedy any Event of Default caused by that moratorium.

There shall be no event of default under this paragraph (g) where the relevant indebtedness arises under any Subordinated Intragroup Liabilities or any loan or guarantee between the Obligors.

(h) *Insolvency Proceedings*

Any corporate action, legal proceedings or other procedure or step is taken in relation to:

- (i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any Obligor; or

- (ii) a composition, compromise, assignment or arrangement with creditors generally of any Obligor (as part of a general composition, compromise, assignment or arrangement affecting such Obligor's creditors generally) other than a composition, compromise, assignment or arrangement with respect to any Subordinated Intragroup Liabilities or any loan or guarantee between any Obligors; or
- (iii) the appointment of a liquidator, receiver, administrator, compulsory manager, energy administrator or other similar officer in respect of any Obligor or any of its assets; or
- (iv) enforcement of any Security Interest over any assets of any Obligor,
- (v) or any analogous procedure or step is taken in any jurisdiction, other than: (1) any winding-up petition which is: (A) being contested in good faith and with due diligence by any Obligor; or (B) frivolous or vexatious; and (C) in any event is discharged, stayed or dismissed within 20 Business Days of commencement or, if earlier, the date on which it is advertised; or (2) any step or procedure contemplated by paragraph (b) of the definition of Permitted Transaction.

(i) *Creditors' process*

Any expropriation, attachment, sequestration, distress or execution or any analogous process in any jurisdiction affects any asset or assets of any Obligor having an aggregate value of £1,000,000 and is not discharged within 30 days.

(j) *Cessation of business*

An Obligor ceases, or threatens to cease, to carry on business.

(k) *Unlawfulness and invalidity*

- (i) It is or becomes unlawful for an Obligor to perform any of its material obligations under the Finance Documents or any Security Interest created or expressed to be created or evidenced by the Security Documents ceases to be effective or any subordination created under the STID is or becomes unlawful.
- (ii) Any obligation or obligations of any Obligor under any Finance Documents are not (subject to the Reservations) or cease to be legal, valid, binding or enforceable and the cessation individually or cumulatively adversely affects the interests of the Secured Creditors under the Finance Documents.
- (iii) Any Finance Document ceases to be in full force and effect or any Security Interest or any subordination created under the STID ceases to be legal, valid, binding, enforceable or effective or is alleged by a party to it (other than a Finance Party) to be ineffective.

(l) *Repudiation and Rescission of Agreements or Authorisations*

- (i) An Obligor either rescinds or purports to rescind or repudiates or purports to repudiate a Transaction Document or evidences an intention to rescind or repudiate a Transaction Document.
- (ii) The Lease is terminated or repudiated, where such termination or repudiation has, or is likely to have, a Material Adverse Effect.

(m) *Any Authorisation:*

- (i) is not obtained or effected by the time it is required;
- (ii) is revoked or cancelled or otherwise ceases to be in full force and effect;
- (iii) is not renewed or is renewed on revised terms; or
- (iv) is varied or waived,

and, in each case, this has or could have a Material Adverse Effect, except where a Default has occurred and is outstanding in relation to an Authorisation under paragraph (c) (Breach of other obligations) by virtue of a breach by the Issuer of paragraphs (ss)(iii) and (tt) in respect of such Authorisation.

(n) *OFTO Licence*

- (i) The Issuer receives notice that the OFTO Licence will be or the OFTO Licence is terminated or revoked except in circumstances in which it is or will be replaced immediately by a further licence or licences granted to the Issuer on equivalent terms which permit the Issuer to carry on the Permitted Business as it was carried out on the first day of the Revenue Period taking into account any changes in the regulatory environment since that date;
- (ii) There is a breach of the OFTO Licence which has a Material Adverse Effect; or
- (iii) It is or becomes unlawful for any party to perform any of its material obligations under any Transaction Authorisation.

(o) *Nationalisation*

The ability of the Issuer to conduct its business as carried on at the Completion Date is limited or curtailed to a material extent by any expropriation, confiscation, compulsory acquisition, requisition or nationalisation by or on behalf of any Government Entity in relation to any of the Issuer's assets or all or a material part of the Issuer's rights under any Transaction Document is forfeited, suspended by or on behalf of any Government Entity.

(p) *Material Proceedings*

Any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced or threatened in writing against the Issuer, or the enforcement of any execution proceedings in relation to any assets of the Obligor, each of which have, or would reasonably be likely to have a Material Adverse Effect.

(q) *Project Documents other than any Transaction Authorisation*

- (i) Subject to paragraphs (ii), and (iii) below:
 - (A) it is or becomes unlawful for any party to perform any of its material obligations under the Project Documents (other than any Transaction Authorisation) or any Project Document (other than any Transaction Authorisation) ceases to be effective;
 - (B) any obligation or obligations of any party under any Project Document (other than any Transaction Authorisation) are not or cease to be legal, valid, binding or enforceable subject to the Reservations; or

- (C) any Project Document (other than the OFTO Licence) is terminated in accordance with its terms and (if that termination right has been asserted by the counterparty to such Project Document) the Issuer:
 - I. has not challenged such termination within the prescribed period; and/or
 - II. has exhausted all rights of challenging such termination in accordance with the terms of the relevant Project Document.
- (ii) Paragraphs (q)(i)(A) to (q)(i)(C) above (inclusive) shall not apply if, in respect of any such Project Document (other than any Transaction Authorisation, the O&M Agreement or the O&M Guarantee), such event does not have or would not reasonably be expected to have a Material Adverse Effect.
- (iii) If an Event of Default arises solely as a result of an event or circumstance affecting the O&M Contractor, an O&M Guarantor or the Management Services Provider, whether directly or indirectly as a result of an event which is or would be likely to be materially adverse to the ability of the O&M Contractor, the O&M Guarantor or the Management Services Provider to perform its material obligations under any Project Document, and such Event of Default can be remedied by replacing the O&M Contractor, the Management Services Provider or the O&M Guarantor (as applicable) then such Event of Default shall not be deemed to have occurred (although a Potential Event of Default will subsist) if the provisions of paragraph (ss)(i)(C) (Project Documents) above are complied with (provided that (y) such Event of Default shall be deemed to have occurred if any of the provisions of paragraph (ss)(i)(C) (Project Documents) above are not complied with and (z) this paragraph is without prejudice to the occurrence and subsistence of any other Event of Default and in each such case the Secured Creditors shall be entitled to exercise all the rights and remedies in relation to Events of Default under and in accordance with the Finance Documents as are available to them).
- (iv) Notwithstanding sub-paragraph (q)(iii) above, an Event of Default will occur under this paragraph (q) if the Issuer has, in accordance with paragraph (q)(iii) above, certified that it is entering into, or intends to enter into, a replacement agreement and/or guarantee (and such certification has not been withdrawn) but is not taking appropriate steps to pursue that designated course of action.

(r) *Change of Control*

At any time on or after the Signing Date, the Issuer ceases to be a wholly-owned Subsidiary of HoldCo.

(s) *Final Licence Trigger Event Remediation Plan*

The Issuer fails to comply with any part of a Final Licence Trigger Event Remediation Plan by the time or within the time periods which are agreed within the relevant Final Licence Trigger Event Remediation Plan.

(t) *Insurance*

- (i) Any Insurance or any other insurance required to be effected under any Transaction Document:
 - (A) is not, or ceases to be, in full force and effect;
 - (B) is unavailable at the time it is required to be effected;
 - (C) is repudiated, avoided or suspended; or

- (D) (in the case of any Insurance only) ceases to be provided by a Qualifying Insurer; or
- (ii) Any insurer is entitled to avoid, repudiate or suspend (in each case to any extent) or otherwise reduce its liability under the policy relating to any Insurance or other insurance required to be effected under any Transaction Document,

and, in each case, the Issuer has not replaced such insurance provider in accordance with the CTA within 20 Business Days of the Issuer becoming aware of such cessation, ineffectiveness, unavailability or repudiation.

(u) *Equity Cure*

- (i) If an Investor Report to be delivered to the Security Trustee for any period shows that there would be a breach in respect of a Financial Ratio Event of Default or a PBCE DLCR Rebalancing Event would occur, the Investors may provide or procure the provision of Additional Equity in an amount at least sufficient for the amount necessary to cure the relevant breach (the **Equity Cure Amount**) by applying that Equity Cure Amount in:
 - (A) making market purchases of Bonds for a purchase price not exceeding the aggregate of (x) par and (y) any premium which would be payable were the Issuer to redeem such Bonds at such time (provided that such Bonds are then cancelled in accordance with their terms);
 - I. prepayment of Bonds;
 - II. payments into the Defeasance Account; and
 - III. payment of any related Repayment Costs,(each an **Equity Cure Right**).
 - (B) The exercise of the Equity Cure Right shall be subject to any limitations thereon in any Authorised Credit Facility and, in any event, cannot be exercised more than three times from the date of the CTA to the Final Maturity Date of the Bonds or in respect of two consecutive Calculation Dates.
 - (C) Any Equity Cure Amount must be provided on or prior to the date falling 10 Business Days after the delivery of the relevant Investor Report.
 - (D) On application of the Equity Cure Amount, the applicable financial ratio that was the subject of the breach of the Financial Ratio Event of Default will be recalculated on a pro forma basis:
 - I. if the Financial Ratio Event of Default is a breach of the Historic DSCR, as if the Equity Cure Amount had been applied at the commencement of the applicable historic Relevant Period, such that the Debt Service shall be deemed as at the relevant Calculation Date to have been reduced by the amount of Debt Service which is attributable to the Senior Debt which has been prepaid, purchased and/or defeased; and/or
 - II. if the Financial Ratio Event of Default is a breach of the Projected DSCR, as if the Equity Cure Amount had been applied on the Calculation Date in respect of such Relevant Period in accordance with paragraph (i) above, such that the Debt Service shall be deemed as at the relevant Calculation Date to have been reduced by the amount of Debt Service which is

attributable to the Senior Debt which has been prepaid and/or purchased and/or defeased; and/or

- III. if the Financial Ratio Event of Default is a breach of the Debt Life Cover Ratio or a PBCE DLCR Rebalancing Event, as if the Equity Cure Amount had been applied on the Calculation Date in respect of such Relevant Period in accordance with paragraph (i) above, such that the Senior Debt outstanding shall be deemed as at the relevant Calculation Date to have been reduced by the amount of Senior Debt which has been prepaid, purchased and/or defeased.
- (ii) If after the applicable financial ratio that was the subject of the breach of the Financial Ratio Event of Default or PBCE DLCR Rebalancing Event is recalculated, the breach has been prevented or cured, that financial ratio shall be deemed to have been satisfied on the date of the relevant Investor Report as though no breach had ever occurred and any related Financial Ratio Event of Default or PBCE DLCR Rebalancing Event shall be deemed not to occur or have occurred, as applicable.

Protected rights of the Issuer as holder of the OFTO Licence

- (a) Notwithstanding any other provision of any Finance Document but to the extent required by paragraph 1(d) of condition E10 of the OFTO Licence only, if an Event of Default occurs solely as a result of any act, omission or state of affairs in existence which relates only to HoldCo the power to take any Enforcement Action shall be deemed not to have arisen as against the Issuer for so long as the Issuer is the holder of the OFTO Licence as regards all sums owed by the Issuer under the Finance Documents until the Issuer ceases to hold the OFTO Licence.
- (b) The provisions of paragraph (a) above shall not operate so as to limit the rights of any Secured Creditor to take any Enforcement Action:
- (i) in any other circumstances;
- (ii) in the circumstances set out in paragraph (a) above (including, without limitation, under paragraph (c) of the definition of Enforcement Action),

against HoldCo in accordance with the provisions of the Finance Documents or of the Security Trustee to exercise all or any of its rights and remedies against HoldCo on or following the occurrence of such an Event of Default nor shall the provisions of paragraph (a) above qualify the Security Trustee's ability to exercise such powers, rights and remedies against HoldCo in its own discretion or if so instructed by the Secured Creditors in accordance with the STID.

Obligor Cash Management

General

- (a) The Issuer shall open and maintain the following accounts with the Account Bank: (i) the Proceeds Account; (ii) the Debt Service Reserve Account; (iii) the Maintenance Reserve Account; (iv) the Working Capital Reserve Account; and (v) the Debt Service & PBCE Account. Following the Initial Issue Date, as and when required by the relevant Transaction Documents, the Issuer shall open and maintain the following accounts with the Account Bank: (i) the DECC Decommissioning Reserve Account; and the (ii) Defeasance Account.
- (b) HoldCo shall open and maintain the HoldCo Account with the Account Bank.

- (c) Each Obligor shall maintain the Accounts and operate them in accordance with the Account Bank Agreement and the CTA.

Proceeds Account

- (a) Unless a Finance Document expressly requires an amount to be paid into any other Account, the Issuer must ensure that any amount payable to it is paid promptly into the Proceeds Account.
- (b) Unless a Finance Document expressly provides otherwise, the Issuer may only withdraw amounts from the Proceeds Account if they are applied in accordance with the Pre-enforcement Priority of Payments. See "*Cashflows – Pre-Enforcement Priority of Payments*" below for a detailed description.

Debt Service Reserve Account

- (a) The CTA requires that on and after the Initial Issue Date, the Issuer must ensure that the amount standing to the credit of the Debt Service Reserve Account is not less than the Required DSRA Balance (applicable from the date on which it is calculated until the next Calculation Date).
- (b) On the Initial Issue Date and each Calculation Date, the Issuer must transfer from the Proceeds Account to the Debt Service Reserve Account an amount sufficient to ensure that the amount standing to the credit of the Debt Service Reserve Account on that date is equal to the Required DSRA Balance (or, if less, the amount available for that purpose in accordance with the CTA).
- (c) The Issuer may only withdraw amounts from the Debt Service Reserve Account if they are applied for the following purposes in the following order:
 - (i) to pay any amount contemplated by paragraphs (g) to (h) (inclusive) of the pre enforcement priority of payments (see "*Cashflows – Pre-Enforcement Priority of Payments*" for more details) falling due and payable under the Finance Documents at that time but only to the extent that there are insufficient funds in the Proceeds Account to meet those payments; and
 - (ii) to transfer to the Proceeds Account on a Calculation Date, but only to the extent that the balance standing to the credit of the Debt Service Reserve Account following the transfer equals or exceeds the Required DSRA Balance on that Calculation Date.

Maintenance Reserve Account

- (a) Subject to the terms of the CTA, on each Calculation Date, the Issuer must transfer from the Proceeds Account to the Maintenance Reserve Account an amount sufficient to ensure that the amount standing to the credit of the Maintenance Reserve Account on that date is equal to the Maintenance Reserve Amount (or if less, the amount available for that purpose in accordance with the CTA).
- (b) The Issuer may withdraw amounts from the Maintenance Reserve Account if they are applied for the following purposes and in the following order:
 - (i) in the case of the Final Maturity Date, in order to make the final repayment of the Senior Debt in accordance with the Finance Documents on such date;
 - (ii) to meet any Additional Budgeted Maintenance Costs as they fall due for payment provided that no withdrawal under this sub-paragraph (ii) may be made unless, at least ten Business Days prior to such withdrawal, the Issuer has:

- (A) certified in writing to the Security Trustee that such Additional Budgeted Maintenance Costs are due and payable and the costs to be paid are properly reflected in the most recent Model provided to the Security Trustee pursuant to the CTA; and
- (B) supplied copy invoices in relation thereto, together with the details of the identity and nature of the works or services that have been (or will be) carried out,

provided that, in relation to any relevant Additional Budgeted Maintenance Cost, the Issuer shall only be entitled to withdraw from the Maintenance Reserve Account an amount equal to that which it has credited to the Maintenance Reserve Account specifically for such Additional Budgeted Maintenance Cost, as evidenced by the most recent Model provided to the Security Trustee pursuant to the CTA; and

- (iii) to the extent that the most recent Model evidences that the amount standing to the credit of the Maintenance Reserve Account exceeds the then applicable Maintenance Reserve Amount, the Issuer may transfer the whole or part of the excess to the Proceeds Account within five Business Days of such Model being agreed in accordance with paragraph (d) (*Model*).

DECC Decommissioning Reserve Account

- (a) The CTA requires that on and after the first day of the eleventh year following the commencement of the Revenue Period, the Issuer must ensure that the amount standing to the credit of the DECC Decommissioning Reserve Account is not less than the Required DRA Balance (applicable from the date on which it is determined until the next Calculation Date).
- (b) On the Issue Date and each Calculation Date, the Issuer must transfer from the Proceeds Account to the DECC Decommissioning Reserve Account an amount sufficient to ensure that the amount standing to the credit of the DECC Decommissioning Reserve Account on that date is equal to the Required DRA Balance (or if less, the amount available for that purpose in accordance with the CTA).
- (c) The Issuer may only withdraw amounts from the DECC Decommissioning Reserve Account if they are applied for the following purposes in the following order:
 - (i) at any time, to satisfy any projected decommissioning costs in relation to the WoDS Project falling due and payable as set out in the Computer Model; and
 - (ii) to transfer to the Proceeds Account on a Calculation Date, but only to the extent that the balance standing to the credit of the DECC Decommissioning Reserve Account following the transfer equals or exceeds the Required DRA Balance on that Calculation Date.
- (d) If DECC requires rights in relation to the DECC Decommissioning Reserve Account as part of its approval of the Decommissioning Plan, the Secured Creditors shall, if requested by DECC or the Issuer:
 - (i) release the security granted over the DECC Decommissioning Reserve Account pursuant to the Security Agreement in order to allow the Issuer to grant those rights to DECC over that account; and
 - (ii) effect any consequential amendments to the Finance Documents as are necessary to reflect that release and the grant of those rights to DECC.

- (e) The Issuer shall use reasonable endeavours to obtain DECC's consent to allow the Security Trustee (or its nominee) to participate in any discussions with DECC in relation to the granting of rights to DECC as contemplated by paragraph (d) above.

Working Capital Reserve Account

The CTA requires that on or before the Initial Issue Date, the Working Capital Reserve Account is funded in an amount equal to £5,000,000 Indexed (the **Required WCRA Balance**).

- (a) Payments in
 - (i) Subject to the terms of the CTA, the Issuer must on each Calculation Date transfer from the Proceeds Account to the Working Capital Reserve Account:
 - (ii) an amount sufficient to ensure that the amount standing to the credit of the Working Capital Reserve Account on that date is equal to the Required WCRA Balance; or
 - (iii) if less, the amount available for that purpose in accordance with the CTA.
- (b) Withdrawals

The Issuer may withdraw amounts from the Working Capital Reserve Account if they are applied for the following purposes in the following order:

- (i) to pay any insurance deductible due and payable under the Finance Documents in relation to the Insurances;
- (ii) at any time, to satisfy any reactive maintenance expenditure attributable to outages or repairs then due and payable to the extent that there are no funds available for that purpose in the Proceeds Account;
- (iii) to transfer to the Proceeds Account on a Calculation Date, but only to the extent that the balance standing to the credit of the Working Capital Reserve Account following the transfer, equals or exceeds the Required WCRA Balance on that Calculation Date;
- (iv) if there is no amount standing to the credit of the Debt Service Reserve Account, for any purpose set out in paragraph (c)(i) above (Debt Service Reserve Account); and
- (v) to transfer to the Proceeds Account for inclusion in the calculation of Gross Revenues (pursuant to paragraph (f) of the definition of that term) if, without the inclusion of that amount, a Financial Ratio Event of Default would occur on the next Calculation Date in respect of the Projected DSCR and/or the Historic DSCR (provided that the amount transferred shall be the minimum amount required in order to ensure compliance with the relevant Financial Ratio Event of Default as at the next Calculation Date).

Debt Service & PBCE Account

- (a) The CTA requires that:
 - (i) Any amounts drawn under the PBCE Letter of Credit (other than amounts drawn to fund a PBCE Rebalancing, which will be paid directly to the Principal Paying Agent) must be deposited into the Debt Service & PBCE Account.

- (ii) On or prior to the date falling 10 Business Days prior to any Calculation Date, the Issuer shall transfer from the Proceeds Account to the Debt Service & PBCE Account the funds available to pay the amounts contemplated by paragraph (g) of the Pre-Enforcement Priority of Payments (See "*Cashflows – Pre-Enforcement Priority of Payments*") falling due and payable under the Finance Documents at the next Calculation Date but only to the extent that:
 - (A) there are sufficient funds standing to the credit of the Proceeds Account; and
 - (B) those funds are not required to pay any amount contemplated by paragraphs (a) to (f) (inclusive) of "*Cashflows – Pre-enforcement Priority of Payments*" which are falling due and payable under the Finance Documents in next 45 days.
- (b) The Issuer may withdraw amounts from the Debt Service & PBCE Account:
 - (i) to pay the amounts contemplated by paragraph (g) (see "*Cashflows – Pre-Enforcement Priority of Payments*" or, if applicable, paragraphs (g) and (h) of the Post-enforcement Priority of Payments, falling due and payable under the Finance Documents at that time;
 - (ii) in respect of any sums drawn under the PBCE Letter of Credit pursuant to the utilisation provisions relating to PBCE Rebalancing of the PBCE Letter of Credit and Reimbursement Deed, to transfer such amounts to the Principal Paying Agent for payment to the Bondholders by way of mandatory partial redemption of the Bonds; and
 - (iii) in respect of any sums drawn under the PBCE Letter of Credit pursuant to utilisation provisions relating to accelerated payments of the PBCE Letter of Credit and Reimbursement Deed, to pay any amount due in respect of interest and principal under Condition 9.2 (*Consequences of the service of Enforcement Notices and taking of Enforcement Action*) of the Bonds and any close-out amounts due and payable on termination of the Hedging Agreements in accordance with the Post-enforcement Priority of Payments.

Defeasance Account

(a) Payments in

Amounts may be credited to the Defeasance Account (and corresponding entries made on the Defeasance Account Ledger) by the Issuer as follows:

- (i) pursuant to paragraph (kkk)(III) (Redemption upon receipt of Claim Proceeds, Relevant Disposal Proceeds and Insurance Proceeds); and
- (ii) pursuant to Paragraph (u) (*Equity Cure*).

(b) Withdrawals

The Issuer may at any time in its absolute discretion withdraw amounts standing to the credit of the Defeasance Account to:

- (i) redeem the Bonds in accordance with Condition 6.2(c) (*Mandatory Redemption for a PBCE Rebalancing Event and in respect of Claim Proceeds, Relevant Disposal Proceeds, Insurance Proceeds, any Equity Cure Amount and Acceleration of the Guarantee*); and/or

- (ii) make market purchases of Bonds for a purchase price not exceeding the aggregate of (A) par and (B) any premium which would be payable were the Issuer to redeem such Bonds at such time (provided that such Bonds are then cancelled in accordance with their terms).

(c) Issuer Enforcement

Following the service of an Enforcement Notice, amounts standing to the credit of the Defeasance Account shall be applied solely in repayment of the Bonds without regard to the Post-enforcement Priority of Payments.

(d) Defeasance Account Ledger

- (i) In the event that the Issuer elects to deposit any amount into the Defeasance Account pursuant to paragraph (a) above (Payments in) for the first time, the Issuer (or its cash manager on its behalf) shall establish a Defeasance Account Ledger and shall make a corresponding credit entry on the Defeasance Account Ledger in respect of any such deposit; and
- (ii) Thereafter each time that the Issuer deposits an additional amount into the Defeasance Account, the Issuer (or its cash manager on its behalf) shall make a corresponding credit entry on the Defeasance Account Ledger.

On each occasion that an amount is withdrawn from the Defeasance Account pursuant to paragraph (b) above (*Withdrawals*), the Issuer (or its cash manager on its behalf) shall make a corresponding debit entry on the Defeasance Account Ledger.

HoldCo Account

- (a) HoldCo must ensure that any amount payable to HoldCo is paid promptly into the HoldCo Account.
- (b) HoldCo shall only withdraw amounts standing to the credit of the HoldCo Account if those amounts are to be applied for a purpose expressly permitted under the Transaction Documents.

Cash Equivalent Investments

- (a) The Issuer may invest in Cash Equivalent Investments from such part of the amounts standing to the credit of any of the Reserve Accounts from time to time as is prudent, but may only invest in Cash Equivalent Investments which are held to its order. The Issuer will at all times ensure to the best of its knowledge that a prudent spread of any Cash Equivalent Investments is maintained and liquidate (or ensure the liquidation of) Cash Equivalent Investments to the extent necessary to make payments due under the Finance Documents.
- (b) Whenever the Account Bank receives any Investment Proceeds it must transfer those funds upon receipt of instructions from the Issuer to the Issuer (to the account specified by the Issuer) who will apply such funds towards reinvesting them in further Cash Equivalent Investments nominated by the Issuer or paying them into the Account concerned with the Cash Equivalent Investment from which the Investment Proceeds derive.
- (c) Following the occurrence of an Event of Default which is continuing, if any document of title or other documentary evidence of ownership with respect to Cash Equivalent Investments comes into the possession or control of the Issuer, it must ensure the same is delivered as soon as practicable to, or to the order of, the Security Trustee.

- (d) Whenever the Account Bank or the Issuer receives any Income it (the Account Bank upon receipt of instructions from the Issuer) must pay the Income into the Account concerned with the Cash Equivalent Investment from which the Income derives or if the Cash Equivalent Investment from which the Income derives is to be retained after the Income is received by the Issuer, reinvest the same in that Cash Equivalent Investment.
- (e) The Issuer must give directions under paragraph (b) above and otherwise exercise its rights under the CTA in such manner as will ensure compliance with the applicable provisions of the Finance Documents with respect to Accounts, Cash Equivalent Investments, Investment Proceeds and Income.
- (f) The Issuer shall procure that the maximum average life of a Cash Equivalent Investment is appropriate having regard to the credits to be made to the Proceeds Account and payments to be made from the Proceeds Account or the Reserve Accounts from time to time. If any investment ceases to be a Cash Equivalent Investment, the Issuer must as soon as reasonably practicable after becoming aware of that fact (and in any event, no more than 30 Business Days after that time) replace the investment with a Cash Equivalent Investment or with cash as soon as it is reasonably practicable to do so.
- (g) Any reference in any Finance Document to the balance standing to the credit of one of the Accounts will be deemed to include a reference to the Cash Equivalent Investments in which all or part of such balance is for the time being invested. In the event of any dispute as to the value of any Cash Equivalent Investment for the purpose of determining the amount deemed to be standing to the credit of an Account, that value will be determined in good faith by the Issuer.

Incremental Investment Debt Sold

Where at any time the Issuer is required to fund Incremental Investment Amounts as required by Standard Licence Condition E17 of the OFTO Licence the Issuer may incur Financial Indebtedness to fund such amounts pursuant to Condition 15 (Further Bonds).

Insurance Requirements

The Issuer and the Obligors are required to comply with the terms of the CTA in respect of the insurance it arranges for its business. Specifically, each Obligor must maintain insurances on and in relation to its business and assets against the risks and to the extent such insurances are required to be maintained pursuant to the Project Documents and to the extent as is commercially prudent in accordance with Good Industry Practice. For these purposes, those risks shall be deemed to include, without limitation, the risks set out in the CTA. All insurances must be with reputable independent insurance companies or underwriters.

Each Obligor is required to assign all its present and future (i) rights under and in respect of the Insurances and (ii) rights, benefits and interest in the proceeds payable in respect of the Insurances (other than claims money payable any liability Insurance direct to a third party in or towards discharge of a liability of that Obligor to such third party) to the Security Trustee on behalf of the Secured Creditors.

The CTA sets out further requirements on the Issuer including, but not limited to, ensuring that the policies are endorsed in favour of the Security Trustee, are assigned to the Security Trustee in favour of the Secured Creditors, that each insurance broker or agent who effects any Insurance provides the Security Trustee with a letter of undertaking, in the form scheduled to the CTA.

CP AGREEMENT

The conditions precedent to, among other things, the signing of the CTA, the Issue Date and the effectiveness of the PBCE Documents are set out in a conditions precedent agreement (the **CP Agreement**)

as agreed between, among others, the Bond Trustee, the Security Trustee, the Initial Hedge Counterparties and the Obligors.

STID

General

The purpose of the STID is to regulate, among other things, (a) the claims of the Secured Creditors; (b) the exercise, acceleration and enforcement of rights by the Secured Creditors; (c) the rights of the Secured Creditors to instruct the Security Trustee; (d) the Entrenched Rights of the Secured Creditors; and (e) the giving of consents and waivers and the making of modifications to the Common Documents, Bond Documents, Hedging Agreements and PBCE Documents.

The STID also provides for the ranking in point of payment of the claims of the Secured Creditors both before and after the delivery of an Enforcement Notice and for the subordination of all claims relating to Subordinated Intragroup Liabilities.

Decision-making protocol

General

The STID contains detailed provisions setting out the voting and instruction mechanics in respect of (a) Ordinary Voting Matters; (b) Extraordinary Voting Matters; (c) Entrenched Rights; and (d) PBCE Entrenched Rights (as further described below in "*Types of Voting Categories*"). Subject to Entrenched Rights (which will always require the consent of all of the relevant Secured Creditors who are affected), PBCE Entrenched Rights (which will always require the consent of the PBCE Provider) and Extraordinary Voting Matters, the Security Trustee will only agree to any modification of or grant any consent or waiver under the Common Document with the consent of or if so instructed by the relevant majority of Qualifying Secured Creditors provided that the relevant Quorum Requirement has been met.

STID Proposal

The Issuer is entitled to provide the Security Trustee, the Bond Trustee, the Bondholders, the Hedge Counterparties and the PBCE Provider with written notice requesting any modification, consent or waiver it requires under or in respect of any Finance Document (a **STID Proposal**). The notice will certify whether such STID Proposal is a Discretion Matter, an Ordinary Voting Matter or an Extraordinary Voting Matter or whether it gives rise to an Entrenched Right (as further described in "*Types of Voting Categories*" below) and stating the Decision Period (as further described in "*Decision Periods*" below).

Determination of voting category

The determination of the voting category made by the Issuer in respect of a STID Proposal (as further described in "*STID Proposal*" above) shall be binding on the Secured Creditors unless the Bond Trustee on the instruction of Bondholders representing at least 10 per cent. of the aggregate amount of the outstanding Bond Liabilities, a Hedge Counterparty or (in relation to a matter designated as a Discretion Matter) the Security Trustee itself (a **Determination Dissenting Creditor**) informs the Security Trustee and the Issuer in writing within 20 Business Days of receipt from the Security Trustee of the relevant STID Voting Request or (in respect of a Discretion Matter) the STID Proposal that the Determination Dissenting Creditors disagree with the determination of voting category made in such STID Proposal (the **Determination Dissenting Notice**). The Determination Dissenting Notice should also specify the voting category of the relevant STID Proposal which each Determination Dissenting Creditor proposes should apply for the relevant STID Proposal.

The determination made by the Issuer of whether a STID Proposal (as further described in "*STID Proposal*" above) gives rise to an Entrenched Right in respect of a Secured Creditor shall be binding on the Secured Creditors unless the Bond Trustee on the instruction of Bondholders representing at least 10 per cent. of the aggregate amount of the outstanding Bond Liabilities or any other Secured Creditor (other than any Bondholder) (an **Entrenched Right Dissenting Creditor**) informs the Security Trustee and the Issuer in writing within 20 Business Days of receipt of the STID Voting Request that an Entrenched Right Dissenting Creditor disagrees with the determination of whether such STID Proposal gives rise to an Entrenched Right of such Secured Creditor (the **Entrenched Right Dissenting Notice**). The Entrenched Right Dissenting Notice shall also specify the Affected Secured Creditor.

If the Issuer determines that a STID Proposal does not give rise to an Entrenched Right and an Entrenched Right Dissenting Notice has been issued, each Affected Secured Creditor and the Issuer shall discuss in good faith whether the STID Proposal does, in fact, relate to an Entrenched Right.

STID Voting Request

The Security Trustee shall, following receipt of a STID Proposal (other than in relation to a Discretion Matter), promptly but no later than three Business Days thereafter send a request to the Secured Creditors (such request, a **STID Voting Request**), which shall:

- (a) request a vote in writing on the STID Proposal from each relevant Secured Creditor in accordance with the STID no later than the expiry of the Decision Period for or against implementation of that STID Proposal;
- (b) if the STID Proposal gives rise to an Entrenched Right, request that each Affected Secured Creditor confirms whether or not it wishes to consent to the relevant STID Proposal that gives rise to the Entrenched Right by no later than the expiry of the Decision Period; and
- (c) notify each recipient of the STID Voting Request that:
 - (i) the determination of the Issuer on the voting category; and
 - (ii) the determination of the Issuer as to whether the relevant STID Proposal gives rise to an Entrenched Right and the identity of the Affected Secured Creditors,

shall be binding on them unless, in each case other than any STID Proposal relating to paragraphs (k) or (o) in "*Description of the other Finance Documents – Common Terms Agreement – Covenants – Information Covenants*" above, the Security Trustee:

- (iii) is instructed by the Bond Trustee on the instruction of Bondholders representing at least 10 per cent. of the aggregate amount of the Senior Voting Debt of the Bonds or a Hedge Counterparty to deliver a Determination Dissenting Notice; or
- (iv) receives from the Bond Trustee (on the instruction of Bondholders representing at least 10 per cent. of the aggregate amount of the Senior Voting Debt of the Bonds), or any other Secured Creditor (other than any Bondholder) an Entrenched Right Dissenting Notice,

within 20 Business Days of receipt of the relevant STID Voting Request.

No physical meeting of the Bondholders shall be necessary to vote in respect of a STID Voting Request, disagree with the determination of the Issuer on the voting category or as to whether the relevant STID Proposal gives rise to an Entrenched Right or approve an Ordinary Resolution (as such term is described in the STID), Extraordinary Resolution or other resolution in accordance with the terms of the STID. The Bond Trustee may, however, upon instruction of Bondholders representing at least 10 per cent. of the

aggregate amount of the Senior Voting Debt of the Bonds, convene a physical meeting of the Bondholders in accordance with the provisions of the Bond Trust Deed.

Types of Voting Categories and Voting

Ordinary Voting Matters

Ordinary Voting Matters include all matters which are not designated as Extraordinary Voting Matters or Discretion Matters (see "*Extraordinary Voting Matters*" and "*Discretion Matters*" below). Unless Senior Creditors representing in aggregate at least 25 per cent. of the Senior Voting Debt have responded to a STID Voting Request before the end of the relevant Decision Period, to inform the Security Trustee that they object to the STID Proposal, a resolution in respect of an Ordinary Voting Matter will be passed.

Extraordinary Voting Matters

The STID also describes the treatment of Extraordinary Voting Matters. If the Quorum Requirement for an Extraordinary Voting Matter is met (see "*Quorum Requirements*" below), the majority required to pass a resolution in respect of an Extraordinary Voting Matter will be at least 66.67 per cent. in aggregate of the Senior Voting Debt in accordance with the section entitled "*Method and Quantum of Voting*" below.

Entrenched Rights

Entrenched Rights are rights that cannot be modified or waived in accordance with the STID without the consent of the Affected Secured Creditor(s) and will be a Senior Creditor Entrenched Right or a PBCE Entrenched Right as relevant.

The **Senior Creditor Entrenched Rights** of a Senior Creditor, including of the Bondholders, are as follows:

- (a) any amendment or waiver which would have the effect of adversely changing any Priority of Payments (including as a result of any amendment to the definitions referred to therein) or application thereof (including as a result of any change to a requirement set out in a Finance Document that certain payments, applications or distributions should be made in accordance with the Priority of Payments) in respect of the relevant Senior Creditor or otherwise adversely affect the ranking of the relevant Senior Creditor;
- (b) any amendment or waiver which would delay the date fixed for payment of principal, interest, Make-Whole Amount or any other amount in respect of the relevant Senior Creditor's debt or would reduce the amount of principal, the Rate of Interest, Make-Whole Amount or any other amount payable in respect of such debt;
- (c) any amendment or waiver which would bring forward the date fixed for payment of principal or interest in respect of the relevant Senior Creditor's debt or would increase the amount of principal, the Rate of Interest payable, Make-Whole Amount or any other amount on any date in respect of the relevant Senior Creditor's debt;
- (d) any amendment or waiver which would result in the exchange of the relevant Senior Creditor's debt for, or the conversion of such debt into, shares, bonds or other obligations of any other person;
- (e) any amendment or waiver which would change or would relate to the currency of payment due under the relevant Senior Creditor's debt;
- (f) any amendment or waiver which would have the effect of changing or would relate to the rights of the relevant Senior Creditor to receive any sums owing to it for its own account in respect of fees,

costs, charges, liabilities, taxes, damages, proceedings, claims and demands in relation to any Finance Document to which it is a party;

- (g) any amendment or waiver which would change or would relate to any existing obligation of a Obligor to gross up any payment in respect of the relevant Senior Creditor's debt in the event of the imposition of withholding taxes;
- (h) any amendment or waiver which would result in an increase in the relevant Senior Creditor's obligations or liabilities, or would adversely modify the relevant Senior Creditor's rights, under or in connection with the STID and/or any other Finance Document;
- (i) any amendment which would change or would have the effect of changing (i) any matter which is the subject of the relevant Senior Creditor's Entrenched Right; (ii) the provisions of the STID setting out the effect of the relevant Senior Creditor's Entrenched Rights; or (iii) how the relevant Senior Creditor casts its votes or exercises its decision-making rights under the STID;
- (j) any amendment which would have the effect of changing the circumstances in which the relevant Senior Creditor is entitled to transfer its rights or obligations under, or its interest in, any Finance Document;
- (k) in relation to the Bond Trustee (on the instruction of the Bondholders) and the Hedge Counterparties only:
 - (i) any amendment to the provisions of Schedule 3 (*Events of Default*) of the Common Terms Agreement or the definition of Event of Default;
 - (ii) any amendment or waiver which would change or would have the effect of changing any of the following definitions:
 - (A) Discretion Matter;
 - (B) Entrenched Rights;
 - (C) Extraordinary Voting Matter;
 - (D) Ordinary Voting Matter;
 - (E) Permitted Financial Indebtedness;
 - (F) Qualifying Secured Creditors;
 - (G) Qualifying Secured Debt;
 - (H) Secured Creditor
 - (I) Secured Liabilities;
 - (J) Senior Voting Debt; or
 - (K) STID Proposal;
 - (iii) any amendment or waiver which would change or would have the effect of changing any of the following:
 - (A) the Decision Period,

- (B) the Quorum Requirement or Majority Requirement required in respect of any Ordinary Voting Matter,
 - (C) the Quorum Requirement or Majority Requirement required in respect of any Extraordinary Voting Matter;
 - (D) an Enforcement Instruction Notice or Further Enforcement Instruction Notice;
 - (E) Clause 22 (Consents, Amendments and Override) of the STID;
 - (F) Clause 13.2 (Quorum and voting requirement in respect of an Enforcement Instruction Notice and a Further Enforcement Instruction Notice) or Schedule 2 (STID Decision Making Protocol) of the STID; or
 - (G) paragraph 28 (*Treasury Transactions*) of part 3 (*General Covenants*) of schedule 2 (*Obligor Covenants*) of the Common Terms Agreement;
- (iv) any amendment which would have the effect of changing the nature or the scope of, or would release any Security, unless equivalent replacement security is taken at the same time;
 - (v) any increase in Financial Indebtedness of the Issuer, including fees, charges, interest or margin, changes in the repayment profile of any Financial Indebtedness, or other material amendments of terms of such Financial Indebtedness other than in each case in respect of Permitted Financial Indebtedness;
 - (vi) any amendments to or waiver of the required levels of, or the basis or timing of calculation of, the Historic DSCR, the Projected DSCR or the Debt Life Cover Ratio; or
 - (vii) any amendments to or waiver of the effectiveness of the PBCE Letter of Credit or any of the conditions to drawdown under the PBCE Letter of Credit to the extent, in respect of the Hedge Counterparties only, that such amendments or waiver would be prejudicial to the interests of the Hedge Counterparties;
- (l) in relation to the Bond Trustee (on the instruction of the Bondholders) only:
 - (i) any amendment or waiver which would change or would have the effect of changing:
 - (A) any of the following definitions:
 - I. Event of Default;
 - II. Permitted Acquisition;
 - III. Permitted Business;
 - IV. Permitted Disposal;
 - V. Restricted Payment; or
 - VI. Restricted Payment Condition;
 - (B) any of the following:
 - I. paragraph 5 (Merger), paragraph 8 (HoldCo), paragraph 10 (Pari Passu ranking), paragraph 12 (Negative Pledge), paragraph 16 (No Guarantees or

Indemnities), paragraph 17 (Restricted Payments), paragraph 26 (Amendments to constitutional documents and other documents) of part 3 (General Covenants) of schedule 2 (Obligor Covenants) of the Common Terms Agreement; or

II. paragraph 20 (Equity Cure) of schedule 3 (Events of Default) of the Common Terms Agreement;

- (ii) any waiver of, or amendment to, any condition precedent to the issue of any Bonds;
 - (iii) any amendment to the terms of the Bond Documents (and including, for the avoidance of doubt, any provisions relating to payments due to the Bond Creditors (including payments of interest, principal and fees), the currency of such payments, and the obligation of the Obligor to gross up any such payment in the event of imposition of withholding tax);
 - (iv) any consent by the OFTO to receive a section E (Offshore Transmission Owner of Last Resort) direction from the Authority;
 - (v) any amendment which would have the effect of reducing or delaying the requirements as regards provision of information set out in part 1 (*Information Covenants*) of schedule 2 (*Obligor Covenants*) of the Common Terms Agreement;
 - (vi) any amendment to or waiver of the OFTO Licence which directly or indirectly affects any termination compensation or the payment mechanism;
- (m) in respect of a Hedge Counterparty only, any amendment or waiver which would change or have the effect of changing:
- (i) Clause 5 (Hedge Counterparties and Hedging Liabilities) of the STID; or
 - (ii) the terms of a Hedging Agreement;
- (n) in respect of the Account Bank only, any amendment or waiver which would change or have the effect of changing any term of the Account Bank Agreement; and
- (o) in respect of the Principal Paying Agent only, any amendment or waiver which would change or have the effect of changing any term of the Agency Agreement.
- (p) in respect of the PBCE Provider, the **PBCE Entrenched Rights** are as follows:
- (i) any amendment to or waiver of the terms of the PBCE Documents or any related fee letter (and including, for the avoidance of doubt, any provisions relating to payments due to the PBCE Provider (including payments of interest, principal and fees), the currency of such payments, and the obligation of the OFTO to gross up any such payment in the event of imposition of withholding tax);
 - (ii) any amendment to the PBCE Provider's decision-making or voting rights, including any amendment which would change or would have the effect of changing (i) any of the definitions relating to majority thresholds and voting groups; (ii) the definition of PBCE Entrenched Rights, (iii) the decision period, quorum requirement or voting majority required in respect of any decision, waiver, determination or enforcement instruction; (iv) the provisions of the PBCE Letter of Credit and Reimbursement Deed setting out the effect of the PBCE Entrenched Rights; or (v) how the Secured Creditors cast their votes or exercise their decision-making rights under the PBCE Letter of Credit and Reimbursement Deed;

- (iii) any amendment which would have the effect of adversely changing any Priority of Payments or application thereof in respect of the PBCE Provider (whether directly or indirectly);
- (iv) any amendment to Schedule 8 (*PBCE Drawing Mechanism*) to the Common Terms Agreement or any related definitions;
- (v) any partial or total voluntary redemption of the Bonds by the OFTO unless there is:
 - (A) a full payment of outstanding amounts under the PBCE Letter of Credit and Reimbursement Deed (drawn amounts plus current interest and Capitalised Interest) if the Bonds are being redeemed in full and all Hedging Transactions terminated, and all Liabilities to all Hedge Counterparties are satisfied; or
 - (B) a *pro rata* reduction of the maximum amount of the PBCE Letter of Credit (and, as the case may be, a pro rata repayment of the drawn amounts plus current interest under the PBCE Letter of Credit and Reimbursement Deed) if the PBCE Provider has confirmed that the proposed voluntary redemption will not have a material adverse effect on its exposure and rights under the PBCE Letter of Credit and Reimbursement Deed;
- (vi) any increase in the Financial Indebtedness of the OFTO including fees, charges, interest or margin, changes in the repayment profile of any Financial Indebtedness, or any material amendments of terms of such Financial Indebtedness other than any Financial Indebtedness permitted pursuant to paragraphs (b), (c), or (d) of the definition of Permitted Financial Indebtedness;
- (vii) any amendment to or waiver of the definition of Permitted Financial Indebtedness;
- (viii) any amendments to or waiver of the required levels of, or the basis or timing of calculation of, the Historic DSCR, the Projected DSCR or the Debt Life Cover Ratio;
- (ix) any amendment to, or waiver of which would constitute any amendment to, or waiver of the provisions of the following Events of Default under the Common Terms Agreement:
 - (A) paragraph 1 (*Non Payment*) of schedule 3 (Events of Default) of the Common Terms Agreement;
 - (B) paragraph 2 (Breach of Financial Covenants and other obligations) of schedule 3 (Events of Default) of the Common Terms Agreement;
 - (C) paragraph 3 (*Breach of Other Obligations*) of schedule 3 (*Events of Default*) of the Common Terms Agreement but only so far as it relates to:
 - I. an increase in the Permitted Financial Indebtedness of an Obligor or any change to the repayment profile of any Financial Indebtedness or other material amendments to the terms of such Financial Indebtedness;
 - II. a breach of the PBCE Documents by the OFTO;
 - III. any of those events listed in paragraph 5 (*Merger*), paragraph 6 (*Change of Business*) or paragraph 13 (*Disposals*) of part 3 (*General Covenants*) of schedule 2 (*Obligor Covenants*) of the Common Terms Agreement;

- (D) paragraphs 7 (Insolvency), 8 (Insolvency Proceedings), 9 (Creditor' process) or 10 (Cessation of business) of schedule 3 (Events of Default) of the Common Terms Agreement;
 - (E) paragraph 11 (*Unlawfulness and Invalidity*) of schedule 3 (*Events of Default*) of the Common Terms Agreement; or
 - (F) paragraph 12(b) (Repudiation and Rescission of Agreements or Authorisations) of schedule 3 (Events of Default) of the Common Terms Agreement;
 - (G) paragraph 13 (*OFTO Licence*) of schedule 3 (*Events of Default*) of the Common Terms Agreement; or
 - (H) paragraph 14 (*Nationalisation*) of schedule 3 (*Events of Default*) of the Common Terms Agreement;
- (x) any amendment to or waiver of any right under a Transaction Document which has or is likely to have a material adverse effect on the cash flows of the OFTO;
 - (xi) any amendment to or waiver of the definitions of "Environment", "Environmental Claim" or "Environmental Law" in the Master Definitions Agreement or paragraph 3 (*Environmental Matters*) of part 3 (*General Covenants*) of schedule 2 (*Obligor Covenants*) of the Common Terms Agreement;
 - (xii) any amendment to or waiver of the definitions of "Enforcement Action" "PBCE Discharge Date", "PBCE Documents", "PBCE Letter of Credit", "PBCE Letter of Credit and Reimbursement Deed" or "PBCE Liabilities" in the Master Definitions Agreement;
 - (xiii) any amendment to the definition of "Permitted Business" in the Master Definitions Agreement or any proposal made by the OFTO to carry on any other business as contemplated by paragraph (b) of that definition;
 - (xiv) any amendment to or waiver of, or any exercise by the Security Trustee of any discretion or the grant of any consent under, the definitions of "Restricted Payment" or "Restricted Payment Conditions" in the Master Definitions Agreement or paragraph 17 (*Restricted Payments*) of part 3 (*General Covenants*) of schedule 2 (*Obligor Covenants*) of the Common Terms Agreement;
 - (xv) any amendment which would have the effect of changing the nature or the scope of, or would release any Security, unless equivalent replacement security is taken at the same time;
 - (xvi) any amendment to or waiver of the OFTO Licence which directly or indirectly affects any termination compensation or the payment mechanism; and
 - (xvii) any waiver of, or amendment to, any condition precedent to the availability of any funds under the PBCE Letter of Credit.

Discretion Matters

The Security Trustee may (subject to complying with the provisions of STID in relation to any modification, consent or waiver in respect of any Finance Document where such modification, consent or waiver relates to an Ordinary Voting Matter, Extraordinary Voting Matter or Entrenched Right), as requested by the Issuer by way of a STID Proposal, at its sole discretion, concur with the Issuer in respect of any Discretion Matter.

The Security Trustee shall be under no obligation to exercise its discretion in respect of any STID Proposal designated by the Issuer as a Discretion Matter.

Quorum Requirements

Pursuant to the terms of the STID, the **Quorum Requirement** is in respect of an Extraordinary Voting Matter, one or more Senior Creditors representing, in aggregate, at least 20 per cent. of the Senior Voting Debt **provided that**, if the quorum requirement has not been met on or before the Business Day immediately preceding the last day of the Decision Period, the quorum requirement shall be reduced to one or more Senior Creditors representing, in aggregate, 10 per cent. of the Senior Voting Debt, and the Decision Period shall be extended for a period of a further 10 Business Days from the expiry of the initial Decision Period.

Decision Periods

The STID includes provisions specifying the relevant decision periods within which votes must be cast (each a **Decision Period**) which period must not be less than (subject to the issuance of a Determination Dissenting Notice or an Entrenched Right Dissenting Notice):

- (a) not less than 10 Business Days from the commencement of the Decision Period for any Discretion Matter;
- (b) not less than 15 Business Days from the commencement of the Decision Period for any Ordinary Voting Matter; or
- (c) not less than 15 Business Days from the commencement of the Decision Period for any Extraordinary Voting Matter (which may be extended for a further period of ten Business Days if the Quorum Requirement for the relevant Extraordinary Voting Matter has not been met within the initial Decision Period).

Qualifying Secured Debt

General

Creditors to whom Qualifying Secured Debt is owed are entitled to vote the amount of such debt when consenting to proposals made by the Issuer or instructing the Security Trustee to take action in accordance with the STID. Subject to Entrenched Rights, only the relevant Qualifying Secured Creditors that are owed, or deemed to be owed, Qualifying Secured Debt may vote.

Qualifying Secured Debt

Qualifying Secured Debt comprises all indebtedness owed by the Obligors to each of (i) each Hedge Counterparty; (ii) the Bond Trustee on behalf of the Bondholders; and (iii) the PBCE Provider (the **Qualifying Secured Creditors**).

Determining relevant percentage of Qualifying Secured Debt

For the purposes of determining the relevant percentage of Qualifying Secured Debt that has voted for or against any Enforcement Action, the Security Trustee shall take instructions from:

- (a) the Bond Trustee, as to the outstanding principal amount of Bonds;
- (b) the Hedge Counterparties, as to the amount of their Senior Voting Debt under the Hedging Agreements; and

- (c) the PBCE Provider, as to the principal amounts drawn under the PBCE Letter of Credit which have not been reimbursed under the PBCE Letter of Credit and Reimbursement Deed.

Method and Quantum of Voting

The votes of Secured Creditors in respect of a STID Proposal will be cast by those Secured Creditors that are entitled to vote in accordance with the provisions of the STID (in the case of the Bondholders, through the Bond Trustee on their behalf) and will count in respect of Quorum Requirements and Majority Requirements as follows:

- (a) subject to any Entrenched Rights, in accordance with the STID, in respect of the Bonds and a STID Proposal:
- (i) subject to paragraph (iii) below, in an amount equal to the aggregate of the Senior Voting Debt of the Bonds which voted for the relevant STID Proposal in accordance with the STID Decision Making Protocol , for such STID Proposal;
 - (ii) subject to paragraph (iii) below, in an amount equal to the aggregate of the Senior Voting Debt of the Bonds which voted against the relevant STID Proposal in accordance with the STID Decision Making Protocol , for such STID Proposal;
 - (iii) if either (A) or (B) below applies to the Bonds the above subparagraphs (i) and (ii) shall not be applied to the Bonds:
 - (A) if, in respect of the Bonds and a STID Proposal:
 - I. 25 per cent. or more of the Senior Voting Debt of such Bonds voted in accordance with the STID Decision Making Protocol; and
 - II. 75 per cent. or more of the Senior Voting Debt of the Bonds which so voted, voted the same way,then the entire Senior Voting Debt of the Bonds will count as having voted in such way, both in respect of Quorum Requirements and Majority Requirements;
 - (B) if, in respect of the Bonds and a STID Proposal:
 - I. 25 per cent. or more of the Senior Voting Debt of the Bonds voted in accordance with the STID Decision Making Protocol; but
 - II. less than 75 per cent. of the Senior Voting Debt of the Bonds which so voted, voted the same way,then the entire Senior Voting Debt of the Bonds will count for the purposes of Quorum Requirements (but not Majority Requirements, for which they will count on a pound-for-pound basis either for or against the STID Proposal according to their vote in accordance with subparagraphs (i) and (ii) below);
- (b) subject to paragraphs (d) and (e), in respect of a Hedge Counterparty and a Hedging Agreement, in an amount equal to the Senior Voting Debt of such Hedging Agreement for or against (as the case may be) the STID Proposal;

- (c) subject to paragraph (d), in respect of the PBCE Provider and the PBCE Documents, in an amount equal to any drawn but unreimbursed amounts under the PBCE Letter of Credit for or against (as the case may be) the STID Proposal;
- (d) no Secured Creditor which is entitled to vote shall cast a vote for the purposes of this part (*Method and Quantum of Voting*) unless it is authorised or permitted so to do under the Finance Documents (or, in respect of the Bond Trustee, unless it has been duly instructed in accordance with the provisions of the Bond Trust Deed). If a Secured Creditor which is entitled to vote does not vote (including, in respect of the Bond Trustee, due to a lack of due authorisation, permission and/or no instructions, or inconclusive instructions, from the relevant Bondholders and/or failure to achieve a quorum or majority threshold under the Bond Trust Deed) then:
 - (i) in respect of a Quorum Requirement, the relevant Senior Voting Debt which could have been voted (or, in respect of the PBCE Provider where it is entitled to vote, the outstanding principal amount under the PBCE Letter of Credit), will not count towards the numerator of any Quorum Requirement, but will count towards the denominator of such Quorum Requirement (being the entire outstanding principal amount of all Secured Debt entitled to vote); and
 - (ii) in respect of a Majority Requirement, the relevant Senior Voting Debt which could have been voted (or, in respect of the PBCE Provider where it is entitled to vote, the outstanding principal amount under the PBCE Letter of Credit), will not count towards either the numerator or the denominator of such Majority Requirement (such Majority Requirement being calculated on the basis of being the entire outstanding principal amount of all Secured Debt entitled to vote that actually voted).
- (e) Subject to the Entrenched Rights, no Hedge Counterparty shall be entitled to vote in respect of a STID Proposal unless and to the extent that such STID Proposal relates to:
 - (i) any waiver of an Event of Default;
 - (ii) any amendment to or waiver of paragraph 12 (Negative pledge), paragraph 13 (Disposals), paragraph 17 (Restricted Payments) or paragraph 22 (Insurance) of part 3 (General Covenants) of schedule 2 (Obligor Covenants) of the Common Terms Agreement;
 - (iii) any amendment to the definitions of:
 - (A) Permitted Business;
 - (B) Permitted Disposal;
 - (C) Permitted Security;
 - (D) Permitted Transaction;
 - (E) Restricted Payment; or
 - (F) Restricted Payment Condition,

provided that nothing in this paragraph (e) shall restrict the Hedge Counterparties from voting in respect of any matter referred to in clause 13 (Enforcement Action) of the STID.

Enforcement and Acceleration

Following an Event of Default and for so long as it is continuing the Security Trustee may, or if so requested by the PBCE Provider, the Bond Trustee or any Hedge Counterparty (whichever shall be the first to so request), request an instruction (**Enforcement Instruction Notice**) from the Qualifying Secured Creditors as to whether the Security Trustee should deliver a notice in the form prescribed by the STID (an **Enforcement Notice**) to enforce all or part of the Security or to take any other Enforcement Action. At any time following the delivery of an Enforcement Instruction Notice, the Security Trustee may, or if so requested by the PBCE Provider, the Bond Trustee or any Hedge Counterparty it shall, promptly request by notice (a **Further Enforcement Instruction Notice**) deliver an Enforcement Instruction as to whether the Security Trustee should take any further Enforcement Action.

Quorum and voting requirements in respect of an Enforcement Instruction Notice and a Further Enforcement Instruction Notice

With respect to an Enforcement Instruction Notice or Further Enforcement Instruction Notice:

- (a) the references to 25 per cent. in paragraphs (a)(iii)(A) and (a)(iii)(B) (see "Method and Quantum of Voting" above) shall be deemed to be references to 40 per cent.;
- (b) the Decision Period (see "*Decision Periods*" above) shall not apply, but no instruction of Qualifying Secured Creditors shall be effective unless the relevant Quorum Requirement (if applicable) and Majority Requirement specified below have been satisfied within 90 days of the delivery by the Security Trustee of an Enforcement Instruction Notice or Further Enforcement Instruction Notice. For the avoidance of doubt, the Security Trustee may deliver more than one Enforcement Instruction Notice or Further Enforcement Instruction Notice in respect of the same Event of Default.

When voting on an Enforcement Instruction Notice the Quorum Requirement shall be:

- (i) one or more Qualifying Secured Creditors representing, in aggregate, at least 75 per cent. of the Qualifying Secured Debt in the case of any Enforcement Instruction Notice or Further Enforcement Instruction Notice delivered prior to the date falling nine months from the occurrence of the Event of Default (which has continued unremedied for that period); and
- (ii) representing, in aggregate, at least 40 per cent. of the Qualifying Secured Debt in the case of any Enforcement Instruction Notice or Further Enforcement Instruction Notice delivered on or after the date falling on or after nine months from the occurrence of the Event of Default (which has continued unremedied for that period).

When voting on an Enforcement Instruction Notice the Majority Requirement means that voting instructions in favour of the resolution have been given (and not subsequently revoked) by Qualifying Secured Creditors representing, in aggregate, at least a simple majority of the Qualifying Secured Debt represented at such a vote.

At any time whilst the PBCE Available Amount is greater than zero, no Enforcement Action in relation to a Default under paragraph (b) (see " – *Common Terms Agreement – Events of Default*" above) shall be permitted without the prior written consent of the PBCE Provider.

Where as a result of the operation of the paragraph entitled "*Protected rights of the Issuer as holder of the OFTO Licence*" (see "*Description of the other Finance Documents – Common Terms Agreement – Events of Default – Protected rights of the Issuer as holder of the OFTO Licence*" above) the Secured Creditors have not been able to accelerate the Secured Liabilities in full then (a) notwithstanding such circumstances all amounts received or recovered by the Security Trustee pursuant to any partial enforcement of the Security Documents shall be applied in accordance with the Post-enforcement Priority of Payments as if a full

acceleration of the Secured Liabilities had been effected and the Finance Documents enforced accordingly (see "*Cashflows — Post-Enforcement Priority of Payments*" for a detailed description) and (b) as soon as paragraph (a) of "*Protected rights of the Issuer as holder of the OFTO Licence*" (see "*— Common Terms Agreement — Events of Default*" above) no longer applies (including as a result of the transfer of the shares of Issuer to another person) Enforcement Action (including acceleration) may be effected by the Secured Creditors in accordance with the Finance Documents.

Post-Enforcement Priority of Payments

Following the delivery of an Enforcement Notice, the whole of the Security will become enforceable. Subject to certain matters and to certain exceptions, following an enforcement, any proceeds of enforcement or other moneys held by the Security Trustee under the STID will be applied by the Security Trustee in accordance with the Post-enforcement Priority of Payments waterfall. See "*Cashflows – Post-Enforcement Priority of Payments*" for a detailed description.

Permitted Enforcement – Hedge Counterparties

Prior to the delivery of an Enforcement Notice, to the extent it is able to do so under the relevant Hedging Agreement, a Hedge Counterparty may terminate or close out in whole or in part any hedging transaction under that Hedging Agreement prior to its stated maturity: (i) if a Hedging Force Majeure has occurred in respect of a Hedging Agreement; (ii) if the Bonds have been redeemed or cancelled in full or in part in accordance with Conditions 6.2, 6.3, 6.5 or 6.6 (excluding any partial redemption pursuant to Condition 6.2 (*Mandatory Redemptions for a PBCE Rebalancing Event and in respect of Claim Proceeds, Relevant Disposal Proceeds, Insurance Proceeds, any Equity Cure Amount and acceleration of the Guarantee*)) provided that if the Bonds have been redeemed or cancelled in part, a Hedge Counterparty may only terminate or close-out a proportion of the transactions under the relevant Hedging Agreement to which it is a party, where such proportion expressed as a percentage of all the transactions under all Hedging Agreements with all Hedge Counterparties is equal to the proportion expressed as a percentage which the principal amount of the Bonds being redeemed bears to the outstanding principal amount of the Bonds immediately prior to such redemption; (iii) if an Obligor fails to make any scheduled payment which is due and payable under the relevant Hedging Agreement; (iv) if an insolvency-related Event of Default occurs and is continuing in relation to the Issuer; or (v) if an Obligor is or is deemed to be in breach of the maximum inflation rate risk hedging requirements specified in the CTA *provided that*, in this case, a Hedge Counterparty may only terminate or close-out a proportion of the transactions under the relevant Hedging Agreement to which it is a party and there such proportion is equal to the proportion of the transactions under all Hedging Agreements with all Hedge Counterparties that may be terminated or closed-out in order to comply with the requirements; or (vi) following delivery to it of any Enforcement Notice from the Security Trustee, a Hedge Counterparty may (where permitted under the Hedging Agreement) accelerate and declare immediately due and payable the relevant Early Termination Amount (as defined in the relevant Hedging Agreement) to the extent the same has not already been fully paid by way of Deferred Payment(s). For the avoidance of doubt, a Hedge Counterparty will be entitled to apply Close-Out Netting in accordance with the terms of the relevant Hedging Agreement in respect of any hedging transaction closed out in accordance with this paragraph. Save for the foregoing, the Hedge Counterparties shall not be entitled to terminate or close out any Hedging Transaction prior to the service of an Enforcement Notice by the Security Trustee.

Account Bank Agreement

General

The Obligors will establish or cause to be established the: (a) Proceeds Account; (b) Debt Service Reserve Account; (c) Maintenance Reserve Account; (d) Working Capital Reserve Account; (e) Debt Service & PBCE Account; (f) DECC Decommissioning Reserve Account; and (g) the Defeasance Account (the **Accounts**). The Accounts will be held with the Account Bank pursuant to the Account Bank Agreement

between the Obligors, the Bond Trustee, the Security Trustee, the PBCE Provider, the Principal Paying Agent, the Initial Hedge Counterparties and the Account Bank. HSBC Bank plc, will serve as the Account Bank pursuant to the Account Bank Agreement.

Termination

The Account Bank may resign its appointment upon not less than 45 days' notice to the Issuer (for itself and on behalf of the Obligors) (with a copy to the Security Trustee) provided that:

- (a) in respect of the Accounts, if the resignation would otherwise take effect less than 30 days before or on any Interest Payment Date, it shall not take effect until the thirtieth day following such date; and
- (b) such resignation shall not take effect until a substitute Account Bank has been duly appointed consistent, and/or in accordance, with the terms of the Account Bank Agreement, including that such substitute bank is an Acceptable Bank.

In addition, the Issuer (for itself and on behalf of each Obligor) may revoke its appointment of the Account Bank by not less than 60 days' notice to the Account Bank (with a copy to the Security Trustee). Such revocation shall not take effect until a substitute has been duly appointed in accordance with the terms of the Account Bank Agreement, including that such substitute bank is an Acceptable Bank.

The Issuer shall be entitled to terminate the appointment of the Account Bank: (i) the Issuer fully and finally discharges all Secured Liabilities; (ii) promptly if an Insolvency Event occurs in relation to the Account Bank; (iii) promptly if the Account Bank no longer meets the criteria for an Acceptable Bank, unless there is no other clearing bank which meets the criteria for an Acceptable Bank in which case, the Issuer may not terminate the appointment of the Account Bank until such time as there is a bank which meets the criteria for an Acceptable Bank or until some other arrangement is made provided that such arrangement will not adversely affect the then current ratings of the Bonds outstanding; (iv) the Account Bank defaults in the performance of any of its material obligations under the Account Bank Agreement and such default is not cured or waived within five Business Days of it occurring; (v) the Account Bank fails to act in accordance with any Account Mandate or defaults in the performance of any of its obligations under the Account Bank Agreement and such failure or default is not cured or waived within five Business Days of it occurring; (vi) the Account Bank defaults in the performance of any of its obligations (other than those under (iii) and (iv) above) and such default is materially prejudicial to the interests of the Secured Creditors and is not cured or waived within ten Business Days of it occurring; or (vii) the Issuer determines, in its sole discretion, that it will be required to withhold or deduct any FATCA Withholding Tax in connection with any payments due on the Bonds and such FATCA Withholding Tax would not have arisen but for the Account Bank not being or having ceased to be a person to whom payments are free from FATCA Withholding Tax.

Bond Trust Deed

General

The Issuer and the Bond Trustee will enter into the Bond Trust Deed pursuant to which the Bonds will be constituted. The Bond Trust Deed will include the form of the Bonds and contain a covenant from the Issuer to the Bond Trustee to pay all amounts due under the Bonds. The Bond Trustee will hold the benefit of that covenant on trust for itself and the Bondholders in accordance with their respective interests.

Enforcement

Notwithstanding the provisions of any other Finance Document, the Security shall only become enforceable upon the delivery of an Enforcement Notice in accordance with the STID. Only the Bond Trustee may enforce the provisions of the Bonds or the Bond Trust Deed and no Bondholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Bond Trustee or Security

Trustee (as the case may be), having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing (provided that no Bondholder shall be entitled to take any steps or proceedings to procure the winding-up, administration or liquidation of the Issuer).

Waiver of an Event of Default

The Bond Trustee may without the consent or sanction of the Bondholders, the Couponholders or the Receiptholders and without prejudice to its rights in respect of any subsequent breach, Event of Default or Potential Event of Default at any time and from time to time but only if and in so far as in its opinion the interests of the Bondholders shall not be materially prejudiced thereby:

- (a) waive or authorise any breach or proposed breach by the Issuer or any other person of any of the covenants or provisions contained in the Finance Documents or determine that any Default shall not be treated as such for the purposes of the Bond Trust Deed; or
- (b) direct the Security Trustee to waive or authorise any breach or proposed breach by the Issuer or any other person of any of the covenants or provisions contained in any Finance Document,

provided that the Bond Trustee shall not exercise any powers conferred on it in contravention of any express direction given by an Extraordinary Resolution or by a direction under the Conditions but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made.

Any such waiver, authorisation or determination may be given or made on such terms and subject to such conditions (if any) as the Bond Trustee may determine, and shall be binding on the Bondholders, Couponholders and Receiptholders and if, but only if, the Bond Trustee shall so require, shall be notified by the Issuer to the Bondholders in accordance with the Conditions as soon as practicable thereafter.

Modification

The Bond Trustee may without the consent or sanction of the Bondholders, at any time and from time to time concur with the Issuer or any other person, or direct the Security Trustee to concur with the Issuer or any other person, in making any modification to the Bond Trust Deed, the Conditions, the Bonds, the Receipts, the Coupons and/or the other Finance Documents:

- (a) provided that the Bond Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Bondholders, save to the extent that such modification relates to a Basic Terms Modification; or
- (b) if in the opinion of the Bond Trustee such modification is of a formal, minor or technical nature to correct a manifest error.

The Bond Trustee shall, without the consent or sanction of any of the Bondholders and/or Couponholders and (subject as provided below) any other Secured Creditor, concur with the Issuer, and/or direct the Security Trustee to concur with the Issuer, in making any modification to the Bonds and/or Coupons, the Conditions, the Bond Trust Deed and/or the other Transaction Documents, save to the extent that such modification relates to a Basic Terms Modification, or giving its consent to any event, matter or thing that is requested by the Issuer in writing in order to comply with any criteria of the Rating Agencies which may be published after the Closing Date and which modification(s) or consent(s) the Issuer certifies to the Bond Trustee and/or the Security Trustee (as applicable) in writing (i) do not relate to or effect a Basic Terms Modification and (ii) are required to avoid a downgrade, withdrawal or suspension of the then current ratings assigned by a Rating Agency to the Bonds, which certificate shall be conclusive and binding, provided that the Bond Trustee shall not concur with the Issuer in making any such modification or giving any such consent, or direct the Security Trustee to concur with the Issuer in making such modification, unless and until the Issuer has obtained the consent in writing of each other party to any relevant Transaction Document

to which such modification is applicable and provided further that if such document is a Finance Document to which the STID applies, the provision of the STID relating to modifications thereto shall apply and further provided that the Bond Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Bond Trustee would have the effect of: (i) exposing the Bond Trustee to any liability against which it has not been indemnified and/or secured and/or pre funded to its satisfaction; or (ii) adding to or increasing the obligations, liabilities or duties, or decreasing the protections, of the Bond Trustee in respect of the Bonds, in the Transaction Documents and/or the Conditions of the Bonds.

The Bond Trustee shall, without the consent of any of the Bondholders or Couponholders or any other Secured Creditor, concur with the Issuer, and/or direct the Security Trustee to concur with the Issuer, in making any modifications to the Finance Documents and/or the Conditions of the Bonds (save to the extent that such modification relates to or effects a Basic Terms Modification) that are requested by the Issuer in order to enable the Issuer to comply with any requirements which apply to it under EMIR, subject to receipt by the Bond Trustee of a certificate of the Issuer certifying to the Bond Trustee and the Security Trustee that (i) the requested amendments are to be made solely for the purpose of enabling the Issuer to satisfy its requirements under EMIR; and (ii) the requested amendments do not relate to or effect a Basic Terms Modification and (iii) that each of the Rating Agencies has been notified of the proposed amendments and have not made the Issuer aware that such amendments will result in a downgrade, withdrawal or suspension of the then current ratings assigned by a Rating Agency to the Bonds, which certificate shall be conclusive and binding.

The Bond Trustee and the Security Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Bond Trustee or the Security Trustee, as applicable, would have the effect of (A) exposing the Bond Trustee or the Security Trustee, as applicable, to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction; or (B) increasing the obligations or duties, or decreasing the protections, of the Bond Trustee or the Security Trustee, as applicable, in the Transaction Documents and/or the Terms and Conditions of the Bonds.

Any such modification may be made on such terms and subject to such conditions (if any) as the Bond Trustee may determine, shall be binding upon the Bondholders, the Couponholders and the Receiptholders and shall be notified by the Issuer to the Bondholders in accordance with the Conditions (unless the Bond Trustee agrees otherwise) and to the Rating Agencies, in each case as soon as practicable thereafter.

As soon as reasonably practicable after the giving of its consent or its agreement to waive, authorise or modify any event, matter or thing in accordance with the Bond Trust Deed, the Bond Trustee shall, at the cost of the Issuer, execute and deliver any deeds, documents or notices as may be required to be executed and/or delivered and which are provided to the Bond Trustee in order to give effect to or to implement, or direct the Security Trustee to give effect to or to implement, the relevant matter or thing which the Bond Trustee has consented to or agreed to waive, authorise or modify. The Bond Trustee is authorised by each Bondholder to execute and deliver on its behalf all documentation required to implement, or direct the Security Trustee to implement, any waiver, authorisation, modification or consent granted by the Bond Trustee in respect of the Bond Trust Deed, the Conditions, the Bonds, the Receipts, the Coupons and/or the other Finance Documents (other than a Basic Terms Modification) subject as provided in the STID in relation to any document to which it is a party or in respect of which the Security Trustee holds security and such execution and delivery by the Bond Trustee shall bind each Bondholder as if such documentation had been duly executed by it.

The Bond Trustee may, without the consent of the Bondholders, Couponholders or Receiptholders, agree to the Substituted Obligor(or of any previous substitute) as the principal debtor under the Bond Trust Deed, Bonds, Coupons and Receipts, provided that:

- (a) a deed is executed or undertaking given by the Substituted Obligor to the Bond Trustee, in form and manner and with content satisfactory to the Bond Trustee, agreeing to be bound by the Bond Trust Deed (with consequential amendments as the Bond Trustee may deem appropriate) as if the

Substituted Obligor had been named in the Bond Trust Deed as the principal debtor in place of the Issuer;

- (b) the Substituted Obligor executes a security document, substantially in the same form as the Security Agreement as the Bond Trustee may require in order that the Substituted Obligor grants, among other things, security over all the shares that it holds in any directly owned Subsidiary, and such other notices or documents required to be given in order that the security document and the security purported to be created thereunder are fully effective and valid, and comply with such other requirements as the Bond Trustee may direct in the interests of the Bondholders, the Couponholders and the Receiptholders;
- (c) if any two directors of the Substituted Obligor certify that it will be solvent immediately after such substitution, the Bond Trustee need not have regard to the Substituted Obligor's financial condition, profits or prospects or compare them with those of the Issuer; and
- (d) the Issuer and the Substituted Obligor comply with such other requirements as the Bond Trustee may direct in the interests of the Bondholders,

and provided always that the Bond Trustee is of the opinion that the interests of the Bondholders will not be materially prejudiced by such substitution.

An agreement by the Bond Trustee pursuant to this part ("*Modification*") shall, if so expressed, release the Issuer (or a previous substitute of) from any or all of its obligations under the Bond Trust Deed. Notice of the substitution shall be given to the Bondholders within 14 days of the execution of such documents and compliance with such requirements. On completion of the formalities set out in this part ("*Modification*"), the Substituted Obligor shall be deemed to be named in the Bond Trust Deed as the principal debtor in place of the Issuer (or of any previous substitute) and the Bond Trust Deed shall be deemed to be amended as necessary to give effect to the substitution.

Action, proceedings and indemnification

The Bond Trustee shall not be bound to take any action in relation to the Bond Trust Deed, the Bonds or any other Finance Document (including, but not limited to, instructing or directing the Security Trustee to give of an Enforcement Notice or the taking of any proceedings and/or steps and/or action or the giving of any direction mentioned in the Bond Trust Deed) unless, subject always to the terms of the STID, directed or requested to do by (a) an Extraordinary Resolution; or (b) (in respect of all matters other than relating to an Enforcement Notice) in writing by the holders of at least 25 per cent. in Outstanding Principal Amount of the Bonds or (c) in respect of any matter relating to an Enforcement Notice, in accordance with the provisions of the STID, and then, in any case, only if it shall be indemnified and/or secured and/or pre funded to its satisfaction against all Liabilities to which it may render itself liable or which it may incur by so doing.

The Bond Trustee may refrain from taking any action in any jurisdiction or state if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction or state or any directive or regulation of any agency of any such jurisdiction or state. Furthermore, the Bond Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or state or any directive or regulation of any agency of any such jurisdiction or state or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

As between the Bond Trustee and the Bondholders, only the Bond Trustee may enforce the provisions of the Bond Trust Deed and the other Finance Documents (to the extent that it is able to do so). No Bondholder, Couponholder or Receiptholder shall be entitled to proceed directly against the Issuer or any other party to any other Finance Document to enforce the performance of any of the provisions of these presents or any

other Finance Documents and/or to take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer or any such other party unless the Bond Trustee or the Security Trustee, as the case may be, having become bound to take proceedings fails to do so within a reasonable period and such failure is continuing provided that no Bondholder shall be entitled to take any steps or proceedings to procure the winding-up, administration or liquidation of the Issuer.

Provisions for Voting

STID Proposals

On receipt of a STID Proposal from the Security Trustee, the Bond Trustee shall send a Bondholder Voting Request appending a copy of such STID Proposal to the Bondholders in accordance with the Conditions. **Bondholder Voting Request** means a request sent to the Bondholders by the Bond Trustee in respect of any STID Proposal (substantially in the form of Schedule 6 of the Bond Trust Deed), appending the relevant STID Proposal received by the Bond Trustee pursuant to Schedule 2 (STID Decision Making Protocol) to the STID and requesting the Votes of holders of the Bonds then outstanding in relation to the proposal or proposals set out in the STID Proposal and setting out the relevant quorum and majority voting requirements and the Voting Date by which such Votes must be received by the Bond Trustee.

Each Bondholder may only vote or instruct the Bond Trustee by way of Block Voting Instruction or, but only if notified by the Bond Trustee to the Bondholders in advance, by way of Electronic Instruction and no physical meetings of Bondholders will be held in respect of any such instruction or Vote (unless otherwise permitted by the terms of the STID) and accordingly, the provisions of the Bond Trust Deed shall not apply to any such STID Proposals nor to any instruction or Vote in respect of any such STID Proposals.

For the purposes of determining the Votes cast in respect of a STID Proposal by a Bondholder, each Bondholder shall have one vote in respect of each £1 of Outstanding Principal Amount of the Bonds for the time being outstanding held or represented by it.

Each Bondholder must vote on or prior to the time specified by (a) the Principal Paying Agent and/or relevant clearing system in order to enable the Principal Paying Agent to issue a Block Voting Instruction on the Voting Date; or (b) the Bond Trustee in respect of an Electronic Instruction.

For each STID Proposal, the Bond Trustee shall vote (acting on the instructions of the Bondholders) in respect of the Bondholders by promptly notifying the Security Trustee, in accordance with the STID, of all instructions or Votes comprised in (i) a Block Voting Instruction received by it from the Principal Paying Agent; or (ii) Electronic Instructions received from the Bondholders on or prior to the Voting Date.

The proposal or proposals set out in a STID Proposal duly approved by the requisite majority of the Secured Creditors in accordance with the STID shall be binding on all Bondholders (subject to any Entrenched Rights). The Bond Trustee shall, following receipt from the Security Trustee of the result of any vote in respect of a STID Proposal, promptly notify the Bondholders in accordance with the Conditions.

Confirmation from the relevant clearing system(s) that such Bonds have been blocked in the relevant account holder's own account with the relevant clearing system and will not be released until the close of business (London time) on the Voting Date.

Block Voting Instructions

Where a Bond is represented by a Global Bond, unless the Bond Trustee otherwise agrees that Electronic Instructions will only be accepted in respect of a matter, the holder of such Bond may require the Principal Paying Agent to issue a Block Voting Instruction by arranging (to the satisfaction of the Principal Paying Agent) for such Bond to be blocked in an account with a clearing system not later than 24 hours before the Voting Date or such other time as is specified by the Principal Paying Agent and/or relevant clearing system

in order to enable the Principal Paying Agent to issue a Block Voting Instruction on the Voting Date. The holder of a Definitive Bond may require the Principal Paying Agent to issue a Block Voting Instruction by delivering to the Principal Paying Agent written instructions not later than 24 hours before the Voting Date.

Where Bonds are represented by a Temporary Global Bond and/or a Permanent Global Bond or are held in definitive form within a clearing system, references to the deposit, or release, of Votes shall be construed in accordance with the usual practices (including blocking the relevant account) of such clearing system.

The Bond Trustee shall not be obliged to investigate the validity of any Block Voting Instruction or Electronic Instruction the content of which it shall be entitled to rely on absolutely without liability to any person. Any such Block Voting Instruction or Electronic Instruction shall be conclusive and binding on the parties hereto and to the Bondholders.

The Bond Trustee may fix a record date for the holders of Bonds provided that such record date is not more than 10 days prior to the Voting Date.

Any vote cast by the Bond Trustee (acting on the instructions of the Bondholders) in accordance with the relevant Block Voting Instruction or Electronic Instruction in relation to the Bonds shall be valid even if such Block Voting Instruction or Electronic Instruction has been amended, revoked or reissued, provided that the Bond Trustee has not been notified in writing of such amendment, revocation or reissue by the time which is 24 hours before the Voting Date.

Unless revoked, a Block Voting Instruction or Electronic Instruction shall remain in force if the Decision Period is extended in accordance with paragraph 6.2 (Quorum Requirement for an Extraordinary Voting Matter) of the STID (as the case may be).

Agency Agreement

Pursuant to the Agency Agreement between the Issuer, the Bond Trustee and the Principal Paying Agent, provision has been made for, among other things, payment of principal and interest in respect of the Bonds.

Hedging Agreements

General

The Obligors are required to enter into inflation-linked swap transactions with the Hedge Counterparties. All Hedging Agreements entered into will be required to be in the form, as amended by the parties thereto, of the 2002 ISDA Master Agreement or any successor thereto published by ISDA unless otherwise agreed by the Security Trustee (acting in accordance with the STID).

Principles relating to the termination of Hedging Agreements

A Hedge Counterparty may only terminate a Hedging Agreement prior to its stated maturity:

- (a) if a Hedging Force Majeure has occurred in respect of that Hedging Agreement;
- (b) following a failure by an Obligor to make a scheduled payment which is due and payable under the relevant Hedging Agreement;
- (c) if the Bonds have been (i) redeemed or cancelled in full in accordance with Conditions, 6.2, 6.3, 6.5 or 6.6 or (ii) redeemed or cancelled in part in accordance with Conditions 6.3, 6.5 or 6.6 (and then only to an extent proportionate to such redemption or cancellation);
- (d) following an insolvency related Event of Default in relation to the Issuer which is continuing;

- (e) if the Issuer is or is deemed to be over-hedged for the purposes of the Common Terms Agreement (and then only to the extent of the over-hedging); or
- (f) following delivery to it of any Enforcement Notice from the Security Trustee.

CASHFLOWS

Pre-Enforcement Priority of Payments

Unless a Finance Document expressly provides otherwise, the OFTO may only withdraw amounts from the Proceeds Account if they are applied (without double counting) for the following purposes in the following order:

- (a) *first, pro rata and pari passu* towards the costs, fees, expenses, charges, liabilities and indemnities (if any) of the Security Trustee and any Receiver appointed by the Security Trustee;
- (b) *second*, towards the costs, fees, expenses, charges, liabilities and indemnities (if any) of the Bond Trustee;
- (c) *third, pro rata and pari passu* towards costs, fees, expenses, charges, liabilities and indemnities (if any) of the Account Bank and each Agent;
- (d) *fourth, pro rata and pari passu* the in payment of any WoDS Project Costs due but unpaid;
- (e) *fifth, pro rata and pari passu* in payment of any Operating Costs and Taxes due but unpaid;
- (f) *sixth, pro rata and pari passu* towards:
 - (i) costs, fees and expenses of the Technical Adviser and the Insurance Adviser; and
 - (ii) costs and expenses payable by the PBCE Provider to third parties in its capacity as creditor in respect of the PBCE Documents;
- (g) *seventh, pro rata and pari passu* in payment of:
 - (i) scheduled interest and scheduled principal outstanding under the Bonds; and
 - (ii) scheduled payments (including Deferred Payments (as defined in the Hedging Agreement) but excluding any other termination payments) on Hedging Agreements;
- (h) *eighth, pro rata and pari passu* in payment of:
 - (i) interest and principal (other than on a voluntary redemption basis) which is due and payable under the Bonds; and
 - (ii) termination payments (excluding Deferred Payments) and any other payments due on Hedging Agreements other than a termination payment resulting from the termination of a Hedging Agreement following the occurrence of a Qualifying Default (as defined in the relevant Hedging Agreement) in relation to a Hedge Counterparty to which part 1(j)(viii) of the schedule to the relevant Hedging Agreement applies;
- (i) *ninth*, on the Initial Issue Date and on each Calculation Date a transfer to the Debt Service Reserve Account to the extent required by the Common Terms Agreement;
- (j) *tenth*, on the Initial Issue Date and on each Calculation Date a transfer to the Maintenance Reserve Account to the extent required by the Common Terms Agreement;
- (k) *eleventh*, on the Initial Issue Date and on each Calculation Date a transfer to the Working Capital Reserve Account to the extent required by the Common Terms Agreement;

- (l) *twelfth*, on the Initial Issue Date and on each Calculation Date a transfer to the DECC Decommissioning Reserve Account to the extent required by the Common Terms Agreement;
- (m) *thirteenth*, in or towards payment of costs, fees and expenses of the PBCE Provider to the extent that such amounts have not been met under paragraph (vi)(B) above;
- (n) *fourteenth*, other amounts payable to the PBCE Provider to be applied in the following order:
 - (A) amounts of indemnities and accrued but unpaid (and uncapitalised) interest on principal amounts owing to the PBCE Provider following a demand being made under the PBCE Letter of Credit;
 - (B) principal amounts (representing capitalised interest) owing to the PBCE Provider following a demand being made under the PBCE Letter of Credit;
 - (C) all remaining principal amounts owing to the PBCE Provider following a demand being made under the PBCE Letter of Credit; and
 - (D) any other sum due but unpaid under the PBCE Letter of Credit and Reimbursement Deed;
- (o) *fifteenth*, in or towards payment of termination payments following the occurrence of a Qualifying Default (as defined in the relevant Hedging Agreement) in relation to a Hedge Counterparty to which part 1(j)(viii) of the schedule to the relevant Hedging Agreement applies;
- (p) *sixteenth*, in or towards satisfaction of any total voluntary redemption of the Bonds or any voluntary purchase of the Bonds (including, without limitation, any voluntary redemption or voluntary purchase of the Bonds in full pursuant to Conditions 6.2 and 6.6, as the case may be); and
- (q) *seventeenth*, subject to satisfaction of the Restricted Payment Condition and provided that such payment is within 30 days of a Calculation Date, to make a Restricted Payment.

Post-enforcement Priority of Payments

Subject to the paragraph below (*Prospective liabilities*), all amounts from time to time received or recovered by the Security Trustee pursuant to the terms of any Finance Document in connection with the realisation or enforcement of all or any part of the Security (the **Recoveries**) shall be held by the Security Trustee on trust to apply them at any time as the Security Trustee (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of this paragraph), in the following order of priority:

- (a) *firstly*, in discharging any sums (including indemnities, if any) owing to the Security Trustee, any Receiver or any Delegate;
- (b) *secondly*, in discharging any sums (including indemnities, if any) owing to the Bond Trustee or any Appointee;
- (c) *thirdly*, in discharging any costs and expenses incurred by any Senior Creditor or the PBCE Provider in connection with any realisation or enforcement of the Security taken in accordance with the terms of the STID or any action taken at the request of the Security Trustee under Clause 10.5 (*Further assurance – Insolvency Event*);
- (d) *fourthly*, payments of, on a pro rata and pari passu basis, the fees, costs and expenses and indemnities (if any) of the Account Bank and each Agent;

- (e) *fifthly*, payments of, on a pro rata and pari passu basis, any interest on the Bonds (both on a scheduled and *accelerated* basis) and scheduled payments under the Hedging Agreements (for the avoidance of doubt, including interest on any Deferred Payment payable in accordance with part 1(h) of the schedule to the relevant Hedging Agreement but excluding any Deferred Payment itself), and the fees, costs and expenses of the PBCE Provider pursuant to clauses 4.2 (*Charges, fees, costs and expenses*) and 4.3 (*Fees*) of the PBCE Letter of Credit and Reimbursement Deed;
- (f) *sixthly*, payments, on a pro rata and pari passu basis, of principal amounts outstanding and any make-whole amounts due, if any, on the Bonds (both on a scheduled and an accelerated basis) and all amounts due and payable under the Hedging Agreements (including any Deferred Payment but not including any payment resulting from the termination of a Hedging Agreement following the occurrence of a Qualifying Default (as defined therein) or any payment referred to in paragraph (e) above) and any other amounts due and payable under the Hedging Agreements;
- (g) *seventhly*, payment of all amounts due or overdue to the PBCE Provider pursuant to the PBCE Letter of Credit and Reimbursement Deed, other than those amounts referred to in paragraph (f) above (for the avoidance of doubt, by way of applying 100% of cash available after paying all amounts payable under paragraphs (a) to (e) above until all amounts due or overdue to the PBCE Provider pursuant to the PBCE Letter of Credit and Reimbursement Deed have been paid) to be applied in the following order:
- (i) first, in or towards *payment* of any unpaid fees, costs and expenses due under the PBCE Letter of Credit and Reimbursement Deed (excluding any amounts paid under (d) above);
 - (ii) secondly, in or towards payment of any indemnity and accrued interest due but unpaid under the PBCE Letter of Credit and Reimbursement Deed;
 - (iii) thirdly, in or towards the payment of any Capitalised Interest due but unpaid under the PBCE Letter of Credit and Reimbursement Deed;
 - (iv) fourthly, in or towards payment of any principal due but unpaid under the PBCE Letter of Credit and Reimbursement Deed (and where the PBCE Letter of Credit has been drawn on more than one occasion, towards repayment of such drawing(s) as the PBCE Provider may determine in its sole discretion); and
 - (v) fifthly, in or towards payment of any other sum due but unpaid under the PBCE Letter of Credit and Reimbursement Deed;
- (h) *eighthly*, if the Obligors have any actual or contingent liability under any PBCE Document or any Senior Finance Document (other than any payment referred to in paragraph (h) below), the balance shall be retained by the Security Trustee and applied in reduction of such liabilities as and when they fall due in the order set out in paragraphs (a) to (f) above;
- (i) *ninthly*, if the Obligors do not have any actual or contingent liability under any PBCE Document or any Senior Finance Document (other than to a Defaulted Hedge Counterparty), payments, on a *pro rata* and *pari passu* basis, of termination amounts payable resulting from the termination of a Hedging Agreement following the occurrence of a Qualifying Default (as defined therein);
- (j) *tenthly*, if the Obligors are not under any further actual or contingent liability under any Senior Finance Document or PBCE Document, in payment or distribution to any person to whom the Security Trustee is obliged to pay or distribute in priority to such Obligor; and
- (k) *eleventhly*, the balance, if any, in payment or distribution to the relevant Obligors.

All amounts from time to time received or recovered by the Security Trustee other than in connection with the realisation or enforcement of all or any part of the Security, shall be held by the Security Trustee on trust to apply them at any time as the Security Trustee (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of this paragraph), in accordance with the Pre-enforcement Priority of Payments.

Prospective liabilities

Following the delivery of an Enforcement Notice the Security Trustee may, in its discretion:

- (a) hold any amount of the Recoveries which is in the form of cash, and any cash which is generated by holding, managing, exploiting, collecting, realising or disposing of any Non-Cash Consideration, in one or more interest bearing suspense or impersonal accounts in the name of the Security Trustee with such financial institution (including itself) as the Security Trustee shall think fit (the interest being credited to the relevant account); and
- (b) hold, manage, exploit, collect and realise any amount of the Recoveries which is in the form of Non-Cash Consideration,

in each case for so long as the Security Trustee shall think fit for later application under this paragraph in respect of:

- (i) any sum to any Security Trustee, any Receiver or any Delegate; and
- (ii) any part of the Secured Liabilities,

that the Security Trustee considers, in each case, might become due or owing at any time in the future and the Security Trustee may at any time vary or transfer any such investments for or into other such investments or convert any moneys so deposited into any other currency.

USE OF PROCEEDS

The net proceeds of the issue of the Bonds, amounting to approximately £253,574,755, will be applied by the Issuer towards the acquisition by it of the Transmission Assets from ScottishPower Renewables (WODS) Limited and DONG Energy West of Duddon Sands (UK) Limited.

TAXATION

EU SAVINGS DIRECTIVE

Under Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the **EU Savings Directive**), EU Member States are required to provide to the tax authorities of other EU Member States details of certain payments of interest or similar income paid or secured by a person established in its jurisdiction or for the benefit of an individual resident in another Member State or certain limited types of entities established in that other Member State.

For a transitional period Austria is instead required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld). The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures to the EU Savings Directive (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted a Council Directive (the **Amending Directive**) amending and broadening the scope of the requirements of the EU Savings Directive described above. The Amending Directive requires EU Member States to apply these new requirements from 1 January 2017, and if they were to take effect the changes would expand the range of payments covered by the EU Savings Directive, in particular to include certain additional types of income payable on securities. The Amending Directive would also expand the circumstances in which payments must be reported or subject to withholding. This approach may apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

However, the European Commission has proposed the repeal of the EU Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to ongoing requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The new regime under Council Directive 2011/16/EU (as amended) is in accordance with the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014. Council Directive 2011/16/EU (as amended) is generally broader in scope than the Savings Directive, although it does not impose withholding taxes. The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

PROPOSED FINANCIAL TRANSACTIONS TAX (FTT)

EU financial transaction tax

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**).

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax remains uncertain. Additional EU Member States may decide to participate.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

UNITED KINGDOM TAXATION

The following applies only to persons who are the beneficial owners of Bonds and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue & Customs' practice relating only to United Kingdom withholding tax treatment of payments of principal and interest (as that term is understood for United Kingdom tax purposes) in respect of Bonds and to certain United Kingdom reporting requirements in respect of the Bonds. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Bonds. The United Kingdom tax treatment of prospective Bondholders depends on their individual circumstances and may be subject to change in the future. Prospective Bondholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Payment of Interest on the Bonds

Payments of interest on the Bonds may be made without deduction of or withholding on account of United Kingdom income tax provided that the Bonds are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The Irish Stock Exchange is a recognised stock exchange. The Bonds will satisfy this requirement if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in European Economic Area states and are admitted to trading on the Irish Stock Exchange. Provided, therefore, that the Bonds remain so listed, interest on the Bonds will be payable without withholding or deduction on account of United Kingdom tax.

In other cases, an amount must generally be withheld from payments of interest on the Bonds on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any available exemptions and reliefs, including an exemption for certain payments of interest to which a company within the charge to United Kingdom corporation tax is beneficially entitled. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Bondholder, HMRC can issue a notice to the Issuer to pay interest to the Bondholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

The United Kingdom withholding tax treatment of payments by the Guarantor under the terms of the Guarantee in respect of interest on the Bonds (or other amounts due under the Bonds other than the repayment of amounts subscribed for the Bonds) is uncertain. In particular, such payments by the Guarantor may not be eligible for the exemption in respect of securities listed on a recognised stock exchange described above in relation to payments of interest by the Issuer. Accordingly, if the Guarantor makes any such payments, these may be subject to United Kingdom withholding tax at the basic rate (currently 20 per cent.).

HMRC has powers to obtain information and documents relating to the Bonds, including in relation to issues of and other transactions in the Bonds, interest, payments treated as interest and other payments derived from the Bonds. This may include details of the beneficial owners of the Bonds, of the persons for whom the Bonds are held, of the persons who exercise control over entities that are, or are treated as, holders of the Bonds, of the persons to whom payments derived from the Bonds are or may be paid and information and documents in connection with the transactions relating to the Bonds. Information may be obtained from a range of persons including the Issuer, the holders of the Bond, persons who effect or are a party to such transactions on behalf of others, registrars and administrators of such transactions, the registered holders of the Bonds, persons who make, receive or are entitled to receive payments derived from the Bonds and persons by or through whom interest and payments treated as interest are paid or credited.

Information relating to the Bonds may also be required to be provided automatically to HMRC by "financial institutions" under regulations made under section 222 of the Finance Act 2013, which implement the requirements of various automatic information exchange programmes, including FATCA, Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended), the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014, and arrangements between the United Kingdom and its overseas territories and crown dependencies.

Information obtained by HMRC may be provided to tax authorities in other jurisdictions.

Stamp Duty and Stamp Duty Reserve Tax (SDRT)

No United Kingdom stamp duty or SDRT is payable on the issue of the Bonds or on a transfer by delivery of the Bonds.

SUBSCRIPTION AND SALE

Banco Santander, S.A., Lloyds Bank plc and The Royal Bank of Scotland plc (the **Joint Bookrunners**) have, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 20 August 2015, jointly and severally agreed to subscribe or procure subscribers for the Bonds at the issue price of 100 per cent. of the principal amount of the Bonds, less a selling concession and a combined management and underwriting commission. The Issuer will also reimburse the Joint Bookrunners in respect of certain of their expenses, and has agreed to indemnify the Joint Bookrunners against certain liabilities, incurred in connection with the issue of the Bonds. The Subscription Agreement may be terminated in certain circumstances prior to payment to the Issuer.

United States

The Bonds and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act. Each of the Joint Bookrunners will agree in the Subscription Agreement that it has offered and sold the Bonds and the Guarantee, and agrees that it will offer and sell the Bonds and the Guarantee (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, only in accordance with Rule 903 of Regulation S. Accordingly, no Joint Bookrunner, nor its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds and the Guarantee, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each of the Joint Bookrunners will agree in the Subscription Agreement that, at or prior to confirmation of sale of the Bonds and the Guarantee, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Bonds and the Guarantee from it during the Distribution Compliance Period a confirmation or notice to substantially the following effect: "The securities covered hereby have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Initial Issue Date, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S under the Securities Act." Terms used in this paragraph have the meanings given to them by Regulation S.

Each of the Joint Bookrunners will agree in the Subscription Agreement that it has not entered and agrees that it will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Bonds and the Guarantee; except with its affiliates or with the prior written consent of the Issuer.

Until the end of the Distribution Compliance Period, an offer or sale of Bonds and the Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

The Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

United Kingdom

Each Joint Bookrunner has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

General

No action has been taken by the Issuer or any of the Joint Bookrunners that would, or is intended to, permit a public offer of the Bonds in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Bookrunner has undertaken that it will not, directly or indirectly, offer or sell any Bonds or distribute or publish any Prospectus, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Bonds by it will be made on the same terms.

GLOSSARY

2010 PD Amending Directive	means Directive 2010/73/EU.
Acceptable Bank	means: <ul style="list-style-type: none">(a) a bank or financial institution acting through a branch located in the United Kingdom which has a rating for its long-term unsecured and non-credit enhanced debt obligations of A- or higher by S&P or Fitch or A3 or higher by Moody's or an equivalent long-term rating from another Rating Agency; and(b) any other bank or financial institution approved by the Security Trustee in accordance with the STID.
Account Bank	means HSBC Bank plc (or any successor account bank appointed pursuant to the Account Bank Agreement).
Account Bank Agreement	means the account bank agreement dated on or about the Signing Date between, certain Obligor, the Account Bank and the Security Trustee.
Account Mandate	means the account mandate in the form scheduled to the Account Bank Agreement.
Accounting Reference Date	means each 31 March.
Accounting Standards	means generally accepted accounting principles in England as at the Signing Date, including IFRS.
Acquisition	means the acquisition by the Issuer of the Transmission Assets pursuant to the Acquisition Documents.
Acquisition Agreement	means the agreement dated on or about the Signing Date between the OFTO and the Vendors relating to the sale and purchase of the Transmission Assets.
Acquisition Agreement PCG's	(a) the guarantee of Dong Energy West of Duddon Sands (UK) Limited obligations under the Acquisition Agreement dated on or about the Signing Date provided by DONG Energy Wind Power Holdings A/S in favour of the OFTO; or (b) the guarantee of the Scottishpower Renewables (WODS) Limited's Vendors' obligations under the Acquisition Agreement dated on or about the Signing Date provided by Scottish Power UK Plc in favour of the OFTO.
Acquisition Costs	means all fees, costs and expenses, stamp, registration and other Taxes incurred by the Issuer or any other Obligor in connection with the Acquisition Documents.

Acquisition Documents	<p>means:</p> <ul style="list-style-type: none"> (a) the Acquisition Agreement; (b) each Acquisition Agreement PCG; (c) the Disclosure Letter; and (d) any other document designated as an Acquisition Document by the Security Trustee and the Issuer.
Additional Budgeted Maintenance Costs	<p>means:</p> <ul style="list-style-type: none"> (a) remedial rock dumping campaigns; (b) cable reburial campaigns; (c) SCADA upgrades; and (d) any other unscheduled maintenance the costs for which, when aggregated with the costs for all other such unscheduled maintenance amount to £500,000 or more.
Additional Capacity Adjustment Investment	<p>has the meaning given to that term in the OFTO Licence.</p>
Additional Equity	<p>means:</p> <ul style="list-style-type: none"> (a) any amount subscribed in cash for shares in the Issuer or, provided that the cash consideration in respect of such shares is in turn paid to the Issuer, HoldCo or any other form of capital contribution in cash to the Issuer (which is not Financial Indebtedness and provided that repayment (if any) of such amounts are subject to the terms of the STID); or (b) the incurrence of Subordinated Intragroup Liabilities by the Issuer or, provided that the proceeds of such Subordinated Intragroup Liabilities are in turn paid to the Issuer or HoldCo, <p>which, in each case, is in addition to such amounts subscribed, committed or incurred on or before the date of the Common Terms Agreement and the terms of which shall be subject to the terms of the STID.</p>
Additional Hedge Counterparty	<p>means any person not already a Hedge Counterparty which becomes a Hedge Counterparty pursuant to the provisions of clause 5 of the STID.</p>
Additional Work Phase	<p>Means the period from commencement until completion of a package of <i>Additional Works</i> (as defined in the crossing agreement between EDF Energy Nuclear Generation Limited (1) the Vendors (2); and Dong Energy Power (UK) Limited that is intended to be novated to the Issuer.</p>
Adviser Report	<p>means any report referred to in paragraph 9(g) (Reports) of Part 1 (Conditions Precedent Documents and Evidence) of schedule 1 (Conditions Precedent to Initial Issuance) of the CP Agreement.</p>

Affected Secured Creditor	means each Secured Creditor or Bondholder whose Entrenched Right is changed by or relates to any STID Proposal.
Affiliate	means a Subsidiary or a Holding Company of a person or any other Subsidiary of that Holding Company (other than in any Hedging Agreement when used in relation to a Hedge Counterparty, where Affiliate has the meaning given to it in that Hedging Agreement).
Agent	means each of the Principal Paying Agent or any other agent appointed by the Issuer pursuant to the Agency Agreement and Agents means all of them.
Agreed Cable Burial Issue	means an issue with the current depth of burial of the relevant Subsea Cable Length.
Appointee	means any attorney, manager, agent, delegate, nominee, custodian or other person appointed by the Bond Trustee under the Bond Trust Deed.
Auditors	means one of PricewaterhouseCoopers, Ernst & Young, KPMG or Deloitte or such other independent public accountants of international standing which may be appointed by the Issuer as its auditors.
Authorisation	means an authorisation, consent, approval, permit, resolution, licence, exemption, filing, notarisation or registration.
Authorised Credit Facility	means: <ul style="list-style-type: none"> (a) the Hedging Agreements; (b) the Bond Trust Deed; (c) the Bonds; (d) the PBCE Letter of Credit and Reimbursement Deed; (e) the PBCE Letter of Credit; and (f) any other document (not being a Common Document) that has been entered into in connection with the foregoing facilities or agreements or the transactions contemplated thereby that has been designated as a document that should be deemed to be an Authorised Credit Facility for the purposes of this definition by the parties thereto (including at least one Obligor).
Authorised Credit Provider	means a provider of Senior Debt or the PBCE Provider (as applicable).
Authorised Signatory	means any person who is duly authorised by any Obligor or any Party and in respect of whom a certificate has been provided signed by a director of that Obligor or such Party setting out the name and signature of that person and confirming such person's authority to act.
Authority	means the Gas and Electricity Markets Authority established under Section 1 of the Utilities Act 2000 and any other additional or replacement

governmental authority which may from time to time regulate the Obligors' businesses.

Basic Terms Modification

means:

- (a) reduction or cancellation of the amount payable or, where applicable, modification, except where such modification is in the opinion of the Bond Trustee bound to result in an increase, of the method of calculating the amount payable or modification of the date of payment or, where applicable, of the method of calculating the date of payment in respect of any principal or interest in respect of the Bonds;
- (b) alteration of the currency in which payments under the Bonds are to be made;
- (c) alteration of the majority required to pass an Extraordinary Resolution (as defined in Schedule 4 of the Bond Trust Deed);
- (d) the sanctioning of any such scheme or proposal or substitution as is described in paragraphs 20(i) and (j) of Schedule 4 of the Bond Trust Deed; or
- (e) alteration of this proviso or the proviso to paragraph 10 of Schedule 4 of the Bond Trust Deed.

Block Voting Instruction

means an English language document issued by the Principal Paying Agent in which:

- (a) it is certified that on the date thereof Bonds (not being Bonds in respect of which a Voting Certificate has been issued and is outstanding in respect of the meeting specified in such Block Voting Instruction) are blocked in an account with a Clearing System and that no such Bonds will cease to be so blocked until the first to occur of:
 - (i) the conclusion of the meeting specified in such Block Voting Instruction; and
 - (ii) the Bonds ceasing with the agreement of the Principal Paying Agent to be so blocked and the giving of notice by the Principal Paying Agent to the Issuer in accordance with paragraph 4(d) of Schedule 4 to the Bond Trust Deed of the necessary amendment to the Block Voting Instruction;
- (b) it is certified that each holder of such Bonds has instructed the Principal Paying Agent that the vote(s) attributable to the Bonds so blocked should be cast in a particular way in relation to the resolution(s) to be put to such meeting and that all such instructions are, during the period commencing 48 hours prior to the time for which such meeting is convened and ending at the conclusion or adjournment thereof, neither revocable nor capable of amendment;

- (c) the aggregate principal amount of the Bonds so blocked is listed distinguishing with regard to each such resolution between those in respect of which instructions have been given that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution; and
- (d) one or more persons named in such Block Voting Instruction (each hereinafter called a proxy) is or are authorised and instructed by the Principal Paying Agent to cast the votes attributable to the Bonds so listed in accordance with the instructions referred to in (c) above as set out in such Block Voting Instruction.

Bond Creditors	means the Secured Creditors, other than the Hedge Counterparties and the PBCE Provider.
Bond Document	means: <ul style="list-style-type: none"> (a) the Bond Trust Deed (including the Conditions); (b) the Bonds (including any applicable Coupons and Receipts); (c) the Agency Agreement; and (d) any other document designated as such by the Issuer and the Bond Trustee.
Bondholders	means the persons who are for the time being holders of the outstanding Bonds.
Bond Liabilities	means the Secured Liabilities owed by the Issuer to the Bond Creditors and to the Bond Trustee for its own account under or in respect of the Finance Documents.
Bonds	means the Original Bonds and any Further Bonds which are or are to be constituted under the Bond Trust Deed, which bonds may be represented by a Global Bond or a Definitive Bond.
Bond Trust Deed	means the bond trust deed dated on or about the Initial Issue Date between the Issuer and the Bond Trustee under which Bonds will, on issue, be constituted and any deed supplemental thereto.
Bond Trustee	means HSBC Corporate Trustee Company (UK) Limited or any other or additional trustee appointed pursuant to the Bond Trust Deed, for and on behalf of the Bondholders, the Receiptholders and the Couponholders.
Barrow OFTO	means TC Barrow OFTO Limited.

Business Day	<p>means:</p> <ul style="list-style-type: none"> (a) in relation to any sum payable in sterling, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange currency deposits) in London; (b) in relation to any sum payable in a currency other than sterling, a day on which commercial banks and foreign exchange markets settle payments generally in London, and in the principal financial centre of the currency in which such financial indebtedness is denominated (which in the case of a payment in U.S. Dollars shall be New York) and, in respect of the Bonds, in each (if any) additional city or cities specified in the Conditions; and (c) for any other purpose, means a day (other than a Saturday or a Sunday) on which banks and the PBCE Provider are open for general business in London and Luxembourg.
Cable Burial Permit	<p>means the permits and licences that are required to undertake, or procure that there is undertaken, those works under the CBA being, at the date of the CBA, those permits and/or licences that are listed in Schedule 1 of the CBA.</p>
Calculation Date	<p>means 30 June and 31 December in each year commencing on 31 December 2015 or such other dates as may be agreed as a result of a change in the financial year end (and associated change in the calculation of financial covenants) or regulatory year end relating to any Obligor and the Security Group.</p>
Calculation Period	<p>means:</p> <ul style="list-style-type: none"> (a) the period from (and excluding) the Completion Date to (and including) the first Calculation Date following the Completion Date; and (b) each subsequent period from (and excluding) a given Calculation Date to (and including) the next Calculation Date.
Capital Costs	<p>means all costs, expenses and fees (without double counting) incurred by a member of the Security Group in connection with any Additional Capacity Adjustment Investment pursuant to an agreement between such member of the Security Group and NGET in accordance with the terms of the OFTO Licence.</p>
Capital Works	<p>means works to resolve the Agreed Technical Issue to be carried out by the Vendors.</p>
Capital Works Longstop Date	<p>means the date falling 24 months after the Agreed Solution Date (as such date is defined in the BCA) on which the works completion date has not occurred in relation to the Capital Works.</p>

Capitalised Interest

means any accrued interest which has not been paid pursuant to the PBCE Letter of Credit and Reimbursement Deed and capitalised on the final day of each Floating Rate Reference Period (as defined in the PBCE Letter of Credit and Reimbursement Deed) and added to the principal amount of the Issuer's reimbursement obligation pursuant to the PBCE Letter of Credit and Reimbursement Deed.

Cash Equivalent Investments

means at any time:

- (a) certificates of deposit which mature within six months after the relevant date of calculation and issued by an Acceptable Bank;
- (b) any investment in marketable debt obligations issued or guaranteed by the government of:
 - (i) the United Kingdom; or
 - (ii) provided that it has a credit rating of A-1 or higher by S&P, F-1 or higher by Fitch or P-1 or higher by Moody's, any member state of the European Economic Area or any participating Member State,

or by an instrumentality or agency of any of them having an equivalent credit rating, maturing within one year after the relevant date of calculation and not convertible or exchangeable to any other security;

- (c) commercial paper not convertible or exchangeable to any other security:
 - (i) for which a recognised trading market exists;
 - (ii) issued by an issuer incorporated in:
 - (A) the United Kingdom; or
 - (B) any member state of the European Economic Area or any participating Member State;
 - (iii) which matures within six months after the relevant date of calculation; and
 - (iv) which has a credit rating of either A-1 or higher by S&P or F-1 or higher by Fitch or P-1 or higher by Moody's, or, if no rating is available in respect of the commercial paper, the issuer of which has, in respect of its long-term unsecured and non-credit enhanced debt obligations, an equivalent rating;
- (d) any investment in money market funds which (i) have a credit rating of either A-1 or higher by S&P or F-1 or higher by Fitch or P-1 or higher by Moody's, (ii) which invest substantially all of their assets in securities of the types described in paragraphs (b) and (c)

above and (iii) can be turned into cash on not more than 30 days' notice; or

(e) any other debt security approved by the Security Trustee,

in each case, denominated in sterling and to which any Obligor is alone (or, together with other Obligors) beneficially entitled at that time and which is not issued or guaranteed by any Obligor or subject to any Security (other than Security arising under the Security Documents).

CE Lease Licence to Assign means the licence to assign the Crown Estate Lease dated on or around the Signing Date between the Issuer and the Vendor.

Charged Property means the property, assets, rights and undertakings which, from time to time are, or are expressed to be, the subject of the Security Interests created, or purported to be created in favour of the Security Trustee pursuant to the Security Documents including the Security Trustee's interest in any trust fund created pursuant to the STID and any other amounts or property, whether rights, entitlements, choses in action or otherwise, actual or contingent, which the Security Trustee in accordance with the terms of the Finance Documents holds as trustee on trust for the Secured Creditors.

Claim Proceeds means the proceeds of a claim made by the Issuer (a **Claim Recovery**) against:

- (a) the Vendor;
- (b) any counterparty to a Transferred Contract; or
- (c) the provider of any Adviser Report (in its capacity as a provider of that Adviser Report),

except for any Excluded Claim Proceeds and after deducting:

- (i) any reasonable expenses which are incurred by the Issuer to persons who are not Affiliates; and
- (ii) any Tax incurred and required to be paid by the Issuer (as reasonably determined by the Issuer on the basis of existing rates and taking into account any available credit, deduction or allowance),

in each case in relation to that Claim Recovery.

Clearing Systems means Euroclear or Clearstream, Luxembourg.

Clearstream, Luxembourg means Clearstream Banking, *société anonyme*.

Close-Out Netting means any step involved in determining an Early Termination Amount (as defined in the 2002 ISDA Master Agreement) under section 6(e) (Payments on Early Termination) of the 2002 ISDA Master Agreement.

Closing Date 25 August 2015

Coastal Access Act	means Marine and Coastal Access Act 2009.
Code	means the U.S. Internal Revenue Code of 1986.
Common Documents	means the Security Documents, the Common Terms Agreement, the Master Definitions Agreement, the STID, the Account Bank Agreement and any other documents designated as such by the Security Trustee and the OFTO.
Common Terms Agreement or CTA	means the common terms agreement dated on or about the Signing Date between, <i>inter alia</i> , the Issuer, the Bond Trustee, the Hedge Counterparties and the PBCE Provider.
Completion	means completion of the Acquisition as provided for under the Acquisition Agreement.
Completion Date	means the date on which Completion occurs.
Computer Model	means the computer model in relation to the WoDS Project prepared for the purposes of the CTA and audited by the Auditor as updated semi-annually on each Calculation Date by reference to actual revenues and payments received and made by the Issuer up to that Calculation Date.
Conditions	means in relation to the Bonds, the terms and conditions endorsed on or incorporated by reference into the Bond or Bonds, such terms and conditions being substantially in the form set out in Schedule 3 (Terms and Conditions of the Bonds) of the Bond Trust Deed as from time to time modified in accordance with the provisions of the Bond Trust Deed and any reference in the Finance Documents to a particular specified Condition or paragraph of a Condition shall be construed accordingly.
Cost Estimate	means the net present value of the estimated reasonable costs of procuring, managing and carrying out the Outstanding Work.
Couponholders	means the holders of the Coupons.
Coupons	means the interest coupons and any talons for further coupons attached to any Definitive Bonds.
Court of Justice	means the Court of Justice of the European Union.
CP Agreement	means the conditions precedent agreement dated on or about the Signing Date between, among others, the Bond Trustee, the Security Trustee, the PBCE Provider and the Obligors.
CRA Regulation	means Regulation (EC) No. 1060/2009 (as amended).
Creditor	means a Senior Creditor, the PBCE Provider and (in respect of the Subordinated Intragroup Liabilities only) TopCo and any other relevant Obligor.
Creditor Accession Undertaking	means a memorandum that is substantially in the form set out in schedule 1 (<i>Form of Creditor Accession Undertaking</i>) of the STID.

Criminal Offence	means any of the following as applicable: fraud, corruption, coercion, collusion, obstruction, money laundering, financing of terrorism.
Crossing Agreement	<p>means the cable crossing and proximity agreements novated to the OFTO on or about the Initial Issue Date between, amongst others:</p> <ul style="list-style-type: none"> (a) TC Ormonde OFTO Limited and the Vendor dated 27 February 2013; (b) EDF Energy Nuclear Generation Limited and the Vendor dated 19 February 2013; (c) TC Barrow OFTO Limited and the Vendor (Offshore Cable Crossing Agreement) dated 1 March 2013; (d) TC Barrow OFTO Limited and the Vendor (Onshore Cable Crossing Agreement) dated 1 March 2013; (e) Barrow Offshore Wind Limited and the Vendor dated 3 May 2013; (f) Burlington Resources (Irish Sea) Limited and the Vendor dated 25 March 2013; (g) Blue Transmission Walney 1 Limited and the Vendor dated 5 April 2013; (h) Blue Transmission Walney 2 Limited and the Vendor dated 1 March 2012; (i) Hydrocarbon Resources Limited and the Vendor dated 18 March 2013; (j) TC Barrow OFTO Limited and the Vendor dated 13 September 2013; (k) Blue Transmission Walney 1 Limited and the Vendor dated 19 March 2014; and (l) Electricity North West Limited and the Vendor dated 13 September 2013 (as varied by the deed of variation dated 1 April 2014).
Crown Estate	means The Queen's Most Excellent Majesty and The Crown Estate Commissioners.
Crown Estate Lease	means the lease of the offshore substation dated on or about the Signing Date among the Queen's Most Excellent Majesty, the Crown Estate Commissioners and the Vendors and assigned to the Issuer by the Vendors on or about the Completion Date.
CUSC	means the Connection and Use of System Code as provided for in NGET's transmission licence.

DCUSA	means the Distribution Connection and Use of System Agreement between, among others, licensed electricity distributors and suppliers in Great Britain.
Debt Life Cover Ratio	<p>Debt Life Cover Ratio or DLCR means, in respect of any Calculation Date, the ratio of:</p> <p>(a) the NPV for that Calculation Date plus the aggregate of the balance on the Debt Service Reserve Account, the Maintenance Reserve Account and the Working Capital Reserve Account at close of business on that Calculation Date and without double counting any amount already included in the calculation of Gross Revenues, the residual balance on the Proceeds Account; to</p> <p>(b) the aggregate principal amount of all Senior Debt (excluding the mark-to-market Liabilities under the Hedging Agreements) outstanding.</p>
Debt Service	means, for any period the amount of all scheduled payments of interest and principal payable (including any amounts to be paid into the Defeasance Account) in respect of Senior Debt by the Issuer during such period and, for the purposes of calculating any financial ratio, the amount of all termination payments payable under any Hedging Agreement, disregarding any termination payment which is payable in only one instalment during such period.
Debt Service & PBCE Account	means the account opened and maintained by the Issuer entitled the “Debt Service & PBCE Account” which shall be credited with any drawings under the PBCE Letter of Credit, as contemplated by the Common Terms Agreement.
Debt Service Cover Ratio	means, in relation to any Relevant Period, the ratio of Net Cashflow to Debt Service for that Relevant Period.
Debt Service Reserve Account	means the account opened and maintained by the Issuer entitled the “Debt Service Reserve Account” which shall be credited with a cash reserve by the Issuer, as contemplated by the Common Terms Agreement.
DECC	means the Department of Energy and Climate Change.
DECC Decommissioning Reserve Account	means the account opened after the Issue Date and maintained by the Issuer entitled the “DECC Decommissioning Reserve Account” which shall be credited with a cash reserve by the Issuer, as contemplated by the Common Terms Agreement, for the purpose of meeting its decommissioning obligations owed to DECC.
Decommissioning Plan	means the decommissioning plan prepared and submitted by the Issuer, approved by DECC, as the same may be amended with the agreement of the Issuer and DECC.
Default	<p>means:</p> <p>(a) an Event of Default; or</p>

	(b) a Potential Event of Default.
Default Ratio Level	means: <ul style="list-style-type: none"> (a) in respect of the Projected DSCR, 1.05:1; (b) in respect of the Historic DSCR, 1.05:1; and (c) in respect of the Debt Life Cover Ratio, 1.08:1.
Defaulted Hedge Counterparty	means a Hedge Counterparty that has entered into a Qualifying Default.
Defeasance Account	means the account opened after the Issue Date and maintained by the Issuer entitled the Defeasance Account which shall be credited with a cash reserve by the Issuer, as contemplated by paragraph 8 (Defeasance Account) of schedule 5 (Cash Management) of the Common Terms Agreement, for the purpose of repaying the Bonds.
Defeasance Account Ledger	means the ledger maintained in accordance with the Common Terms Agreement in respect of amounts credited or debited from the Defeasance Account.
Deferred Payment	has the meaning given to that term in paragraph 1(h) of the relevant Hedging Agreement.
Definitive Bonds	means Bonds issued in definitive bearer form.
Delegate	means any delegate, agent, attorney or co-trustee appointed by the Security Trustee or by the Bond Trustee (as the case may be).
Direct Agreement	means (a) any O&M Direct Agreement and (b) the Management Services Direct Agreement, as the context may require.
Disclosure Letter	means the letter dated the same date as the SPA from the Vendor to the Issuer in relation to the warranties contained within the SPA.
Discount Rate	means, in respect of the Relevant Period in respect of which the Debt Life Cover Ratio is to be tested, the weighted average of the interest rates applicable to the Senior Debt outstanding at the date the ratio is to be calculated.
Discretion Matter	means a decision in respect of a modification, consent or waiver: <ul style="list-style-type: none"> (a) which in the opinion of the Security Trustee is required to correct a manifest error or which is of a formal, minor, administrative or technical nature; or (b) is not an Extraordinary Voting Matter and is not (in the opinion of the Bond Trustee) materially prejudicial to the interests of the Bondholders.

Disposal	means a sale, lease, licence, transfer, loan or other disposal by a person of any asset, undertaking or business (whether by a voluntary or involuntary single transaction or series of transactions).
Distribution Compliance Period	has the meaning given to that term in Regulation S under the Securities Act.
E21 Direction	means a notice of all relevant available information in relation to a direction under Standard Condition E21 (OFTO of Last Resort) of the Transmission Licence.
Early Termination Amount	has the meaning given to that term in each Hedging Agreement.
Economic Assumptions	means, subject to the terms of the Common Terms Agreement, the assumptions set out in Schedule 7 (Economic Assumptions) of the Common Terms Agreement.
Effective Date	means the date of the BCA
EIB	means the European Investment Bank.
Electronic Instruction	<p>means, for so long as the Bonds are in the form of a Global Bond registered in the name of a common depository for Euroclear, Clearstream, Luxembourg or another clearing system, or a nominee of any of the above then, in respect of any STID Proposal, an instruction given by way of electronic instruction communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the Bondholder(s) in respect of the STID Proposal, which electronic instruction shall:</p> <ol style="list-style-type: none"> (a) clearly identify the relevant accountholder, the principal amount of the Bonds which are the subject of such electronic instruction and set out its vote or instruction to the Bond Trustee in respect of the STID Proposal; (b) be accompanied by (i) confirmation from the relevant clearing system(s) that such Bonds have been blocked in the relevant accountholder's own account with the relevant clearing system(s) and will not be released until the close of business (London time) on the Voting Date and (ii) such other proof of holding as the Bond Trustee may require. Such proof may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and a certificate or document from the accountholder. The Bond Trustee shall not be liable to any person by reason of having accepted as valid or not having rejected any such statement, print out, certificate, confirmation or other document to such effect purporting to be issued by any such person or the clearing system(s) and subsequently found to be forged or not authentic, and

- (c) be delivered to the Bond Trustee prior to the close of business (London time) on the Voting Date.

Eligible Persons

means (i) a bearer of any Voting Certificate; and (ii) a proxy specified in any Block Voting Instruction.

Emergency

means a condition, circumstance or situation that arises or occurs which presents, or is likely to present, a physical threat to persons or property or to security or availability of the Transmission Assets which would require an operator using Good Industry Practice to take immediate measures to prevent or mitigate such threat.

Emergency Capital Expenditure

means any capital expenditure to be incurred in order to avoid or respond to an Emergency which has caused an outage which is in an amount in excess of:

- (a) in respect of a transformer outage, £3 million; and
- (b) in respect of a cable outage, £3 million.

Energy Act 2004

means the Energy Act 2004 as amended by the Energy Act 2008 and as further amended.

Energy Act 2008

means the Energy Act 2008 as amended.

Energy Administration Order

means an order made pursuant to Chapter 3 of Part 3 of the Energy Act 2004.

Enforcement Action

means

- (a) in relation to any Liabilities:
 - (i) the acceleration of any Liabilities or the making of any declaration that any Liabilities are prematurely due and payable (other than as a result of it becoming unlawful for any of the Senior Creditors or the PBCE Provider to perform its obligations under, or of any voluntary or mandatory prepayment arising under, the Finance Documents);
 - (ii) the making of any declaration that any Liabilities are payable on demand;
 - (iii) the making of a demand in relation to a Liability that is payable on demand;
 - (iv) the making of any demand against any member of the Security Group in relation to any Liabilities guaranteed by that member of the Security Group;
 - (v) the exercise of any right of set-off, account combination, close-out or payment netting against any Obligor in respect of any Liabilities other than the exercise of any such right:

- (A) as Payment Netting by a Hedge Counterparty;
 - (B) where permitted under the terms of the STID, Close-Out Netting by a Hedge Counterparty; or
 - (C) which is otherwise expressly permitted under the Finance Documents (other than any Investor Funding Loan (or any other documents or instruments pursuant to which the Subordinated Intragroup Liabilities are constituted) and any Hedging Agreement); and
- (vi) the suing for, commencing or joining of any legal or arbitration proceedings against any Obligor to recover any Liabilities;
- (b) the premature termination or close-out of any hedging transaction under any Hedging Agreement;
 - (c) the taking of any steps to enforce or require the enforcement of any Security (including the crystallisation of any floating charge forming part of the Security);
 - (d) the entering into of any composition, compromise, assignment or arrangement with any Obligor which owes any Liabilities, or has given any Security Interest, guarantee or indemnity or other assurance against loss in respect of the Liabilities (other than any action permitted under clause 16 (Changes to the Parties) of the STID);
 - (e) the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, Receiver, administrator or similar officer) in relation to, the winding up, dissolution, administration or reorganisation of any Obligor which owes any Liabilities, or has given any Security Interest, guarantee, indemnity or other assurance against loss in respect of any of the Liabilities, or any of such Obligor's assets or any suspension of payments or moratorium of any indebtedness of any such Obligor, or any analogous procedure or step in any jurisdiction; or
 - (f) the taking of any steps to claim against the provider of any Adviser Report in its capacity as provider of the report,

except that the following shall not constitute Enforcement Action:

- (i) the taking of any action which is necessary (but only to the extent necessary) to preserve the validity, existence or priority of claims in respect of Secured Liabilities, including the registration of such claims before any court or governmental authority and the bringing, supporting or joining of proceedings to prevent any loss of the right to bring, support or join proceedings by reason of applicable limitation periods; and

- (ii) a Hedge Counterparty or the PBCE Provider bringing legal proceedings against any person solely for the purpose of:
 - (A) obtaining injunctive relief (or any analogous remedy outside England and Wales) to restrain any actual or putative breach of any Finance Document to which it is party;
 - (B) obtaining specific performance (other than specific performance of an obligation to make a payment) with no claim for damages;
 - (C) requesting judicial interpretation of any provision of any Finance Document to which it is party with no claim for damages; or
 - (D) in the case of the PBCE Provider only, claiming for damages in an amount not exceeding £770,000 (such amount to be indexed on an accumulated annual basis by reference to the official general cost of living index in the UK and payable to the PBCE Provider on a subordinated basis on any Payment Date in accordance with the Priority of Payments set out in the Finance Documents).

Enforcement Instruction means an instruction from the Qualifying Secured Creditors as to whether the Security Trustee should deliver an Enforcement Notice to enforce all or any part of the Security or to take any other kind of Enforcement Action.

Enforcement Instruction Notice means notice of an Enforcement Instruction delivered by the Security Trustee in accordance with the STID.

Environmental Law means any applicable law or regulation which relates to:

- (a) EU law, including principles and standards;
- (b) UK laws and regulations; and
- (c) applicable international treaties

of which a principal objective is the preservation, protection or improvement of the environment.

Environmental Claim means any claim, proceeding, formal notice or investigation by any person in respect of any Environmental Law.

Environmental Permits means any permit and other Authorisation required under any Environmental Law for the operation of the business of any Obligor conducted on or from the properties owned or used by any Obligor.

Equity Cure Amount means an amount at least sufficient for the amount necessary to cure a breach in respect of a Financial Ratio Event of Default or a PBCE DLCR Rebalancing Event by applying that amount.

Euroclear	means Euroclear Bank SA/NV.
Excluded Claim Proceeds	<p>means any proceeds of a Claim Recovery which the Issuer notifies the Security Trustee are, or are to be, applied:</p> <ul style="list-style-type: none"> (a) to satisfy (or reimburse an Obligor which has discharged) any liability, charge or claim upon an Obligor by a person which is not an Obligor or an Affiliate of any Obligor; or (b) in the replacement, reinstatement and/or repair of assets of an Obligor which have been lost, destroyed or damaged, <p>in each case as a result of the events or circumstances giving rise to that Claim Recovery, if those proceeds are so applied as soon as possible (but in any event within 60 days after receipt).</p>
Excluded Insurance Proceeds	<p>means any proceeds of an insurance claim which the Issuer notifies the Security Trustee are, or are to be, applied:</p> <ul style="list-style-type: none"> (a) in the reinstatement, replacement, restoration or repair of the Transmission Assets, property or assets in respect of which the relevant insurance claim was made; or (b) in satisfying any third party liability, <p>in each case, only to the extent so applied or committed to be applied as soon as possible (and in any event within 180 days after receipt or, if those amounts have been committed to be applied, provided those amounts are actually applied within 180 days thereafter).</p>
Extraordinary Resolution	<p>means:</p> <ul style="list-style-type: none"> (a) a resolution approved by Senior Creditors representing not less than two-thirds of the Senior Voting Debt who (i) for the time being are entitled to receive notice of a voting matter and (ii) have participated in the approval process in respect of such resolution, subject to the quorum requirements set out in the STID; or (b) a resolution signed in writing by or on behalf of Senior Creditors representing not less than two-thirds of the Senior Voting Debt who for the time being are entitled to receive notice of a voting matter, which resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Senior Creditors.
Extraordinary Voting Matter	<p>means a modification, consent, waiver or determination which would:</p> <ul style="list-style-type: none"> (a) have the effect of changing or changes (i) the voting mechanics, the Majority Requirement, the Quorum Requirement or the Decision Period relating to Extraordinary Voting Matters or (ii) any of the matters constituting Extraordinary Voting Matters;

- (b) change any Event of Default;
- (c) relate to the waiver of any Event of Default;
- (d) change in any adverse respect the restriction on any disposal of the Issuer or relate to a consent in respect of any such disposal;
- (e) materially change or have the effect of materially changing the definition of Permitted Business;
- (f) change in any adverse respect the restrictions set out in, or relate to a consent in respect of:
 - (i) part 1 (Information Covenants) of schedule 2 (Obligor Covenants) of the Common Terms Agreement;
 - (ii) paragraph 15 (Disposals) of part 3 (General Covenants) of schedule 2 (Obligor Covenants) of the Common Terms Agreement;
 - (iii) paragraph 16 (Arm's Length Basis) of part 3 (General Covenants) of schedule 2 (Obligor Covenants) of the Common Terms Agreement;
 - (iv) paragraph 17 (Loans or Credit) of part 3 (General Covenants) of schedule 2 (Obligor Covenants) of the Common Terms Agreement;
 - (v) paragraph 23 (Share Capital) of part 3 (General Covenants) of schedule 2 (Obligor Covenants) of the Common Terms Agreement;
- (g) the sanctioning of a STID Proposal which requires the consent of the Bond Trustee pursuant to the Entrenched Rights.

to the extent it relates to the Transmission Licence, paragraph 28 (Project Documents) of part 3 (General Covenants) of schedule 2 (Obligor Covenants) of the Common Terms Agreement.

FATCA

means section 1471 through 1474 of the Code (including any regulations thereunder or official interpretations thereof), intergovernmental agreements between the United States and other jurisdictions facilitating the implementation thereof, and any law implementing any such intergovernmental agreement.

FATCA Withholding Tax

means any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder, official interpretations thereof, or law implementing an intergovernmental approach thereto.

Final Maturity Date

means:

- (a) in relation to a Bond, the final date on which that Bond is expressed to be redeemable; and
- (b) in relation to any other Authorised Credit Facility, the date on which all financial accommodation made available under that Authorised Credit Facility is expressed to be repayable in full (without any further obligation of the relevant Authorised Credit Provider to continue to make available such financial accommodation).

Finance Document

means:

- (a) each Hedging Agreement and any other credit support or collateral documentation entered into in connection therewith or pursuant thereto;
- (b) each Bond Document;
- (c) each Common Document;
- (d) the CP Agreement;
- (e) each PBCE Document;
- (f) each Investor Funding Loan;
- (g) any fee letter, commitment letter or request entered into in connection with an Authorised Credit Facility that has been designated as a Finance Document by the parties thereto (including at least one Obligor);
- (h) any amendment and/or restatement agreement relating to any of the above documents; and
- (i) any other document designated as such by the OFTO, the Security Trustee and the Bond Trustee.

Finance Party

means each Authorised Credit Provider and each agent, representative and trustee appointed in connection with the Authorised Credit Facility.

Financial Indebtedness

means (in each case, without double-counting) any indebtedness for or in respect of:

- (a) moneys borrowed and debit balances at banks or other financial institutions;
- (b) any acceptance under any acceptance credit or bill discounting facility (or dematerialised equivalent);
- (c) any Bonds, (excluding any Bonds owned or held by the Issuer or where the Issuer is not entitled (or has waived its entitlement to receive) principal and/or Interest in relation to those Bonds),

debentures, loan stock or any similar instrument or any obligation to purchase the Bonds, debentures, loan stock or any similar instrument;

- (d) the amount of any liability in respect of finance or capital leases;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any Treasury Transaction (and, when calculating the value of that Treasury Transaction, only the marked to market loss to the Security Group (or, if any actual amount is due from the Security Group as a result of the termination or close out of that Treasury Transaction, that amount) shall be taken into account) and any liability thereunder;
- (g) any counter indemnity obligation in respect of any guarantee, indemnity, bond, standby or documentary letter of credit or other instrument issued by a bank or financial institution;
- (h) any amount raised by the issue of redeemable shares which are redeemable (other than at the option of the Issuer) before the Final Maturity Date or are otherwise classified as borrowings under the Accounting Standards;
- (i) any amount of any liability under an advance or deferred purchase agreement if (i) one of the primary reasons behind entering into the agreement is to raise finance or to finance the acquisition or construction of the asset or service in question or (ii) the agreement is in respect of the supply of assets or services and payment is due more than 120 days after the date of supply;
- (j) any amount raised under any other transaction (including any forward sale or purchase, sale and sale back or sale and leaseback agreement) having the commercial effect of a borrowing or otherwise classified as borrowings under the Accounting Standards; and
- (k) the amount of any liability in respect of any guarantee for any of the items referred to in paragraphs (a) to (j) above.

Financial Ratio Event of Default

means an Event of Default pursuant to paragraph 2 (Breach of Financial Covenant and other obligations) of schedule 3 (Events of Default) to the Common Terms Agreement.

Financial Statements

means the Annual Financial Statements or the Semi-Annual Financial Statements as applicable.

Financial Year

means the annual accounting period of the Security Group ending on or about 31 March in each year.

Fitch

means Fitch Ratings Ltd. and any successor to the rating agency business of Fitch Ratings Ltd or any successor to its rating agency function.

FSMA	means the Financial Services and Markets Act 2000 (as amended).
Further Bonds	means further Bonds of the same series as any of the Bonds in bearer form, carrying the same terms and conditions in all respects as such tranche of Bonds (save as to the issue date, the first Interest Payment Date, and the amortisation schedule), and so that the same shall be consolidated and form a single series and rank <i>pari passu</i> with such tranche of Bonds.
Generator	means the holder of a generating licence granted under the Electricity Act who generates electricity at the Wind Farm at the relevant point in time.
Generator Assets	means the Vendors' assets located on the Transmission Assets.
Global Bond	means a Temporary Global Bond and/or a Permanent Global Bond, as the context may require.
Good Industry Practice	means the exercise of that degree of skill, diligence, prudence and foresight which would reasonably be expected from a skilled and experienced operator engaged in the same type of undertaking as the Issuer under the same or similar circumstances.
Government Entity	means: <ul style="list-style-type: none"> (a) the government of the United Kingdom; (b) any authority, agency or department established by the government of the United Kingdom; (c) the Bank of England or any entity holding all or a substantial part of the foreign reserves or investments of the United Kingdom; (d) any political subdivision of the United Kingdom; and (e) any public corporation or other entity of which the government of the United Kingdom has direct or indirect control and control for this purpose means the power to direct the management and the policies of the entity whether through the ownership of share capital, contract or otherwise.
Gross Revenues	means, in relation to any period (without counting any item more than once), all moneys received by the Issuer in that period: <ul style="list-style-type: none"> (a) as revenue from its operation in that period; (b) under any Revenue Transaction (on a net basis); (c) as Insurance Proceeds in respect of physical damage (but only to the extent that these moneys have actually been received and applied towards an equivalent reinstatement, repair, restoration or replacement cost in that period and are included in paragraph (f) of the definition of Operating Costs in that period); (d) as a refund of Tax;

- (e) as interest earned on the Accounts;
- (f) as income received in respect of Cash Equivalent Investments;
- (g) as liquidated or other damages paid by any contractors or subcontractors to the Issuer under any Project Document;
- (h) as proceeds from disposals other than a Relevant Disposal;
- (i) (for the purposes of calculating the Debt Service Cover Ratio only) which are withdrawals from the Maintenance Reserve Account, the Working Capital Reserve Account (except to the extent that such amounts have been withdrawn to pay Debt Service in that period as contemplated by paragraphs 6 (c)(iv) and 6(c)(v) (Working Capital Reserve Account) of schedule 5 (Cash Management) of the Common Terms Agreement) and the DECC Decommissioning Reserve Account (to the extent such withdrawal relates to payment of an accrued decommissioning costs), less any moneys transferred to each of these Accounts (as applicable) in that period, in each case in accordance with the provisions of schedule 5 (Cash Management) of the Common Terms Agreement;
- (j) as cash receipts otherwise in connection with the WoDS Project,

but always excluding Claim Proceeds, Insurance Proceeds (except as included in paragraph (c) above) and the proceeds of any Additional Equity and any other cash proceeds of any equity or Subordinated Intragroup Liabilities contributed to the Issuer in respect of the relevant period.

Guarantee	means the obligations of the Guarantor under the guarantee set out in the Security Agreement.
Guarantor	means HoldCo.
Hedge Counterparty	means an Initial Hedge Counterparty or any counterparty which accedes as a hedge counterparty to the STID and Common Terms Agreement as a hedge counterparty.
Hedging Agreement	means each ISDA Master Agreement entered into by the Issuer and a Hedge Counterparty for the purpose of executing a Revenue Transaction, in each case in accordance with the terms of the CTA and which governs the Hedging Transactions between such parties.
Hedging Force Majeure	means an Illegality or Tax Event, Tax Event Upon Merger or a Force Majeure Event (each as defined in the ISDA Master Agreement).
Hedging Liabilities	means the Secured Liabilities owed by the Issuer to the Hedge Counterparties under or in connection with the Hedging Agreements.
Hedging Transaction	means any inflation-linked Treasury Transaction or any other Treasury Transaction governed by a Hedging Agreement and entered into with the OFTO in accordance with the Common Terms Agreement.

High Court	means Her Majesty's High Court of Justice in England.
Historic DSCR	means, on any Calculation Date, the Debt Service Cover Ratio for the Relevant Period ending on that Calculation Date.
HMRC	means HM Revenue & Customs.
HoldCo	means WoDS Transmission Holdco Ltd.
HoldCo Account	means the account opened by HoldCo entitled the HoldCo Account which shall be operated and maintained in accordance with the provisions of paragraph 9 (HoldCo Account) of schedule 5 (Cash Management) of the Common Terms Agreement.
Holding Company	means, in relation to a company or a corporation, any other company or corporation in respect of which it is a Subsidiary.
IFRS	means international accounting standards within the meaning of IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.
Income	means any interest, dividends or other income arising from or in respect of a Cash Equivalent Investment.
Incremental Investment Amounts	means any amounts required to be funded by the Issuer under Standard Condition E17 of the OFTO Licence.
Indexed	means, in respect of any amount, that amount (as previously indexed) adjusted up or down at the beginning of each calendar year by an amount equal to the percentage increase or, as the case may be, decrease in the Retail Price Index for such year or as is otherwise specified in the relevant Finance Document.
Initial Hedge Counterparties	means Abbey National Treasury Services plc, Lloyds Bank plc and Royal Bank of Canada.
Initial Issue Date	means the date upon which the Bonds are issued by the Issuer.
Initial Management Services Agreement	means the management services agreement dated on or about the date of this Prospectus entered into between, amongst others, the Initial Management Services Provider and the Issuer.
Initial Management Services Provider	means Frontier Power Limited.
Insolvency Act	means the Insolvency Act 1986 as amended.
Insolvency Event	means, in respect of any company: <ul style="list-style-type: none"> (a) the initiation of or consent to Insolvency Proceedings by such company or any other person or the presentation of a petition or application for the making of an administration order which proceedings (other than in the case of the Issuer) are not being

disputed in good faith with a reasonable prospect of success or which are frivolous or vexatious and discharged, stayed or dismissed within ten Business Days of commencement or, if earlier, the date on which it is advertised;

- (b) an encumbrancer taking possession of the whole or any part of the undertaking or assets of such company;
- (c) any distress, execution, attachment or other process being levied or enforced or imposed upon or against the whole or any substantial part of the undertaking or assets of such company and such order, appointment, possession or process (as the case may be) not being discharged or otherwise ceasing to apply within 30 days;
- (d) a composition, compromise, assignment or arrangement with creditors of such company (as part of a general composition, compromise, assignment or arrangement affecting such company's creditors generally) other than a composition compromise, assignment or arrangement with respect to any subordinated Financial Indebtedness, any intragroup loan or guarantee;
- (e) the passing by such company of an effective resolution or the making of an order by a court of competent jurisdiction for the winding up, liquidation or dissolution of such company (except, in the case of the Issuer, a winding up for the purpose of a merger, reorganisation or amalgamation the terms of which have previously been approved by an Extraordinary Resolution);
- (f) the appointment of an Insolvency Official in relation to such company or in relation to the whole or any substantial part of the undertaking or assets of such company;
- (g) save as permitted in the STID, the cessation or suspension of payment of its debts generally or a public announcement by such company of an intention to do so; or
- (h) save as provided in the STID, a moratorium is declared in respect of any indebtedness of such company.

Insolvency Official

means, in connection with any Insolvency Proceedings in relation to a company, a liquidator, provisional liquidator, administrator, Receiver, nominee, supervisor, trustee, conservator, guardian or other similar official in respect of such company or in respect of all (or substantially all) of the company's assets or in respect of any arrangement or composition with creditors.

Insolvency Proceedings

means, in respect of any company, the winding up, liquidation, dissolution or administration of such company, or any equivalent or analogous proceedings under the law of the jurisdiction in which such company is incorporated or of any jurisdiction in which such company, carries on business including the seeking of liquidation, winding up, reorganisation, dissolution, administration, arrangement, adjustment, protection or relief of debtors.

Insurable Event	means any event in relation to which and to the extent that Insurance is in place provided that where the term "Insurable Event" and each related definition (including, without limitation, "Third Party Event") is used in the Finance Documents shall be deemed to be limited to physical loss or damage insurance policies.
Insurance	means the contracts and policies of insurance taken out by or on behalf of the Issuer in accordance with Schedule 6 (Insurances) of the Common Terms Agreement or (to the extent of its interest) in which the Issuer has an interest;
Insurance Adviser	means Marsh Ltd. or any other person (which is of international repute and with equivalent expertise in transactions and projects of a similar nature to the WoDS Project) appointed by the Issuer as replacement Insurance Adviser from time to time.
Insurance Proceeds	means the proceeds of any insurance claim under any insurance maintained by an Obligor except for Excluded Insurance Proceeds and after deducting any reasonable expenses in relation to that claim which are incurred by any Obligor to persons who are not Obligors or Affiliates of any Obligor.
Interest	means: <ul style="list-style-type: none"> (a) interest and amounts in the nature of interest accrued; (b) prepayment penalties or premia incurred in repaying or prepaying Senior Debt; (c) discount fees and acceptance fees payable or deducted in respect of any Senior Debt, including fees payable in respect of any letters of credit and guarantees; (d) any net payment (or, if appropriate in the context, receipt) under any interest rate or cross currency hedging agreement or instrument, taking into account any premia payable; and (e) any other payment and deduction of similar effect.
Interface Agreement	means the agreement so entitled entered into between the Issuer and the Vendors in relation to the WoDS Project.
Interruption	has the meaning given to that term in the CUSC.
Investment Proceeds	means: <ul style="list-style-type: none"> (a) any net proceeds received upon disposal or realisation; or (b) any sum received upon maturity of a Cash Equivalent Investment, but excluding all Income.
Investor	means 3i Infrastructure plc, or Macquarie Corporate Holdings Pty Limited and their, or any subsequent, successors or assignees or transferees.

Investor Funding Loan	means: <ul style="list-style-type: none"> (a) any loan note offered by Issuer to HoldCo under the OFTO Loan Note Instrument; and (b) any loan note offered by HoldCo to TopCo, provided that the benefit of such loan is subject to the terms of the STID as a Subordinated Intragroup Liability.
Investor Report	means each report produced by the Issuer to be delivered by each Calculation Date, substantially in the form set out in schedule 4 (Form of Investor Report) to the Common Terms Agreement.
ISDA Master Agreement	means an agreement in the form of the 2002 ISDA Master Agreement (including the schedule and credit support annex thereto) or any successor thereto published by ISDA unless otherwise agreed by the Security Trustee acting in accordance with the STID.
ISDA Master Agreement	means an agreement in the form of the 2002 ISDA Master Agreement (including the schedule, each confirmation and any credit support annex thereto) or any successor thereto published by ISDA unless otherwise agreed by the Security Trustee acting in accordance with the STID.
Issue Date	means the date upon which the Bonds are issued by the Issuer.
Issuer	means WoDS Transmission plc.
Issuer Security	means the security granted by the Issuer to the Security Trustee pursuant to the Security Agreement.
Joint Bookrunners	means Banco Santander, S.A., Lloyds Bank plc and The Royal Bank of Scotland plc.
Key Assumption	means the availability of the Transmission Assets.
Liabilities	means all present and future liabilities and obligations at any time of any Obligor to any Creditor under the Finance Documents, both actual and contingent and whether incurred solely or jointly or as principal or surety or in any other capacity together with any of the following matters relating to or arising in respect of those liabilities and obligations: <ul style="list-style-type: none"> (a) any novation, deferral or extension; (b) any claim for breach of representation, warranty or undertaking or on an event of default or under any indemnity given under or in connection with any document or agreement evidencing or constituting any other liability or obligation falling within this definition; (c) any claim for damages or restitution; and (d) any claim as a result of any recovery by such Obligor of a Payment on the grounds of preference or otherwise,

and any amounts which would be included in any of the above but for any discharge, non-provability, unenforceability or non-allowance of those amounts in any insolvency or other proceedings.

Licence Trigger Event

means any of the following events:

- (a) the Issuer is the subject of a provisional order under section 25 of the Electricity Act;
- (b) the Issuer is the subject of a final order under section 25 of the Electricity Act; and
- (c) the Issuer fails to pay any financial penalty under section 27A of the Electricity Act by the due date for such payment.

Lock-Up Ratio Level

means:

- (a) in respect of the Projected DSCR, 1.10:1;
- (b) in respect of the Historic DSCR, 1.10:1; and
- (c) in respect of the Debt Life Cover Ratio, 1.15:1,

in each case, in respect of the Relevant Period as at the relevant Calculation Date, as stated in the Investor Report.

Losses

means any direct losses, liabilities, damages, costs, charges, expenses (including legal fees) and taxes.

Maintenance Cost Estimate

means the aggregate net present value of these estimated maintenance costs of the Issuer over the 20 year revenue period of the OFTO Licence (the Maintenance Cost Estimate).

Maintenance Reserve Account

means the account opened and maintained by the Issuer entitled the "Maintenance Reserve Account" which shall be credited with a cash reserve by the Issuer, as contemplated by the Common Terms Agreement.

Maintenance Reserve Amount

means, at any time, the amount shown in the most recent Model that should be maintained as a credit balance on the Maintenance Reserve Account, being the aggregate of:

- (a) 100% of the Additional Budgeted Maintenance Costs forecast to be incurred during the 12 month period commencing on the Calculation Date in respect of which the Model was prepared;
- (b) $66\frac{2}{3}\%$ of the Additional Budgeted Maintenance Costs to be incurred during the 12 month period immediately following the period in sub-clause (a) above; and
- (c) $33\frac{1}{3}\%$ of the Additional Budgeted Maintenance Costs to be incurred during the 12 month period immediately following the period in sub-clause (b) above.

Maintenance Works	means works and activities to be carried out by the Issuer post completion of the Capital Works.
Major Project Party	means: <ul style="list-style-type: none"> (a) the O&M Contractor; and (b) each O&M Guarantor.
Majority Requirement	means: <ul style="list-style-type: none"> (a) in respect of an Ordinary Voting Matter, the majority specified in 5.2 of the STID Decision Making Protocol; (b) in respect of an Extraordinary Voting Matter, the majority specified in paragraph 6.3(a) of the STID Decision Making Protocol); and (c) with respect to an Enforcement Instruction Notice or Further Enforcement Instruction Notice, the requisite majority specified in paragraph 13.2(e) of the STID Decision Making Protocol.
Make-Whole Amount	means any premium payable on redemption of any Senior Debt in excess of: <ul style="list-style-type: none"> (a) the principal amount outstanding of such debt; plus (b) accrued interest on such debt; plus (c) any final payment in respect of accretions for inflation on any such debt that is index-linked.
Management Services Agreement or MSA	means the Initial Management Services Agreement and any replacement management services agreement entered into by the Issuer from time to time or pursuant to the terms of the Common Terms Agreement.
Management Services Direct Agreement	means the Initial Management Services Agreement and any replacement management services direct agreement approved by the Security Trustee in accordance with the STID.
Management Services Provider or MSP	means the Initial Management Services Provider and any replacement management services provider appointed by the Issuer in accordance with the Common Terms Agreement.
Marine Licence	means the Marine Licence L/2012/00424/16 dated 2 February 2015 issued to "DONG Energy West of Duddon Sands" (as amended, supplemented or modified from time to time).
Master Definitions Agreement	means the master definitions agreement dated on or about the Issue Date, between, <i>inter alia</i> , the Issuer and the Bond Trustee.

Material Adverse Effect	<p>means an effect which is or would be likely to be materially adverse to:</p> <ul style="list-style-type: none"> (a) the business, assets or condition (financial or otherwise) of the Obligors taken as a whole; (b) the ability of the Issuer to perform its obligations under the Finance Documents and/or its ability to meet a Default Ratio Level (for the avoidance of doubt calculated without making any adjustment in the calculation of Net Cashflow as contemplated by paragraph 2(b) (Breach of Financial Covenants and other obligations) of schedule 3 (Events of Default) of the Common Terms Agreement); (c) the validity, legality, enforceability or effectiveness of any provision of any Transaction Document; or (d) the priority of any Security Interest granted or purported to be granted pursuant to any Security Document or the rights or remedies of the Secured Creditors under any Finance Document.
Model	<p>means the Computer Model as most recently amended in relation to the Key Assumptions and/or the Economic Assumptions from time to time in accordance with the Common Terms Agreement. For the avoidance of doubt, all projected figures included in any Model are for internal use by the Issuer and certain parties to the CTA, and will not be available to Bondholders.</p>
Money Laundering Laws	<p>means collectively the applicable financial record keeping and reporting requirements and money laundering statutes in the jurisdiction of the Issuer and HoldCo and of all jurisdictions in which the Issuer, HoldCo and their respective Subsidiaries conduct business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency.</p>
Moody's	<p>means Moody's Investors Service, Inc. or any successor to its rating agency function.</p>
Net Cashflow	<p>means, for any period:</p> <ul style="list-style-type: none"> (a) (i) Gross Revenues received or to be received during that period; and (ii) any proceeds received from the creation and issuance of Further Bonds issued to fund Capital Costs in that period; minus (b) the following amounts payable in relation to that period: <ul style="list-style-type: none"> (i) all Operating Costs; (ii) all Taxes payable in connection with any or all of the WoDS Project, including any payments made by the Issuer in respect of the surrender or transfer of any Tax credit, loss, relief or allowance, but only to the extent that: <ul style="list-style-type: none"> (A) any such Tax credit, loss, relief or

allowance is actually used to reduce the Taxes payable in connection with all or any of the WoDS Project;

(B) the amount of the payment is no greater than the amount of the Taxes thereby saved; and

(C) no such payment is made earlier than the latest date on which such Taxes would have been payable without incurring interest or penalties; and

(iii) all Capital Costs,

converted, in the event that any such amount is not denominated in sterling, into sterling at the actual rate of exchange received by the relevant member of the Security Group in respect of the receipt or payment or, in the case of any Operating Cost not yet payable or any Gross Revenues not yet received, at the Projected Spot Rate of Exchange on the date of projected receipt or payment.

NETSO means the system operator for the transmission system.

NGET means National Grid Electricity Transmission plc, a company registered in England and Wales with Number 2366977, whose registered office is at 1-3 Strand, London WC2N 5EH.

Non-Cash Consideration means consideration in a form other than cash.

Notice of Demand means a demand for a payment under the PBCE Letter of Credit and Reimbursement Deed in the form of the schedule to the PBCE Letter of Credit and Reimbursement Deed.

NPV means, in relation to the Relevant Period applicable to the calculation of the Debt Life Cover Ratio, an amount equal to the present value (discounted back to the relevant Calculation Date at the Discount Rate applicable to that Relevant Period) of the projected Net Cashflow for that Relevant Period calculated on the basis of figures available to the Security Group and consistent with the budgets, forecasts and other projections provided to the Security Trustee, the PBCE Provider, the Hedge Counterparties and the Bond Trustee.

O&M Agreement means the operation and maintenance agreement dated on or about the Signing Date between the OFTO and the O&M Contractor.

O&M Contractor means DONG Energy WoDS (UK) Limited and ScottishPower Renewables (WODS) Limited.

O&M Direct Agreement means the operation and maintenance direct agreement dated on or about the Completion Date between the O&M Contractor, the Security Trustee and the OFTO.

O&M Guarantee means the guarantee in the agreed form dated on or about the Completion Date between the O&M Guarantor and the Issuer in respect of the obligations of the O&M Contractor under the O&M Agreement.

O&M Guarantors	means DONG Energy Wind Power Holdings A/S and Scottish Power UK Plc or any replacement agreed in accordance with the O&M Agreement.
Obligor	means the Issuer and HoldCo.
Offshore Transmission System	means the offshore and onshore interface and transmission system between the offshore boundary point (located at the sealing end of the 34kV cables connecting into the 155/34kV transformer secondary winding) and the onshore boundary point (located at the 400kV main and reserve busbar clamps contained within NGET's Heysham substation) for which the OFTO Licence is granted.
Ofgem	means the Office of Gas and Electricity Markets and any successor persons.
OFTO	means WoDS Transmission plc.
OFTO Licence	means the offshore electricity transmission licence to be granted by Ofgem to the Issuer under section 6(1)(b) of the Electricity Act and is the "offshore transmission licence" referred to in section 6C(5) of the Electricity Act.
OFTO Loan Note Instrument	means the loan note instrument made by the OFTO on or around the Signing Date.
OFTO of Last Resort	means an OFTO appointed by the Authority under licence condition E12 of a transmission licence.
OFTO of Last Resort Guidance	means the Guidance on the Offshore Transmission Owner (OFTO) of Last Resort Mechanism published on 25 February 2014 by Ofgem
Oil and Gas Works	means any pipelines platforms wellheads or other works for the exploration for or exploitation of oil and gas in respect of which the consents of the Secretary of State required under a licence issued pursuant to the Petroleum Act 1998 have been given
Onshore Lease Agreement	means each of: <ul style="list-style-type: none"> (a) the NGET Lease; and (b) the Duchy Lease.
Operating Costs	means all costs and expenses (without double counting) incurred by the Issuer in the ordinary course of its business including, but not limited to: <ul style="list-style-type: none"> (a) operating costs and expenses whether or not they are set out in the relevant Model (but not including capital expenditure); (b) the amount of all fees, costs and expenses payable in respect of Secured Debt by the Issuer during such period (as contemplated by paragraphs (i), (ii), (iii) and (vi) of the Pre-enforcement Priority of Payments); (c) liabilities of the Issuer under the Project Documents;

- (d) premia on Insurances payable by the Issuer;
- (e) maintenance expenditure in respect of the WoDS Project;
- (f) the costs associated with the replacement, reinstatement, repair or amelioration of the loss in respect of, any assets of any Obligor;
- (g) administrative, legal, accounting, management and employee costs;
- (h) Rating Agency costs;
- (i) any other costs and expenses agreed by the Security Trustee and the Issuer;
- (j) any net revenue payable by the Issuer under any Revenue Transaction;
- (k) decommissioning costs payable by the Issuer in accordance with the Decommissioning Plan; and
- (l) any additional amounts paid in respect of VAT in respect of the above,

but excluding:

- (i) Taxes (other than additional amounts in respect of VAT contemplated by paragraph (l) above);
- (ii) any amounts payable in respect of Capital Costs;
- (iii) any amounts payable in respect of Interest, principal amounts and expenses due and payable by the Issuer under in respect of the Senior Debt;
- (iv) termination payments, final payments and accretion or other pay as you go payments under any Hedging Agreement; and
- (v) depreciation, non-cash charges, reserves, amortisation of intangibles and similar book keeping entries.

Operational Phase

for the purposes of the EDF crossing agreement means the phase commencing after the *Construction Phase* (as defined in the EDF crossing agreement).

Operator

means anyone who enters into the O&M Agreement with the Issuer.

Ordinary Voting Matter

means a matter relating a modification, consent, waiver or determination which is not a Discretion Matter or an Extraordinary Voting Matter.

Original Bonds

means the Bonds as issued on the Issue Date.

OSP

means offshore substation platform.

Outstanding Principal Amount	has the meaning given to it in Condition 6.9 (<i>Outstanding Principal Amount</i>).
Party	means, in relation to a Finance Document, a party to such Finance Document.
Party Entry Processes	has the meaning given in the STC.
Payment	means, in respect of any Liabilities (or any other liabilities or obligations), a payment, prepayment, repayment, redemption, cash collateralisation or discharge of those Liabilities (or other liabilities or obligations).
Payment Date	means, in respect of an Authorised Credit Facility, each date on which a payment is made or is scheduled to be made by an Obligor in respect of any obligations or liability under such Authorised Credit Facility.
Payment Netting	means netting under section 2(c) of the relevant ISDA Master Agreement.
PBCE Available Amount	means an amount equal to the PBCE Maximum Amount
PBCE DLCR Rebalancing Event	means a PBCE Rebalancing Event that occurs as a result of the PBCE Rebalancing DLCR as at that Scheduled Payment Date being below 1.10:1.
PBCE Document	means: <ul style="list-style-type: none"> (a) the PBCE Letter of Credit and Reimbursement Deed; (b) the PBCE Letter of Credit; and (c) any other document designated as such by the Issuer, the PBCE Provider and the Security Trustee.
PBCE Excess Draw Rebalancing Event	means a PBCE Rebalancing Event that occurs as a result of the PBCE Letter of Credit having been drawn to pay Scheduled Debt Service on such Scheduled Payment Date; the PBCE Rebalancing DLCR as at that Scheduled Payment Date being below 1.10:1; on that Scheduled Payment Date, the sum of: (A) the amount of the PBCE Letter of Credit drawn to pay Scheduled Debt Service on such Scheduled Payment Date, plus (B) any amounts previously drawn under the PBCE Letter of Credit and not repaid by the Issuer pursuant to Clause 4.1.1(a) (Reimbursement) of the PBCE Letter of Credit and Reimbursement Deed, exceeded an amount equal to 25 per cent. of the aggregate Bond Debt Service falling due on that Scheduled Payment Date and on the following Scheduled Payment Date; or the PBCE Letter of Credit having been drawn to pay Scheduled Debt Service for the fourth consecutive Scheduled Payment Date.
PBCE Letter of Credit	means the standby letter of credit to be issued by the PBCE Provider on or about the Initial Issue Date in accordance with the provisions of the PBCE Letter of Credit and Reimbursement Deed.
PBCE Letter of Credit and Reimbursement Deed	means the standby letter of credit and reimbursement deed dated on or about the Signing Date between the OFTO, the Security Trustee and the PBCE Provider.

PBCE Maximum Amount means (a) an amount equal to 15% of the Outstanding Principal Amount of the Original Bonds (as reduced, for the avoidance of doubt, by any redemption or amortisation); or (b) following the issue of the Further Bonds, an amount equal to 15% of the Outstanding Principal Amount of the Bonds, as multiplied by a ratio representing (i) the Outstanding Principal Amount of the Original Bonds immediately prior to the issue of the Further Bonds to (ii) the overall Outstanding Principal Amount of the Bonds immediately following the issue of the Further Bonds.

PBCE Rebalancing means the drawing on a Scheduled Payment Date of an amount equal to the PBCE Available Amount (less, if any, the amount to be drawn under the PBCE Letter of Credit to pay Scheduled Debt Service on such Scheduled Payment Date) in order to fund the mandatory partial redemption of the Bonds pursuant to paragraph (a) of Condition 6.2 (*Mandatory Redemptions for a PBCE Rebalancing Event and in respect of Insurance Proceeds, Acquisition Proceeds, any Equity Cure Amount and acceleration of the Guarantee*) (excluding, for the avoidance of doubt, any make-whole amounts, costs or indemnities associated therewith) as a result of the occurrence of a PBCE Rebalancing Event on the immediately preceding Scheduled Payment Date and provided that no PBCE Rebalancing Cure has occurred.

PBCE Rebalancing Cure occurs in respect of a PBCE Rebalancing Event if the Issuer certifies to the PBCE Provider and the Security Trustee by no later than the date falling eleven (11) Business Days prior to a PBCE Rebalancing Date that, on or prior to the PBCE Rebalancing Cure Date:

either

(a) following the occurrence of a PBCE DLCR Rebalancing Event, an Equity Cure Amount has been applied in accordance with paragraph 20 (Equity Cure) of schedule 3 (Events of Default) of the Common Terms Agreement and the PBCE Rebalancing DLCR (after recalculation of the ratios in accordance with paragraph 20(d)(iii) (Equity Cure) of schedule 3 (Events of Default) of the Common Terms Agreement) is no longer below 1.10:1;

or

(b) following the occurrence of a PBCE Excess Draw Rebalancing Event:

(i) Insurance proceeds (in respect of a loss incurred and claimed for before the Scheduled Payment Date in respect of which the PBCE Excess Draw Rebalancing Event occurred) have been agreed and received by the Issuer on or before the PBCE Rebalancing Cure Date; and

(ii) the PBCE Letter of Credit would not have needed to be drawn down to meet Scheduled Debt Service on the Scheduled Payment Date in respect of which the PBCE Excess Draw Rebalancing Event occurred, or the PBCE Excess Draw Rebalancing Event would not have occurred, if such Insurance proceeds had been

received by the Issuer on or before the Scheduled Payment Date in respect of which the PBCE Excess Draw Rebalancing Event occurred.

PBCE Rebalancing Cure Date

means:

- (a) in respect of a PBCE DLCR Rebalancing Event, the date on which the Equity Cure Amount is applied in accordance with paragraph 20(c) (Equity Cure) of schedule 3 (Events of Default) of the Common Terms Agreement; or
- (b) in respect of a PBCE Excess Draw Rebalancing Event, the date falling eleven (11) Business Days prior to a PBCE Rebalancing Date.

PBCE Rebalancing Date

means the Scheduled Payment Date immediately following the Scheduled Payment Date in respect of which a PBCE Rebalancing Event has occurred.

PBCE Rebalancing DLCR

means the Debt Life Cover Ratio calculated without making any adjustment to the calculation of Net Cashflow as contemplated by paragraph 2 (Breach of Financial Covenant and other obligations) of schedule 3 (Events of Default) of the Common Terms Agreement.

PBCE Rebalancing Event

will be deemed to have occurred in respect of a Scheduled Payment Date if:

- (a) the Bonds have not been accelerated in accordance with Condition 9.2;
- (b) on such Scheduled Payment Date, the PBCE Letter of Credit has been drawn to pay Scheduled Debt Service on such Scheduled Payment Date; and
 - (i) the PBCE Rebalancing DLCR as at that Scheduled Payment Date was below 1.10:1; or
 - (ii) on that Scheduled Payment Date, the sum of:
 - (A) the amount of the PBCE Letter of Credit drawn to pay Scheduled Debt Service on such Scheduled Payment Date, plus
 - (B) any amounts previously drawn under the PBCE Letter of Credit and not repaid by the Issuer pursuant to Clause 4.1.1(a) (Reimbursement) of the PBCE Letter of Credit and Reimbursement Deed,

exceeded an amount equal to 25 per cent. of the aggregate Bond Debt Service falling due on that Scheduled Payment Date and on the following Scheduled Payment Date; or

- (iii) the PBCE Letter of Credit was drawn to pay

Scheduled Debt Service for the fourth consecutive Scheduled Payment Date.

provided that if the PBCE Letter of Credit is drawn to pay Scheduled Debt Service on a Scheduled Payment Date and (i) a copy of an irrevocable payment instruction from the OFTO to immediately repay to the PBCE Provider the principal amount of such drawing (together with any related interest) is provided to the PBCE Provider by no later than the Business Day immediately following such Scheduled Payment Date and (ii) such funds are received by the PBCE Provider within 3 Business Days of such Scheduled Payment Date, such drawing will be deemed not to have occurred for the purposes of each of the conditions set out in (b), (c)(ii)(A) and (c)(iii) above.

Permitted Acquisition

means:

- (a) the Acquisition;
- (b) an acquisition of shares or securities pursuant to a Permitted Share Issue;
- (c) an acquisition of securities which are Cash Equivalent Investments so long as those Cash Equivalent Investments become subject to the Security Documents as soon as is reasonably practicable thereafter;
- (d) a purchase of Tax losses by way of group relief or similar transaction for a cash consideration in an amount no greater than the value of Tax saved by the use of such Tax losses; and
- (e) the acquisition of any Secured Debt pursuant to any debt buyback subject to the terms of the Common Terms Agreement, the STID and the Bond Trust Deed.

Permitted Disposal

means any sale, lease, licence, transfer or other disposal which is on arm's length terms and is otherwise in compliance with the Transaction Authorisations:

- (a) required by the Project Documents;
- (b) of assets in exchange for or to be replaced by other assets comparable or superior as to type, value and quality for use in the ordinary course of business of the disposing entity;
- (c) a surrender or disposal of group Tax relief in accordance with the provisions of paragraph 4(c) (Taxation) of part 3 (General Covenants) of schedule 2 (Obligor Covenants) of the Common Terms Agreement;
- (d) of obsolete or redundant vehicles, plant, equipment, parts or similar items for cash;
- (e) of Cash Equivalent Investments for cash or in exchange for other Cash Equivalent Investments;

- (f) arising as a result of the creation of any Permitted Security;
- (g) the application or disposal of cash for value and on an arm's length basis not otherwise prohibited under the Finance Documents;
- (h) where the consideration receivable (when aggregated with the consideration receivable for any other sale, lease, licence, transfer or other disposal not permitted under the preceding paragraphs) does not exceed: (i) until the 15th anniversary of the Completion Date, £100,000 in any Financial Year and (ii) on or after the 15th anniversary of the Completion Date £150,000 in any Financial Year; and
- (i) any other payment or disposal approved or consented to by the Security Trustee in accordance with the STID.

Permitted Guarantee

means:

- (a) the Regulatory Financial Security provided that the issuer of any performance bond or bank guarantee or letter of credit provided in respect of that Regulatory Financial Security has no recourse to any Obligor under the terms of such arrangements;
- (b) any guarantee permitted as Financial Indebtedness;
- (c) any guarantee granted under the Finance Documents;
- (d) any indemnity given in the ordinary course of an acquisition or disposal which is a Permitted Acquisition or Permitted Disposal which indemnity is in customary form and subject to customary limitations; and
- (e) any other guarantee approved or consented to by the Security Trustee in accordance with the STID.

Permitted Business

means the business of the Obligors being:

- (a) the business of being an offshore transmission owner comprising managing, operating, maintaining, repairing and decommissioning the Transmission Assets in accordance with the Transaction Authorisations, law and regulation; and
- (b) any other business approved or consented to by the Security Trustee in accordance with the STID,

provided that the activities set out in paragraph (a) above shall constitute the principal business carried on by the Security Group.

Permitted Financial Indebtedness

means Financial Indebtedness:

- (a) incurred under any Transaction Document;
- (b) in respect of:

- (i) any Regulatory Financial Security; and
- (ii) any deferred purchase arrangement for assets or services acquired in the ordinary course of its business which is:
 - (A) on terms that require the indebtedness to be repaid within 90 days of delivery of the goods or performance of the services, as the case may be; and
 - (B) not more than 60 days overdue,
 which when aggregated with all other Financial Indebtedness incurred under this paragraph (b)(ii) does not exceed £100,000; and
- (iii) other than as provided for under limb (b)(i) above, security required under a Project Document or applicable law in respect of decommissioning obligations;
- (c) arising in respect of bonds or guarantees required to be provided by the OFTO or HoldCo pursuant to any Project Document for the conduct of the OFTO's business in the ordinary course which, when aggregated with all other Financial Indebtedness incurred under this paragraph (c) does not exceed £100,000;
- (d) not falling within paragraphs (a) to (c) above, the aggregate outstanding principal amount of which (when aggregated with all other Financial Indebtedness incurred under this paragraph (d)) does not exceed £50,000;
- (e) incurred by the OFTO in order to fund Incremental Investment Amounts as required by Standard Licence Condition E17 of the OFTO Licence pursuant to Condition 15 (Further Bonds); or
- (f) incurred with the prior consent of the Security Trustee in accordance with the STID.

Permitted Loans

means:

- (a) Financial Indebtedness which is referred to in the definition of, or otherwise constitutes, Permitted Financial Indebtedness under paragraphs (b) or (d) thereof;
- (b) a loan made by an Obligor to another Obligor (including under the OFTO Loan Note Instrument) that is not a Restricted Payment;
- (c) any loan made by an Obligor to an Investor in accordance with the Restricted Payment Condition;
- (d) subject to the terms of STID, any loan made by an Obligor for the purposes of enabling (indirectly or directly) the Issuer to meet its payment obligations under the Finance Documents; and

- (e) any other loans or grant of credit approved or consented to by the Security Trustee in accordance with the STID,

so long as in the case of paragraph (e) above to the extent required by the STID, the creditor and (if the debtor is an Obligor) the debtor of such Financial Indebtedness are or become party to the STID as a new Obligor.

Permitted Payments

means, without double counting, all payments and costs and expenses incurred by the Issuer, in the ordinary course of its business, including but not limited to:

- (a) Operating Costs of the Issuer on arm's length terms;
- (b) liabilities of the Issuer under the Project Documents;
- (c) premia on insurances;
- (d) any value added tax in respect of any other Permitted Payment;
- (e) corporate tax or any other taxes of the Issuer or a payment for surrender or disposal or group Tax relief on the terms contemplated by the Finance Documents;
- (f) any payments made in respect of Bond Liabilities, Hedging Liabilities or PBCE Liabilities in accordance with the STID;
- (g) any Unused Equity Cure Amount; and
- (h) as otherwise agreed by the Security Trustee in accordance with the STID.

Permitted Security

means:

- (a) any Security Interest or Quasi-Security arising by operation of law and in the ordinary course of trading and not as a result of any default or omission by any Obligor;
- (b) any netting or set-off arrangement entered into by any Obligor with an Acceptable Bank in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances of members of the Security Group;
- (c) any Security Interest or Quasi-Security arising under any retention of title, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to an Obligor in the ordinary course of trading and on the supplier's standard or usual terms and not arising as a result of any default or omission by any Obligor;
- (d) the Security Interests created pursuant to the Security Documents;
- (e) any netting or set-off arrangement under a Hedging Agreement or schedule thereto entered into by any Obligor pursuant to paragraph

28 (Treasury Transactions) of part 3 (General Covenants) of schedule 2 (Obligor Covenants) of the Common Terms Agreement for the purposes of determining its obligations by reference to its net exposure under that agreement (and for the avoidance of doubt, not as a credit support provider under any such agreement);

- (f) any netting or set-off arrangement or Quasi-Security constituting a Permitted Transaction;
- (g) any Security Interest or Quasi-Security arising in respect of other Permitted Financial Indebtedness;
- (h) any Security Interest or Quasi-Security approved or consented to by the Security Trustee in accordance with the STID;
- (i) any Security Interest arising under statute or by operation of law in favour of any government, state or local authority in respect of taxes, assessments or government charges which are being contested by the relevant Obligor in good faith and with a reasonable prospect of success;
- (j) any Security Interest created in respect of any pre-judgment legal process or any judgment or judicial award relating to security for costs, where the relevant proceedings are being contested in good faith by the relevant Obligor by appropriate procedures and with a reasonable prospect of success;
- (k) any cash collateral given by way of security in order to cash collateralise the Regulatory Financial Security;
- (l) save for any security covered by paragraph (g) above, any security arising out of title retention provisions in a supplier's standard conditions for the supply of goods acquired by the Issuer in the ordinary course of its business, where the value of such goods does not exceed £50,000 (Indexed) at any time in aggregate;
- (m) any other security created or subsisting with the consent of the Security Trustee in accordance with the STID,

but, in each case, excluding any such Security Interest or Quasi-Security over any Real Property.

Permitted Share Issue

means:

- (a) an issue of shares by TopCo to an immediate Holding Company, paid for in full in cash upon issue and which by their terms are not redeemable;
- (b) any issue of shares within the Security Group where the newly issued shares also become subject to the Security on the same terms;
- (c) any issue of shares by way of a Restricted Payment so long as at the time of issue the Restricted Payment Condition is satisfied; and

- (d) any other issue of shares approved or consented to by the Security Trustee in accordance with the STID.

Permitted Transaction

means:

- (a) any disposal required, Financial Indebtedness incurred, guarantee, indemnity or Security Interest or Quasi-Security given, or other transaction arising, under the Finance Documents; or
- (b) any other transaction approved or consented to by the Security Trustee in accordance with the STID.

Potential Event of Default

means any event which, with the lapse of time and/or the giving of any notice and/or the making of any determination (in each case where the lapse of time and/or giving of notice and/or determination is provided for in the terms of such Event of Default, and assuming no intervening remedy), will become an Event of Default.

Principal Paying Agent

means, in relation to the Bonds, HSBC Bank plc at its office at 8 Canada Square, London E14 5HQ as principal paying agent under the Agency Agreement, or if applicable, successor principal paying agent in relation to the Bonds.

Priority of Payments

means the Pre-enforcement Priority of Payments or the Post-enforcement Priority of Payments, as applicable.

Proceeds Account

means the operating bank account of the Issuer into which revenues of the Issuer will be received and certain payments made as described in paragraph 2 of schedule 5 (Cash Management) of the Common Terms Agreement.

Project

means the Acquisition and subsequent management, operation, maintenance, repair and decommissioning of the Transmission Assets by the Issuer for the duration of the terms of the OFTO Licence and the financing thereof.

Project Costs

means all fees, costs and expenses, stamp duty, registration and other Taxes incurred by the Issuer in connection with the Acquisition and the Transaction Documents as set out in the Model, including, *inter alia*, the following:

- (a) the Purchase Price and all other Acquisition Costs;
- (b) development costs;
- (c) initial premia payable in respect of any Insurances;
- (d) upfront fees falling due and payable on the Initial Issue Date to any Authorised Credit Provider;

- (e) legal, accounting and other professional fees and costs incurred by the Issuer arising out of or in connection with the Transaction Documents and any documents referred to in the Transaction Documents;
- (f) any initial Issuer costs and overheads incurred by the Issuer;
- (g) any pre-funding of any required Reserve Accounts up to its Required Balance (if applicable);
- (h) any fees necessary for obtaining the OFTO Licence; and
- (i) any irrecoverable VAT or similar Tax in respect of any of the above,

but excluding:

- (i) any other Interest; and
- (ii) principal amounts due and payable by the Issuer in respect of the Senior Debt.

Project Document

means:

- (a) the OFTO Licence;
- (b) an Acquisition Document;
- (c) each Crossing Agreement;
- (d) the Onshore Lease Agreements;
- (e) the Crown Estate Lease;
- (f) the CE Lease Licence to Assign;
- (g) each Deed of Assignment;
- (h) the Deed of Covenant;
- (i) the STC and STC Framework Agreement;
- (j) the O&M Agreement;
- (k) the O&M Direct Agreement;
- (l) each O&M Guarantee;
- (m) the Transmission Owner Construction Agreement;
- (n) the Management Services Agreement;
- (o) the Management Services Direct Agreement;

- (p) any other material contract entered into by the Issuer in connection with the WoDS Project; and
- (q) any other document designated as such by the Issuer, the Security Trustee and the Bond Trustee.

Projected DSCR means, on any Calculation Date, the projection of the Debt Service Cover Ratio for the Relevant Period commencing on that Calculation Date.

Projected Spot Rate of Exchange means the mid-rate between the projected spot rate of exchange for the purchase of one currency with another and the projected spot rate of exchange for the sale of that currency with that other currency, in each case in the London foreign exchange market at or about 11.00 a.m. on a particular day for delivery two (2) Business Days later.

Prospectus means this prospectus relating to the Bonds prepared in connection with the Acquisition and constituting, to the extent specified in it, a prospectus for the purposes of the Prospectus Directive as revised, supplemented or amended from time to time by the Issuer.

Prospectus Directive means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU).

Proximity Agreement means those listed proximity agreements that relate to or interact with the Agreed Cable Burial Works. The Issuer has received technical advice that the Agreed Cable Burial Works have the potential to cross over with or cause liabilities for the Issuer under three proximity agreements entered into.

Purchase Price means the purchase price to be paid by the OFTO for the Transmission Assets under the Acquisition Agreement.

Qualifying Insurer means any insurer whose long-term debt is rated at least A- by S&P and A3 by Moody's (or its equivalent from any other rating agency approved by the Security Trustee (acting in accordance with the STID)).

Qualifying Secured Debt means indebtedness owed by the Obligors to the Qualifying Secured Creditors and:

- (a) in relation to a Bondholder, means the Outstanding Principal Amount of the Bonds;
- (b) in relation to a Hedge Counterparty, means the amount of its Senior Voting Debt under the Hedging Agreement; and
- (c) in relation to the PBCE Provider, means the principal amounts drawn under the PBCE Letter of Credit which have not been reimbursed under the PBCE Letter of Credit and Reimbursement Deed.

Quasi-Security means an arrangement or transaction described in paragraph 12 (Negative Pledge) of part 3 (General Covenants) of schedule 2 (Obligor Covenants) of the Common Terms Agreement.

Rating Agencies	means each of Fitch, Moody's and S&P or any other internationally recognised rating agency and any successor to any of the aforementioned parties (and Rating Agency means any one of them).
Ratings Confirmation	in respect of a proposed action means a confirmation by the relevant Rating Agencies mandated by the OFTO from time to time (who give such Ratings Confirmations as a part of their mandate), in respect of the Bonds, to the effect that the then ratings on such Bonds would not be reduced below the lower of (a) the credit ratings of such Bonds as at the Initial Issue Date or (b) the then current credit ratings (before the proposed action) or, if any Rating Agency is unwilling to provide such confirmation for any reason as certified in writing by an authorised signatory of the OFTO to the Security Trustee and the Bond Trustee (if applicable) after the OFTO has (i) notified the Rating Agency of the proposed alternative arrangements and (ii) made all reasonable enquiries with that Rating Agency. Such certification by the OFTO shall, inter alia, include an opinion of the OFTO as to why the then current ratings of the outstanding Bonds shall not be adversely affected and include a confirmation that the OFTO has undertaken steps (i) and (ii). Each of the Security Trustee and the Bond Trustee (as the case may be) may rely absolutely on such certification in the absence of manifest error. For the avoidance of doubt, such Ratings Confirmation or non-receipt of such Ratings Confirmation shall, however, not be construed to mean that any such action or inaction (or contemplated action or inaction) or such exercise (or contemplated exercise) by the Bond Trustee or Security Trustee of any right, power, trust, authority, duty or discretion under or in relation to any Transaction Document is not materially prejudicial to the interests of the Bondholders.
Real Property	means: <ul style="list-style-type: none"> (a) any freehold, leasehold or immovable property; and (b) any buildings, fixtures, fittings, fixed plant or machinery from time to time situated on or forming part of that freehold, leasehold or immovable property.
Real Transmission Revenue	means the allowed transmission owner revenue (OFTO _t) as defined in paragraph 4 (Formula for Allowed Transmission Owner Revenue (OFTO _t)) of Amended Standard Condition E12 – J2 (Restriction of Transmission Revenue: Revenue from Transmission Owner Services) of the Transmission Licence adjusted such that the calculation of OFTO _t shall exclude any revenue indexation adjustment contemplated by RIT _t .
Reasonable and Prudent Operator	means a party seeking in good faith to perform its contractual obligations and, in so doing and in the general conduct of its undertaking exercising that degree of skill, diligence, prudence and foresight which would reasonably be expected from a skilled and experienced operator and contractor engaged in the same type of undertaking under the same or similar circumstances at the relevant time and complying with <i>Law</i> and <i>Consents</i> ⁹

⁹ Terms in italics in the definition of “Reasonable and Prudent Operator” are set out in the BCA.

Receiptholders	means the several persons who are for the time being holders of the Receipts.
Receipts	means the related principal receipts appertaining to the Bonds.
Receiver	means a receiver or receiver and manager or administrative receiver of the whole or any part of the Charged Property.
Regulation S	means Regulation S under the Securities Act.
Regulatory Financial Security	means any deposit of money, performance bond or bank guarantee, insurance policy or a letter of credit to be provided by the OFTO in accordance with its obligations under paragraph 14 of condition E12-J4 (Restriction of transmission revenue: Annual revenue adjustments) of the OFTO Licence.
Relevant Disposal	means any Disposal by the OFTO other than a Disposal: <ul style="list-style-type: none"> (a) of an asset or assets where the consideration or the market value of such asset or assets is equal to or more than £50,000 (indexed) (or its equivalent in any other currency or currencies); or (b) of cash or cash equivalents for cash or other cash equivalents.
Relevant Disposal Proceeds	means the proceeds of a Relevant Disposal, to the extent the proceeds of such disposal are not reinvested by the Issuer within six months of the date of that disposal, less any reasonable and proper fees, expenses or taxes incurred in connection with such disposal.
Relevant Interruption	has the meaning given to it in the CUSC.
Relevant Jurisdiction	means, in relation to an Obligor: <ul style="list-style-type: none"> (a) its jurisdiction of incorporation; (b) any jurisdiction where any asset subject to or intended to be subject to the Security to be created by it is situated; (c) any jurisdiction where it conducts its business; and (d) the jurisdiction whose laws govern the perfection of any of the Security Documents entered into by it.
Relevant Period	means, for the purpose of: <ul style="list-style-type: none"> (a) Historic DSCR, the period commencing on the day immediately following the Calculation Date falling twelve (12) months previously (or, if fewer than twelve (12) months have elapsed since the Completion Date, the Completion Date) and ending on the relevant Calculation Date; (b) Projected DSCR, the period commencing on the relevant Calculation Date and ending on the day immediately preceding the Calculation Date falling twelve (12) months subsequently and,

after any drawing has been made under the PBCE Letter of Credit, a further two distinct twelve (12) month periods subsequently (or, in each case, if sooner, the Final Maturity Date); and

- (c) the Debt Life Cover Ratio, the period commencing on and including the day after the relevant Calculation Date up to and including the Final Maturity Date.

Repayment Costs

means, in respect of the repayment or prepayment of all or part of a particular Senior Debt, any make whole or redemption premium or other equivalent costs payable including any related swap termination amounts and break costs payable in connection with the repayment or prepayment of such Secured Debt.

Required Balance

means:

- (a) in respect of the Debt Service Reserve Account, the Required DSRA Balance;
- (b) in respect of the Maintenance Reserve Account, the Maintenance Reserve Amount;
- (c) in respect of the Working Capital Reserve Account, the Required WCRA Balance; and
- (d) in respect of the DECC Decommissioning Reserve Account, the Required DRA Balance.

Required DRA Balance

means, on and from the first day of the eleventh year following the commencement of the Revenue Period, the balance for the DECC Decommissioning Reserve Account required to satisfy the Issuer's obligations under the Decommissioning Plan as set out in the Model.

Required DSRA Balance

means, on and from the first Calculation Date, an amount equal to the projected Debt Service for the following six (6) months (calculated on a rolling basis on each Calculation Date).

Reservation

means:

- (a) the principle that equitable remedies may be granted or refused at the discretion of the court;
- (b) the limitation on enforcement by laws relating to bankruptcy, insolvency, litigation, reorganisation, court schemes, moratoria, administration and other laws generally affecting the rights of creditors;
- (c) the statutory time-barring or other limitation of claims;
- (d) the defences of set-off or counterclaim;

- (e) that, although a document purporting to create a security interest may specify the intended nature or ranking of that security interest (including without limitation whether it is to be fixed or floating), a court may not enforce or recognise it in such terms;
- (f) similar principles, rights and defences to those described in (a) to (e) (inclusive) above as to matters of law under the laws of any jurisdiction other than England and Wales in which relevant obligations may have to be performed; and
- (g) any other matters which are set out as qualifications or reservations as to matters of law of general application in the legal opinions delivered to the Security Trustee under the CP Agreement.

Reserve Accounts

means the Debt Service Reserve Account, the DECC Decommissioning Reserve Account, the Working Capital Reserve Account and the Maintenance Reserve Account.

Restricted Payment Conditions

means:

- (a) no Event of Default or Potential Event of Default is subsisting or would result from making any proposed Restricted Payment;
- (b) as at the most recent Calculation Date, the Historic DSCR, the Projected DSCR and the Debt Life Cover Ratio were equal to or greater than the applicable Lock-Up Ratio Level, in each case as stated in the Investor Report delivered by the Issuer in respect of that Calculation Date and no Equity Cure Right has been exercised during the Relevant Period;
- (c) the balance standing to the credit of each Reserve Account is not less than the applicable Required Balance;
- (d) the first Payment Date in respect of the Bonds has occurred;
- (e) payment is made in accordance with the Priority of Payments;
- (f) each Secured Creditor (or in respect of the Bondholders the Bond Trustee on their behalf) has received the most recent Model at the most recent Calculation Date;
- (g) the O&M Agreement is in full force and effect and has not expired or terminated without being replaced in accordance with the provisions of paragraph 16 (Project Documents other than any Transaction Authorisation) of schedule 3 (Events of Default) of the Common Terms Agreement;
- (h) no notices have been issued under any Authorisation or Transaction Authorisation which, if not remedied, would have a Material Adverse Effect;

- (i) there are no amounts due and payable to the PBCE Provider pursuant to the terms of the PBCE Documents which have not been discharged;
- (j) the Auditors' report on the Issuer's most recent Annual Financial Statements delivered pursuant to paragraph 1(a) of Part 1 (Information Covenants) of Schedule 2 (Obligor Covenants) of the Common Terms Agreement does not include a qualification which has or is reasonably likely to have a Material Adverse Effect;
- (k) no Licence Trigger Event has occurred and remains unremedied;
- (l) no Insurable Event has occurred and is unremedied, unless (where an Insurable Event has occurred) the Issuer can:
 - (i) provide to the Security Trustee (acting on the advice of the Technical Adviser) written evidence that the relevant insurer has agreed to make a payment on a timely basis under the relevant Insurance for that Insurable Event in an amount sufficient to ensure; or
 - (ii) otherwise demonstrate to the satisfaction of the Security Trustee in accordance with the STID (acting on the advice of the Technical Adviser),

that it has and, following the making of any such distribution, shall continue to have sufficient existing or retained cash to meet the total costs associated with the relevant Insurable Event that has occurred and is unremedied; and

- (m) no Emergency is subsisting, unless (where an Emergency has occurred and is subsisting) (1) the Issuer and the Technical Adviser have agreed a remedy plan in connection with such Emergency (which may include the incurrence of Emergency Capital Expenditure, in accordance with paragraph 4 of Part 1 of Schedule 2) and (2) the Issuer can:
 - (i) provide to the Security Trustee (acting on the advice of the Technical Adviser) written evidence that it has sufficient existing or retained cash to ensure; or
 - (ii) otherwise demonstrate to the satisfaction of the Security Trustee (acting in consultation with the Technical Adviser and in accordance with the STID),

that it has and, following the making of any such distribution, shall continue to have sufficient existing or retained cash to meet the total costs associated with the Emergency that has occurred and is subsisting in accordance with the agreed remedy plan.

Restricted Payment	<p>means:</p> <ul style="list-style-type: none"> (a) any payments (including any payments of distributions, dividends, bonus issues, return of capital, interest or principal by way of loan or repayment of any loan or otherwise) (in cash or in kind) by an Obligor to any person other than where that payment: <ul style="list-style-type: none"> (i) has been consented to or approved by the Security Trustee (in accordance with the STID); or (ii) is made in accordance with the provisions of the STID; or (b) any payment or repayment of interest, principal of other charges under any Subordinated Intragroup Liabilities.
Retail Price Index or RPI	<p>means the all items retail prices index for the United Kingdom published by the Office for National Statistics as made available by the Bank of England (at http://www.bankofengland.co.uk/publications/pages/inflationreport/default.aspx) or, if the retail prices index ceases to exist, such other indexation procedure as determined by the OFTO and approved by the Security Trustee.</p>
Revenue Period	<p>means the period commencing on the date of the OFTO Licence and ending on the date falling twenty (20) years after the date of the OFTO Licence.</p>
Revenue Reduction	<p>means a reduction to the revenue payable to the Issuer by NGET in respect of NGET's use of the Offshore Transmission System over the period of the OFTO Licence granted to the Issuer on or around the Completion Date.</p>
Revenue Transaction	<p>means an inflation-linked swap transaction entered into between the OFTO and a Hedge Counterparty under a Hedging Agreement pursuant to which the OFTO will pay a floating amount linked to RPI and the OFTO will receive an amount uplifted at a fixed rate (i.e. compounded at a fixed rate).</p>
RPI Hedged Amount	<p>means (i) until 31 December 2028, 78% and (ii) from 1 January 2029, 75%, of the forecast "Real Gross unitary Charge" such 78% and 75% figures being the figures referred to in rows 191 and 192 of the "Operations" worksheet of the Model.</p>
S&P or Standard & Poor's	<p>means Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. or any successor to its rating business.</p>
Sale and Purchase Agreement or SPA	<p>means an agreement to be entered into between, among others, the Vendors and the Issuer relating to the sale and purchase of the Transmission Assets.</p>
Scheduled Debt Service	<p>means each scheduled payment of principal and interest on the Bonds and each net scheduled payment due and payable under the Hedging Agreements as contemplated by paragraph (g) of the Pre-enforcement Priority of Payments (or, if applicable, paragraphs (d) and (e) of the Post-enforcement Priority of Payments) including, for the avoidance of doubt, any Deferred Payment in relation to any Hedging Agreement, but</p>

excluding: (i) any early redemption amount arising as a result of a PBCE Rebalancing Event or (ii) acceleration of the Bonds arising as a result of any Event of Default or (iii) any close-out or other amounts (except for any Deferred Payment in relation to any Hedging Agreement) payable on termination of the Hedging Agreements.

Scheduled Payment Date	means each scheduled date for the payment of Scheduled Debt Service.
SCADA	means supervisory control and data acquisition.
Section K Notification	has the meaning given to that term in the STC.
Secured Debt	<p>Secured Debt means any financial accommodation that is, for the purposes of the STID, to be treated as Secured Debt and includes:</p> <ul style="list-style-type: none">(a) the Bond Liabilities;(b) the Hedging Liabilities; and(c) the PBCE Liabilities.
Secured Creditors	means the Security Trustee (in its own capacity and on behalf of other Secured Creditors), any Receiver or Delegate; the Bondholders; the Bond Trustee (in its own capacity and on behalf of the Bondholders); each Hedge Counterparty; the Account Bank; the Principal Paying Agent; the PBCE Provider; each other Agent; and each other party that accedes to the STID as a Secured Creditor, and Secured Creditor means any of them.
Secured Liabilities	means all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of each Obligor to any Secured Creditor under each Finance Document to which such Obligor is a party.
Securities Act	means the United States Securities Act of 1933, as amended.
Security	<p>means the security constituted by the Security Documents including any guarantee or obligation to provide cash collateral or further assurance thereunder, including the following:</p> <ul style="list-style-type: none">(a) fixed charge over all shares in the Issuer;(b) assignments by way of security of its rights under the Transaction Documents (other than the Bond Trust Deed, the Bonds and the Security Documents) to which it is a party, including the Hedging Agreements, the Common Terms Agreement and the STID;(c) assignments by way of security of the benefit of insurance policies;(d) fixed or floating charges over bank accounts (depending on the relevant account) and charges over investments; and(e) a floating charge over all of its assets to the extent not effectively charged or assigned by way of fixed security.

Security Documents	means: <ul style="list-style-type: none"> (a) the Security Agreement; (b) the STID and each Creditor Accession Undertaking, together with any deed supplemental to the STID; and (c) any other document evidencing or creating security over any asset of an Obligor to secure any obligation of any Obligor to a Secured Creditor in respect of the Secured Liabilities.
Security Group	means HoldCo and the Issuer.
Security Interest	means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.
Security Trust and Intercreditor Deed or STID	means the security trust and intercreditor deed dated on or about the Signing Date between (among others) each Secured Creditor (other than the Bondholders) and the Issuer.
Security Trustee	means HSBC Corporate Trustee Company (UK) Limited or any successor appointed as security trustee pursuant to the STID.
Senior Creditors	means any Secured Creditor other than the PBCE Provider.
Senior Debt	means any financial accommodation that is, for the purposes of the STID, to be treated as Senior Debt and includes: <ul style="list-style-type: none"> (a) the Bond Liabilities and the Hedging Liabilities; and (b) any further debt incurred which ranks <i>pari passu</i> with the debt specified in (a) above.
Senior Discharge Date	means the first date on which all Senior Debt have been fully and finally discharged in accordance with the Conditions (in the case of the Bond Liabilities) and each Hedge Counterparty (in the case of its Hedging Liabilities), whether as the result of any Enforcement Action or otherwise, and the Senior Creditors are under no further obligation to provide financial accommodation to the Issuer under the Senior Finance Documents.
Senior Finance Documents	means the Bond Trust Deed, the Bonds (including the Conditions), the Security Agreement, the Agency Agreement, the Common Terms Agreement, the STID, the CP Agreement, the Master Definitions Agreement, the Account Bank Agreement, the Hedging Agreement and any related document (each, if not defined above, as defined below or in the Master Definitions Agreement).
Senior Voting Debt	means, in relation to a Bondholder or a Hedge Counterparty, the aggregate of: <ul style="list-style-type: none"> (a) its aggregate of the Outstanding Principal Amount of the Bonds, if any; and

- (b) in respect of any matter upon which a Hedge Counterparty is entitled to vote in accordance with the STID:
 - (i) in respect of any Hedging Transaction of that Hedge Counterparty under any Hedging Agreement that has, as of the date the calculation is made, been terminated or closed out in accordance with the terms of the STID, the amount, if any, payable to it under any Hedging Agreement in respect of that termination or close-out as of the date of termination or close-out (and before taking into account any interest accrued on that amount since the date of termination or close-out), but including any termination payments which have deferred in accordance with the terms of the relevant Hedging Agreement to the extent that amount is unpaid (that amount to be certified by the relevant Hedge Counterparty and as calculated in accordance with the relevant Hedging Agreement); and
 - (ii) in respect of any Hedging Transaction of that Hedge Counterparty under any Hedging Agreement that has, as of the date the calculation is made, not been terminated or closed out the amount, if any, which would be payable to it under that Hedging Agreement in respect of that Hedging Transaction, if the date on which the calculation is made was deemed to be an Early Termination Date (as defined in the relevant ISDA Master Agreement) for which the Issuer is the Defaulting Party (as defined in the relevant ISDA Master Agreement), as certified by the relevant Hedge Counterparty and as calculated in accordance with the relevant Hedging Agreement.

Signing Date means 20 August 2015.

SLC Termination Date means the later to occur of:

- (a) the end of the term of the Bonds; and
- (b) the date on which all amounts payable to the PBCE Provider by or on behalf of the Issuer under the PBCE Letter of Credit and Reimbursement Deed have been fully and irrevocably discharged to the satisfaction of the PBCE Provider.

Statute means the Statute of the EIB, as amended.

STC means the System Operator – Transmission Owner Code, as amended, as published from time to time on www.nationalgrid.com or any other replacement industry code.

STC Accession Deed means the deed of accession between the OFTO and NGET in its capacity as National Electricity Transmission System Operator (NETSO) under which the OFTO agrees to be bound by the STC.

STC Framework Agreement has the meaning given in the OFTO Licence.

STID Decision Making Protocol	means the protocol set out in schedule 2 (STID Decision Making Protocol) of the STID.
Subordinated Intragroup Liabilities	means all present and future liabilities at any time of any Obligor to an Obligor or to TopCo, in respect of any Financial Indebtedness.
Subscription Agreement	means the subscription agreement dated on or about the date of this Prospectus between, <i>inter alia</i> , the Joint Bookrunners and the Issuer in relation to the Bonds signed on or about the Signing Date and made between the Issuer and each Joint Bookrunner.
Subsidiary	means a subsidiary within the meaning of section 1159 of the Companies Act 2006 and, unless the context otherwise requires, a subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006.
Substituted Obligor	means the substitution of another company in the place of the Issuer in accordance with Clause 22.7 of the Bond Trust Deed.
Taxes	means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any related penalty or interest) and Taxes, taxation, taxable and comparable expressions will be construed accordingly.
Technical Adviser	means Ove Arup & Partners Limited or any other person (which is of international repute and with equivalent expertise in transactions and projects of a similar nature to the WoDS Project) appointed by the OFTO as replacement Technical Adviser from time to time.
Technical Description	means the technical description of the Project, as set out in Schedule 4 (Technical Description) to the PBCE Letter of Credit and Reimbursement Deed.
Third Electricity Directive	means directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC
Third Package	means the Third Electricity Directive and the Third Gas Directive and associated EU legislation including Regulation 2009/714/EC, and relevant national implementing legislation.
Third Party Event	means an income adjusting event or an insurable event.
Transaction Authorisation	means: <ul style="list-style-type: none"> (a) the OFTO Licence (and any directions issued pursuant to the OFTO Licence); (b) the STC; and (c) the STC Accession Deed,

and any replacement of those documents which is in force at any given time.

Transaction Document	means a Finance Document or a Project Document.
Transferred Assets	means those assets transferred to the Issuer pursuant to the Acquisition Agreement.
Transferred Contracts	means those contracts transferred to the Issuer pursuant to the Acquisition Agreement.
Transformer Outage	means an outage attributable (whether in whole or in part) to a fault or failure of a transformer forming part of the Transmission Assets.
Transmission Assets	means the transmission assets to which the OFTO Licence relates as set out in Annex B to Amended Standard Condition E12 - B1 (transmission system area).
Transmission Licence	means the offshore electricity transmission licence granted by Ofgem to the Issuer under Section 6(1)(b) of the Electricity Act.
Transmission Owner Construction Agreement	means: <ul style="list-style-type: none">(a) the short form transmission owner construction agreement entered into by NGET and the Issuer on or before the Initial Issue Date; and(b) any transmission owner construction agreement to be entered into by NGET and the Issuer in respect of any transmission owner construction offer made pursuant to the requirements of the STC.
Treasury Transaction	means any currency or interest rate purchase, cap or collar agreement, forward rate agreement, interest rate agreement, index linked agreement, interest rate or currency or future or option contract, foreign exchange or currency purchase or sale agreement, interest rate swap, currency swap or combined similar agreement or any derivative transaction protecting against or benefiting from fluctuations in any rate or price.
Treaty	means the Treaty on the Functioning of the European Union, as amended and supplemented from time to time.
TopCo	means WoDS Transmission TopCo Limited, a company incorporated in Jersey (registered no. 117070), whose registered office is at 47 Esplanade, St Helier, Jersey JE1 0BD, Channel Islands.
Unused Equity Cure Amount	means any Equity Cure Amount that the OFTO has received and has not otherwise applied in accordance with paragraph 20 of Schedule 3 (Events of Default) of the Common Terms Agreement.
U.S. Dollar, USD, US\$ or \$	means the lawful currency for the time being of the United States of America.

VAT	means value added tax as provided for in the Council Directive 2006/112/EC on the common system of value added tax and any law of a member state of the European Union adopting or implementing the same and any other tax of a similar nature, together with any applicable fines, penalties or interest payable in connection with a failure to pay or any delay in paying of the same.
Vendors	means ScottishPower Renewables (WODS) Limited and DONG Energy West of Duddon Sands (UK) Limited, each a Vendor.
Vote	means an instruction from a Bondholder to the Bond Trustee to vote on its behalf in respect of any STID Proposals, such instructions to be given in accordance with Schedule 5 (<i>Provisions for Voting in respect of STID Proposals</i>) and Voting shall be construed accordingly.
Voting Certificate	means an English language certificate issued by the Principal Paying Agent in which it is stated that on the date thereof Bonds (not being Bonds in respect of which a Block Voting Instruction has been issued and is outstanding in respect of the meeting specified in such Voting Certificate) are blocked in an account with a Clearing System and that no such Bonds will cease to be so blocked until the first to occur of: (i) the conclusion of the meeting specified in such Voting Certificate; and (ii) the surrender of the Voting Certificate to the Principal Paying Agent who issued the same; and that the bearer thereof is entitled to attend and vote at such meeting in respect of the Bonds represented by such Voting Certificate.
Voting Date	means (i) in respect of a Decision Period, the Business Day immediately preceding the last day of such Decision Period and (ii) in respect of a Decision Period that is extended in accordance with 6.2 (Quorum Requirement for an Extraordinary Voting Matter) of the STID (as the case may be), means the Business Day immediately preceding the last date of such extended Decision Period.
Wind Farm	means the WoDS Project other than the Transmission Assets.
WoDS	means West of Duddon Sands.
WoDS Project	means the offshore wind farm and associated transmission assets of that name located approximately 14km from Barrow-in-Furness, off the Cumbrian Coast in northwest England, UK.
Working Capital Reserve Account	means the account opened and maintained by the Issuer entitled the Working Capital Reserve Account credited with a cash reserve by the Issuer on or before the Initial Issue Date, as contemplated by paragraph 7 (Working Capital Reserve Account) of schedule 5 (Cash Management) of the Common Terms Agreement.

GENERAL INFORMATION

Authorisation

1. The issue of the Bonds and the granting of the Issuer Security was duly authorised by a resolution of the Board of Directors of the Issuer dated on or around 14 August 2015. The provision of the guarantee by HoldCo in favour of the Security Trustee has been duly authorised by resolutions of the board of directors of HoldCo at a meeting of the board held on or around 14 August 2015.
2. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds.

Listing

3. Application has been made to the Irish Stock Exchange for the Bonds to be admitted to the Official List and trading on its regulated market. The Irish Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).
4. It is expected that the admission of the Bonds to the Irish Stock Exchange's Official List and trading on its regulated market will be granted on or about the Issue Date, subject only to the issue of the Temporary Global Bond. The listing of the Bonds will be cancelled if the Temporary Global Bond is not issued.
5. So long as the Bonds are admitted to the Irish Stock Exchange's Official List and trading on its regulated market, the most recently published audited annual accounts of the Issuer from time to time will be available at the specified office of the Principal Paying Agent.
6. The estimated expense of admission to trading on the regulated market of, and listing on, the Irish Stock Exchange is EUR 6,650.
7. No website referred to in this Prospectus forms part of the document for the purposes of the listing of the Bonds on the Irish Stock Exchange.

Clearing Systems

8. The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for the Bonds is XS1280392520 and the Common Code is 128039252. The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

No significant change

9. There has been no significant change in the financial or trading position of the Issuer and HoldCo since 31 March 2015, being the most recent date of their respective audited financial statements, and there has been no material adverse change in the prospects of the Issuer and HoldCo since 31 March 2015, being the most recent date of their respective audited financial statements.

Litigation

10. The Issuer and HoldCo have not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer and HoldCo

are aware) since the date of their incorporation which may have or have in such period had a significant effect on the financial position or profitability of the Issuer and HoldCo.

Auditors

11. The auditors of the Issuer and HoldCo are PricewaterhouseCoopers LLP, who is a member of the Institute of Chartered Accountants in England and Wales and who have audited the Issuer's and HoldCo's accounts, without qualification, in accordance with IFRS for the period ended on 31 March 2015. The auditors of the Issuer have no material interest in the Issuer and HoldCo.

U.S. Tax

12. The Bonds and Coupons will contain the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

Documents Available

13. Copies of the following documents will be available for inspection in physical and/or electronic form from the registered office of the Issuer and from the specified office of the Principal Paying Agent and for so long as the Bonds are listed on the Irish Stock Exchange:
 - (a) the constitutional documents of the Issuer and HoldCo;
 - (b) the financial statements of the Issuer and HoldCo, together with the audit reports in connection therewith;
 - (c) copies of each of the following documents:
 - (i) the Common Terms Agreement;
 - (ii) the STID;
 - (iii) the Account Bank Agreement;
 - (iv) the PBCE Letter of Credit;
 - (v) the Security Agreement;
 - (vi) the Bond Trust Deed; and
 - (vii) the Agency Agreement.

Other documents and reports summarised or referred to in this Prospectus, including technical and insurances reports and reports from other advisers, are not included in this Prospectus (or in any Appendix thereof) and will not be made available for inspection or otherwise.

Availability of Financial Statements

14. The audited annual financial statements of the Issuer and HoldCo will be prepared as of 31 March in each year. The first Annual Report and Financial Statements to be prepared by the Issuer and HoldCo will be for the period 13 November 2014 to 31 March 2015. Thereafter, the annual audited financial accounts will be prepared by the Issuer and HoldCo for the period ended 31 March 2016. The Annual Report and Financial Statements of the Issuer and HoldCo for the period 13 November 2014 to 31 March 2015 are reproduced in the section titled "*Financial Statements*" below.

Joint Bookrunners transacting with the Issuer

15. Certain of the Joint Bookrunners and their affiliates¹⁰ have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, the Issuer and its respective affiliates in the ordinary course of business.

¹⁰ In relation to The Royal Bank of Scotland plc, the term "**affiliate**" shall not include (a) the UK government or any member or instrumentality thereof, including Her Majesty's Treasury and UK Financial Services Investments Limited (or any directors, officers, employees or entities thereof) or (b) any persons or entities controlled by or under common control with the UK government or any member or instrumentality thereof (including Her Majesty's Treasury and UK Financial Services Investments Limited) and which are not part of The Royal Bank of Scotland Group plc and its subsidiaries or subsidiary undertakings.

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FINANCIAL STATEMENTS

WoDS Transmission Limited

Annual Report and Financial Statements for the period 13 November 2014 to 31 March 2015

Registered in England and Wales. Company number: 9309507

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- 8 Statement of changes in equity
- 9 Notes to the financial statements

Registered Office:

The American Barns
Banbury Road
Lighthorne
Warwickshire
CV35 0AE

Directors' report

For the period 13 November 2014 to 31 March 2015

In accordance with the requirements of the Companies Act 2006 the following sections describe the matters that are required for inclusion in the Directors' Report and were approved by the Board.

Entitlement to exemptions

The financial statements have been prepared in accordance with the small companies regime of the Companies Act 2006. Accordingly, the company is exempt from preparing a strategic report and the Directors' have applied this exemption in preparing the Annual Report and Financial Statements.

Directors

The Directors serving throughout the period and subsequently (unless otherwise indicated) were:

Michele Armanini	Appointed 13 November 2014 Resigned 29 April 2015
Javier Falero	Appointed 29 April 2015
Graham Farley	Appointed 13 November 2014
Mark Jonathan Dooley	Appointed 13 November 2014
Rowan James Te Kloot	Appointed 13 November 2014

Incorporation and principal activities

The Company was incorporated on 13 November 2014. During the period 13 November 2014 to 31 March 2015 the Company did not trade, and therefore no dividend has been paid or proposed in respect of this period.

Share Capital

At the date of Incorporation, one ordinary share of £1 was issued to the Company's immediate parent undertaking, WoDS Transmission HoldCo Limited, a company registered in England and Wales. At 31 March 2015, the issued ordinary share capital was one ordinary share of £1 amounting to £1.

Going concern

Having made enquiries, the Directors consider that the Company to continue in business for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements of the Company.

Audit information

Having made the requisite enquiries, so far as the Directors in office at the date of the signing of this report are aware, there is no relevant audit information of which the auditors are unaware, and each Director has taken all reasonable steps to make themselves aware of any relevant audit information, and to establish that the auditors are aware of that information.

Approved on behalf of the Board


Javier Falero – Director

Directors' report

For the period 13 November 2014 to 31 March 2015

30 July 2015

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare its first financial statements for the period from the date of incorporation through to its first accounting reference date, provided that period is in excess of six months and not more than 18 months. Under that law the Directors have prepared these financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company, and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRS) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

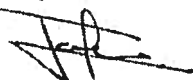
The Board of Directors is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, that disclose with reasonable accuracy at any time the financial position of the Company, and which allow them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Section 418 of the Companies Act 2006, Directors' Report shall include a statement, in the case of each Director in office at the date the Directors' Report is approved, that:

- (a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



Javier Falero - Director

30 July 2015

Independent Auditors' Report to the members of WoDS Transmission Limited

For the period 13 November 2014 to 31 March 2015

Report on the financial statements

Our opinion

In our opinion, WoDS Transmission Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2015;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

WoDS Transmission Limited's financial statements comprise:

- the balance sheet as at 31 March 2015;
- the statement of changes in equity for the period then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Independent Auditors' Report to the members of WoDS Transmission Limited continued

For the period 13 November 2014 to 31 March 2015

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are asked to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

Independent Auditors' Report to the members of WoDS Transmission HoldCo Limited continued

For the period 12 November 2014 to 31 March 2015

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Caroline Roxburgh (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Edinburgh

30 July 2015

Accounting policies

For the period 13 November 2014 to 31 March 2015

A. Basis preparation of financial statements under IFRS

These financial statements include the financial statements of the Company from incorporation on 13 November 2014 to 31 March 2015 and have been prepared on a going concern basis, in accordance with the The Companies Act 2006 and in accordance with IFRS as issued by the IASB and as adopted by the European Union. They are prepared on the basis of all IFRS accounting standards and interpretations that are mandatory for the period 13 November 2014 to 31 March 2015.

The financial statements have been prepared on an historical cost basis. The financial statements are presented in pounds sterling, which is the functional currency of the Company and are rounded to the nearest £1.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets, and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

B. Accounting developments

i) Accounting standards as applied to these financial statements

In preparing these financial statements the Company has complied with IFRS, International Accounting Standards (IAS) and Interpretations applicable either for accounting periods starting by 13 November 2014 or ending by 31 March 2015 and have been endorsed by the EU.

ii) New accounting standards, amendments to standards and interpretations issued but not effective in these financial statements of the Company

New accounting standards, amendments to standards and interpretations which have been issued but which are not effective and the likely impact is outlined as follows:

- Amendment to IAS 19, 'Employee benefits'. The Company has no employees;
- Amendment to IFRS 11 'Joint arrangements' on acquisition of an interest in a joint operation. The Company has no interests in any other entity;
- Amendments to IAS 16 'Property, Plant and equipment', IAS 38 'Intangible assets' and IAS 41 'Agriculture' - these amendments are not currently relevant to the Company's activities;
- IFRS 14 'Regulatory deferral accounts' - not relevant to the Company;
- Amendments to: IAS 27 'Separate financial statements'; IFRS 10 'Consolidated financial statements'; and IAS 28 'Associates and joint ventures'. The Company has no interests in any other entity;
- IFRS 15 'Revenue from contracts with customers' - this standard establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The Company currently has no revenue;

IFRS 9, 'Financial instruments' – classification and measurement' is currently expected to be effective from the financial year commencing 1 April 2018 although it has not been endorsed by the EU. This standard is not expected to have any significant impact on the Company's financial statements;

Accounting policies

For the period 13 November 2014 to 31 March 2015

- Various amendments to IFRS standards arising from the annual improvement projects that are not expected to have any significant impact on the Company's financial statements.

Balance sheet

At 31 March 2015

	Note	2015 £
Current assets		
Other receivable		<u>1</u>
Total current assets		<u>1</u>
Net assets		<u><u>1</u></u>
Equity		
Called up share capital	2	<u>1</u>
Total shareholders' equity		<u><u>1</u></u>

Company number: 9309507

These financial statements do not include a cash flow statement because there was no flow of funds during the period

These financial statements set out on pages 7 to 11 were approved by the Board of Directors on 27 July 2015 and were signed on its behalf by:

Javier Falero - Director
30 July 2015

Statement of changes in equity

For the period 13 November 2014 to 31 March 2015

	Note	Called up share capital £	Total equity £
Issue of ordinary shares on 13 November 2014 ¹	2	<u>1</u>	<u>1</u>
At 31 March 2015		<u>1</u>	<u>1</u>

¹ Issued 1 ordinary shares of £1.

Notes to the financial statements

For the period 13 November 2014 to 31 March 2015

1. Incorporation and trading

WoDS Transmission Limited ("the Company") was incorporated on 13 November 2014 and did not trade during the period 13 November 2014 through to 31 March 2015 ("the period"). Consequently no income statement, comprehensive income statement or cash flow statement has been presented for the period.

2. Share capital

On 13 November 2014 one ordinary share of £1 was issued to the Company's parent undertaking, WoDS Transmission HoldCo Limited, a company registered in England and Wales. At 31 March 2015, the issued share capital was one ordinary share of £1 amounting to £1.

3. Immediate and ultimate parent company

WoDS Transmission Limited's immediate parent undertaking is WoDS Transmission HoldCo Limited which is registered in England and Wales. The ultimate parent company and controlling party is WoDS Transmission TopCo Limited which is incorporated and registered in Jersey. WoDS Transmission TopCo Limited is the largest and smallest Group which consolidates the financial statements of WoDS Transmission Limited.

WoDS Transmission HoldCo Limited

Annual Report and Financial Statements for the period 12 November 2014 to 31 March 2015

Incorporated in England and Wales. Company number: 9308464

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- 2 Directors' report
- 3 Statement of Directors' responsibilities
- 4 Independent Auditors' report

Financial statements under IFRS

- 6 Accounting policies
- 7 Balance sheet
- 8 Statement of changes in equity
- 9 Notes to the financial statements

Registered Office:

The American Barns
Banbury Road
Lighthorne
Warwickshire
CV35 0AE

Directors' report

For the period 12 November 2014 to 31 March 2015

In accordance with the requirements of the Companies Act 2006 the following sections describe the matters that are required for inclusion in the Directors' Report and were approved by the Board.

Entitlement to exemptions

The financial statements have been prepared in accordance with the small companies regime of the Companies Act 2006. Accordingly, the company is exempt from preparing a strategic report and the Directors' have applied this exemption in preparing the Annual Report and Financial Statements.

Directors

The Directors serving throughout the period and subsequently (unless otherwise indicated) were:

Michele Armanini	Appointed 12 November 2014 Resigned 29 April 2015
Javier Falero	Appointed 29 April 2015
Graham Farley	Appointed 12 November 2014
Mark Jonathan Dooley	Appointed 12 November 2014
Rowan James Te Kloot	Appointed 12 November 2014

Incorporation and principal activities

The Company was incorporated on 12 November 2014. During the period 12 November 2014 to 31 March 2015 the Company did not trade, and therefore no dividend has been paid or proposed in respect of this period.

Share Capital

At the date of Incorporation, one ordinary share of £1 was issued to the Company's immediate and ultimate parent undertaking, WoDS Transmission TopCo Limited, a company incorporated and registered in Jersey. At 31 March 2015, the issued ordinary share capital was one ordinary share of £1 amounting to £1.


Going concern

Having made enquiries, the Directors consider that the Company to continue in business for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements of the Company.

Audit information

Having made the requisite enquiries, so far as the Directors in office at the date of the signing of this report are aware, there is no relevant audit information of which the auditors are unaware, and each Director has taken all reasonable steps to make themselves aware of any relevant audit information, and to establish that the auditors are aware of that information.

Approved on behalf of the Board


Javier Falero - Director
30 July 2015

Statement of Directors responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare its first financial statements for the period from the date of incorporation through to its first accounting reference date, provided that period is in excess of six months and not more than 18 months. Under that law the Directors have prepared these financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company, and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRS) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

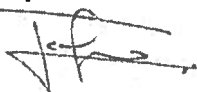
The Board of Directors is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, that disclose with reasonable accuracy at any time the financial position of the Company, and which allow them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Section 418 of the Companies Act 2006, Directors' Report shall include a statement, in the case of each Director in office at the date the Directors' Report is approved, that:

- (a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



Javier Falero - Director

30 July 2015

Independent Auditors' Report to the members of WoDS Transmission HoldCo Limited continued

For the period 12 November 2014 to 31 March 2015

Report on the financial statements

Our opinion

In our opinion, WoDS Transmission Holdco Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2015;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements comprise:

- the balance sheet as at 31 March 2015;
- the statement of changes in equity for the period then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Independent Auditors' Report to the members of WoDS Transmission HoldCo Limited continued

For the period 12 November 2014 to 31 March 2015

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are asked to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

Independent Auditors' Report to the members of WoDS Transmission HoldCo Limited continued

For the period 12 November 2014 to 31 March 2015

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Caroline Roxburgh (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Edinburgh

30 July 2015

Accounting policies

For the period 12 November 2014 to 31 March 2015

A. Basis preparation of financial statements under IFRS

These financial statements include the financial statements of the Company from incorporation on 12 November 2014 to 31 March 2015 and have been prepared on a going concern basis, in accordance with the The Companies Act 2006 and in accordance with IFRS as issued by the IASB and as adopted by the European Union. They are prepared on the basis of all IFRS accounting standards and interpretations that are mandatory for the period 12 November 2014 to 31 March 2015.

The financial statements have been prepared on an historical cost basis. The financial statements are presented in pounds sterling, which is the functional currency of the Company and are rounded to the nearest £1.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets, and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

B. Accounting developments

i) Accounting standards as applied to these financial statements

In preparing these financial statements the Company has complied with IFRS, International Accounting Standards (IAS) and Interpretations applicable either for accounting periods starting by 12 November 2014 or ending by 31 March 2015 and have been endorsed by the EU.

ii) New accounting standards, amendments to standards and interpretations issued but not effective in these financial statements of the Company

New accounting standards, amendments to standards and interpretations which have been issued but which are not effective and the likely impact is outlined as follows:

- Amendment to IAS 19, 'Employee benefits'. The Company has no employees;
- Amendment to IFRS 11 'Joint arrangements' on acquisition of an interest in a joint operation. The Company has no interests in any joint arrangement;
- Amendments to IAS 16 'Property, Plant and equipment', IAS 38 'Intangible assets' and IAS 41 'Agriculture' - these amendments are not currently relevant to the Company's activities;
- IFRS 14 'Regulatory deferral accounts' - not relevant to the Company;
- Amendments to: IAS 27 'Separate financial statements'; IFRS 10 'Consolidated financial statements'; and IAS 28 'Associates and joint ventures'. The Company is exempt from the requirement to prepare group accounts, has no associates or joint ventures and the amendments to IAS 27 do not impact on the accounting for the Company's subsidiary;
- IFRS 15 'Revenue from contracts with customers' - this standard establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The Company currently has no revenue;
- IFRS 9, 'Financial instruments' – classification and measurement' is currently expected to be effective from the financial year commencing 1 April 2018 although it has not been endorsed by the EU. This standard is not expected to have any significant impact on the Company's financial statements;

Accounting policies

For the period 12 November 2014 to 31 March 2015

- Various amendments to IFRS standards arising from the annual improvement projects that are not expected to have any significant impact on the Company's financial statements.

Balance sheet

At 31 March 2015

	Note	2015 £
Non-current assets		
Investment in subsidiary undertaking	2	<u>1</u>
Total non-current assets		1
Current assets		
Other receivable		<u>1</u>
Total current assets		<u>1</u>
Current liabilities		
Other payable		<u>(1)</u>
Total current liabilities		<u>(1)</u>
Net assets		<u>1</u>
Equity		
Called up share capital	3	<u>1</u>
Total shareholders' equity		<u>1</u>

Company number: 9308664

These financial statements do not include a cash flow statement because there was no flow of funds during the period.

These financial statements set out on pages 7 to 11 were approved by the Board of Directors on 27 July 2015 and were signed on its behalf by:



Javier Falero - Director
30 July 2015

Statement of changes in equity

For the period 12 November 2014 to 31 March 2015

	Note	Called up share capital £	Total equity £
Issue of ordinary shares on 12 November 2014 ¹	3	1	1
At 31 March 2015		<u>1</u>	<u>1</u>

¹ Issued 1 ordinary shares of £1.

Notes to the financial statements

For the period 12 November 2014 to 31 March 2015

1. Incorporation and trading

WoDS Transmission HoldCo Limited ("the Company") was incorporated on 12 November 2014 and did not trade during the period 12 November 2014 through to 31 March 2015 ("the period"). Consequently no income statement, comprehensive income statement or cash flow statement has been presented for the period.

2. Investment in subsidiary undertaking

	£
Investment in ordinary shares of WoDS Transmission Ltd	1
Other additions	-
Cost at 31 March 2015	<u>1</u>

The Company holds all of the ordinary share capital of WoDS Transmission Limited. The Company subscribed for one ordinary share of £1 amounting to £1 in WoDS Transmission Limited on 13 November 2014. This company has not traded during the period and has share capital of £1 and no reserves at 31 March 2015.

3. Share capital

On 12 November 2014 one ordinary share of £1 was issued to the Company's parent undertaking, WoDS Transmission TopCo Limited, a company registered and incorporated in Jersey. At 31 March 2015, the issued share capital was one ordinary share of £1 amounting to £1.

4. Exemption from requirement to prepare group accounts and ultimate parent company

WoDS Transmission HoldCo Limited is exempt from the requirement to prepare group accounts under section 401 of the Companies Act 2006.

5. Ultimate parent Company

WoDS Transmission HoldCo Limited's immediate and ultimate parent company and controlling party is WoDS Transmission TopCo Limited which is incorporated and registered in Jersey. WoDS Transmission TopCo Limited is the largest and smallest Group which consolidates the financial statements of WoDS Transmission HoldCo Limited.

THE ISSUER

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THE OBLIGOR

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