

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the prospectus following this page (the "Prospectus"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them at 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 A SOLICITATION OF AN OFFER TO BUY THE SECURITIES DESCRIBED IN THE PROSPECTUS IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SECURITIES HAVE NOT BEEN, AND 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 UNITED STATES. THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED BELOW) EXCEPT IN CERTAIN TRANSACTIONS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. IN ORDER TO BE ELIGIBLE TO READ THE PROSPECTUS OR MAKE AN INVESTMENT DECISION WITH RESPECT TO THE SECURITIES DESCRIBED THEREIN, YOU MUST NOT BE A "U.S. PERSON" AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (A "U.S. PERSON").

WITHIN THE UNITED KINGDOM, THE PROSPECTUS MAY NOT BE PASSED ON EXCEPT TO INVESTMENT PROFESSIONALS OR OTHER PERSONS IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (AS AMENDED) DOES NOT APPLY TO THE ISSUER (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THE PROSPECTUS MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THE PROSPECTUS RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND IN PARTICULAR MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT 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: The Prospectus is being sent at your request and by accepting the e-mail and accessing the Prospectus, you shall be deemed to have represented to us that you have understood and agreed to the terms set out herein and you are not a U.S. Person or acting for the account or benefit of a U.S. Person and the electronic mail address that you have given to us and to which this email has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia and that you consent to delivery of the Prospectus by electronic transmission.

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.

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 Royal Bank of Scotland plc, Barclays Bank PLC, BNP Paribas, Commonwealth Bank of Australia, Crédit Agricole Corporate and Investment Bank, ING Bank N.V., Lloyds Bank plc, MUFG, RBC Capital Markets and SMBC Nikko Capital Markets Limited (each a "Dealer") or any affiliate of a Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by a Dealer or such affiliate on behalf of the issuer in such jurisdiction.

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 Dealers, nor any person who controls the Dealers, nor any director, officer, employee or agent 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 herewith and the hard copy version available to you on request from the Dealers.

Eversholt Funding plc
(incorporated with limited liability in England and Wales with registered no. 7329930)

£3,000,000,000

**Multicurrency programme for the issuance of
Bonds
unconditionally and irrecoverably guaranteed by**

Eversholt Rail Holdings (UK) Limited
(incorporated with limited liability in England and Wales with registered no. 04415647)

Eversholt Finance Holdings Limited
(incorporated with limited liability in England and Wales with registered no. 7327371)

Eversholt Rail (UK) Limited
(incorporated with limited liability in England and Wales with registered no. 06953114)

Eversholt Depot Finance (UK) Limited
(incorporated with limited liability in England and Wales with registered no. 05229765)

Eversholt Rail (380) Limited
(incorporated with limited liability in England and Wales with registered no. 01139640)

European Rail Finance (GB) Limited
(incorporated with limited liability in England and Wales with registered no. 02720809)

Eversholt Investment Limited
(incorporated with limited liability in Ireland with registered no. 490363)

European Rail Finance Holdings Limited
(incorporated with limited liability in Ireland with registered no. 443562)

European Rail Finance Limited
(incorporated with limited liability in Ireland with registered no. 443563)

European Rail Finance (2) Limited
(incorporated with limited liability in Ireland with registered no. 510311)

Eversholt Funding plc (the "**Issuer**") has established a multicurrency programme for the issuance of a single class of bonds designated as the Bonds (the "**Programme**"). There is no provision under the Programme for other classes of bonds.

The payments of all amounts due in respect of the Bonds will be unconditionally and irrevocably guaranteed by Eversholt Investment Limited, Eversholt Rail Holdings (UK) Limited, Eversholt Finance Holdings Limited, Eversholt Rail (UK) Limited, Eversholt Depot Finance (UK) Limited, Eversholt Rail (380) Limited, European Rail

Finance (GB) Limited, European Rail Finance Holdings Limited, European Rail Finance Limited and European Rail Finance (2) Limited.

Application has been made to the Financial Conduct Authority in its capacity as competent authority (the "**UK Listing Authority**" or "**UKLA**") for Bonds issued under the Programme during the period of twelve months after the date hereof to be admitted to the official list of the UK Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Bonds to be admitted to trading on the London Stock Exchange – Regulated Market (the "**Market**"). References in this Prospectus to Bonds being "listed" (and all related references) shall mean that such Bonds have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC.

Notice of the aggregate nominal amount of Bonds, interest (if any) payable in respect of Bonds, the issue price of Bonds and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Bonds*") of Bonds will be set out in a final terms document (the **Final Terms**) which will be delivered to the UK Listing Authority and, where listed, the London Stock Exchange. Copies of Final Terms in relation to Bonds to be listed on the London Stock Exchange will also be published on the website of the London Stock Exchange through a regulatory information service.

The Bonds may be issued, on a continuing basis, to one or more of the Dealers specified under "*Some Characteristics of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the "relevant Dealer" shall, in the case of an issue of Bonds being (or intended to be) subscribed by more than one Dealer or in respect of which subscriptions will be procured by more than one Dealer, be to all Dealers agreeing to subscribe for such Bonds or to procure subscriptions for such Bonds, as the case may be.

The Programme has been rated BBB by Standard & Poor's Credit Market Services Europe Limited (being one of the entities through which Standard & Poor's Ratings Services' business operations in the European Union are currently conducted) ("**S&P**") and A- by Fitch Ratings Limited ("**Fitch**"). Each of Fitch and S&P is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended by Regulation (EU) No 513/2011 and Regulation (EU) No 462/2013, collectively the "**CRA Regulation**"). Bonds issued under the Programme may be rated or unrated by either of the rating agencies referred to above. Where a Tranche of Bonds is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A 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 agency.

Bonds issued under the Programme 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. 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.

Please see "*Risk Factors*" to read about certain factors you should consider before buying any Bonds.

Arrangers

Barclays Bank PLC

**The Royal Bank of
Scotland**

Dealers

Barclays Bank PLC

**The Royal Bank of
Scotland**

BNP PARIBAS

**Commonwealth Bank of
Australia**

**Crédit Agricole Corporate
and Investment Bank**

ING

Lloyds Bank

MUFG

RBC Capital Markets

SMBC Nikko

Prospectus dated 14 November 2014

Under the Programme the Issuer may, subject to all applicable legal and regulatory requirements, from time to time issue Bonds in bearer and/or registered form (respectively "**Bearer Bonds**" and "**Registered Bonds**"). Copies of each Final Terms (as defined below) will be available (in the case of all Bonds) from the specified office set out below of The Law Debenture Trust Corporation p.l.c. as bond trustee (the "**Bond Trustee**"), (in the case of Bearer Bonds) from the specified office set out below of each of the Paying Agents (as defined below) and (in the case of Registered Bonds) from the specified office set out below of each of the Registrar and the Transfer Agent (each as defined below), provided that, in the case of Bonds which are not listed, copies of the relevant Final Terms will only be available for inspection by the relevant Bondholders (as defined below).

The maximum aggregate nominal amount of all Bonds from time to time outstanding under the Programme will not exceed £3,000,000,000 (or its equivalent in other currencies calculated as described herein) unless increased from time to time by the Issuer.

Details of the aggregate principal amount, interest (if any) payable, the issue price and any other conditions not contained herein, which are applicable to each Tranche of each Series (each as defined below) will be set forth in a set of final terms (the "**Final Terms**"), or in a separate prospectus specific to such Tranche (a "**Drawdown Prospectus**"), see "*Final Terms and Drawdown Prospectuses*" below. In the case of a Tranche of Bonds which are the subject of a Drawdown Prospectus, each reference in this Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus, unless the context requires otherwise. In the case of Bonds to be admitted to the Official List and to trading on the Market of the London Stock Exchange, the Final Terms will be delivered to the UK Listing Authority and the London Stock Exchange on or before the relevant date of issue of the Bonds of such Tranche.

Bonds issued under the Programme shall comprise a single class (the "**Bonds**"). Bonds will be issued in series on each Issue Date (each a "**Series**"). The Bonds may comprise one or more tranches (each a "**Tranche**") with each Tranche pertaining to, among other things, the currency, interest rate and maturity date of the relevant Tranche. Each Tranche may be zero-coupon, fixed rate, floating rate or index-linked Bonds and may be denominated in sterling, euro or U.S. dollars (or in other currencies subject to compliance with applicable laws). Investors in the Bonds are notified that the Issuer has issued Bonds under this Programme and may from time to time in the future issue further Bonds, the terms of which will be specified in the relevant Final Terms.

Ratings ascribed to all of the Bonds reflect only the views of Standard & Poor's, a division of The McGraw-Hill companies ("**S&P**") and Fitch Ratings Ltd. ("**Fitch**" and, together with S&P, the "**Rating Agencies**") and any further or replacement rating agency appointed by the Issuer (which may include Moody's Investor Services Limited). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by any one or all of the Rating Agencies. A suspension, reduction or withdrawal of the rating assigned to any of the Bonds may adversely affect the market price of such Bonds. Currently, the Programme has no provision for other classes of bonds.

In the case of any Bonds which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a member state of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive (2003/71/EC), the minimum specified denomination shall be EUR100,000 or not less than the equivalent of EUR100,000 in any other currency as at the date of issue of the Bonds. Bonds may be issued in such denominations and higher integral multiples of a smaller amount specified in the relevant Final Terms.

If issued under the relevant Final Terms, Bonds that are Bearer Bonds may be represented initially by one or more Temporary Global Bonds (which may be held either in new global note form or classic global note form), without interest coupons, which will be deposited with a common depositary (in the case of Temporary Global Bonds in classic global note form) or a common safekeeper (in the case of Temporary Global Bonds in new global note form) for Euroclear and Clearstream, Luxembourg on or about the Issue Date of such Tranche. Each such Temporary Global Bond will be exchangeable for Permanent Global Bonds or definitive securities in bearer form as specified in the relevant Final Terms following the expiration of 40 days after the later of the commencement of the offering and the relevant Issue Date, upon certification as to non-U.S. beneficial ownership and as may be required by U.S. tax laws and regulations, as described in *"Forms of the Bonds"*. Bonds in bearer form are subject to U.S. tax law requirements. Subject to certain exceptions, the Bearer Bonds may not be offered, sold or delivered within the United States or to U.S. persons.

If issued under the relevant Final Terms, Bonds that are Registered Bonds will be represented on issue by beneficial interests in one or more global certificates (each a **"Global Bond Certificate"**), in fully registered form, without interest coupons attached, which will be deposited with, and registered in the name of, a common depositary (where not held under the New Safekeeping Structure)/common safekeeper (where held under the New Safekeeping Structure) for Euroclear and Clearstream, Luxembourg. Ownership interests in the Global Bond Certificates will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg and their respective participants. Bonds in definitive, certificated and fully registered form will be issued only in the limited circumstances described herein. In each case, purchasers and transferees of Bonds will be deemed to have made certain representations and agreements. See *"The Bonds"* and *"Subscription and Sale"* below.

IMPORTANT NOTICES

This Prospectus is being distributed only to, and is directed only at, persons who (i) are outside the UK or (ii) are persons who have professional experience in matters relating to investments falling within Article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the **"Order"**) or (iii) are high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(1) of the Order (all such persons together being referred to as **"relevant persons"**). This Prospectus, or any of its contents, must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Prospectus relates is available only to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such investments will be engaged in only with, relevant persons.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Bonds shall in any circumstances imply that the information contained herein concerning the Issuer or the Guarantors is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct or that there has been no adverse change in the financial position of the Issuer or the Guarantors as of any time subsequent to the date indicated in the document containing the same. None of the Arrangers, the Dealers, the Bond Trustee, the Security Trustee or any of the Hedge Counterparties, the Authorised Credit Providers, the Agents or the Account Bank undertakes to review the financial condition or affairs of any of the Issuer, Guarantors, any member of the Security Group or any member of the Eversholt Rail Group ("**ERG**") during the life of the Programme or the life of the arrangements contemplated by this Prospectus or to advise any investor or potential investor in the Bonds of any information coming to their attention.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, any Guarantor, any member of the Security Group, any member of ERG, the Arrangers, any Dealer, the Bond Trustee, the Security Trustee or any of the Hedge Counterparties, the Authorised Credit Providers, the Agents or the Account Bank that any recipient of this Prospectus should purchase any of the Bonds.

Each person contemplating making an investment in the Bonds must make its own investigation and analysis of the creditworthiness of the Issuer and the Guarantors and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. A prospective investor who is in any doubt whatsoever as to the risks involved in investing in the Bonds should consult independent professional advisers.

The distribution of this Prospectus and the offering, sale or delivery of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. This Prospectus does not constitute, and may not be used for the purposes of, an offer to or solicitation by any person to subscribe or purchase any Bonds in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful.

The Bonds and the other financing arrangements described herein to be entered into by the Security Group will be obligations solely of the Issuer and the Guarantors.

In connection with the issue of any Tranche of Bonds, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms 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(s) (or persons acting on behalf of a 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 relevant Tranche of 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 relevant Tranche of Bonds and 60 days after the date of the allotment of the relevant Tranche of Bonds. Any stabilisation

action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other financial advisor. It should be remembered that the price of securities and the income from them can go down as well as up.

Any individual intending to invest in any investment described in this document should consult his or her professional adviser and ensure that he or she fully understands all the risks associated with making such an investment and has sufficient financial resources to sustain any loss that may arise from it.

All references herein to "pounds", "sterling" or "£" are to the lawful currency of the UK, all references to "\$", "U.S.\$", "U.S. dollars" and "dollars" are to the lawful currency of the United States of America, and references to "€" or "euro" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended, from time to time.

FORWARD-LOOKING STATEMENTS

This Prospectus contains various forward-looking statements regarding events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of the Issuer to differ materially from the information presented herein. When used in this Prospectus, the words "estimate", "project", "intend", "anticipate", "believe", "expect", "should" and similar expressions, as they relate to the Obligors and their management, are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Obligors do not undertake any obligations publicly to release the result of any revisions to these forward-looking statements to reflect the events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

RESPONSIBILITY STATEMENTS

This Prospectus comprises a base prospectus, in respect of all Bonds issued under the Programme for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made 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**") and for the purpose of giving information with regard to the Issuer and the Guarantors which, according to the particular nature of the Issuer, the Guarantors and 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 the Guarantors.

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.

Each Guarantor accepts responsibility for the information concerning itself in the sections contained in *"Documents Incorporated by Reference"*, *"Overview of the Programme, Financing Structure, Key Characteristics of the programme, Ownership and Debt Structure"*, *"Risk Factors"*, *"Industry Overview"*, *"Description of the Issuer and the Other Obligors"*, *"Business Description"*, *"Summary of the Financing Agreements"*, and in the paragraphs relating to each such Guarantor under the headings *"Significant or Material Change"*, *"Litigation"*, *"Auditors"* and *"Availability of Financial Statements"* in *"General Information"* and the information relating to the Guarantee (the **"Guarantor Information"**). To the best of the knowledge and belief of each Guarantor, each of which has taken all reasonable care to ensure that such is the case, the Guarantor Information is in accordance with the facts and does not omit anything likely to affect the import of such information. No Guarantor accepts responsibility for any other information contained in this Prospectus. Save for the Guarantor Information, no Guarantor has separately verified the information contained herein. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any Guarantor as to the accuracy or completeness of any information contained in this Prospectus (other than the Guarantor Information) or any other information supplied in connection with the Programme or distribution of any Bonds issued under the Programme.

None of the Arrangers, the Dealers, the Security Trustee, the Hedge Counterparties, the Authorised Credit Providers, the Agents, the Account Bank or the Bond Trustee (each as defined below) 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 Arrangers, the Dealers, the Security Trustee, the Hedge Counterparties, the Authorised Credit Providers, the Agents, the Account Bank or the Bond Trustee as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer or the Guarantors in connection with the Programme. None of the Arrangers, the Dealers, the Hedge Counterparties, the Authorised Credit Providers, the Agents, the Security Trustee or the Bond Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer or the Guarantors in connection with the Programme.

No person is or has been authorised by the Issuer, the Guarantors or the Bond Trustee or the Security Trustee 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 Programme or the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantors, any of the Arrangers, the Dealers, the Security Trustee, the Hedge Counterparties, the Authorised Credit Providers, the Agents, the Account Bank or the Bond Trustee.

Neither this Prospectus nor any other information supplied in connection with the Programme or any 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, the Guarantors, any of the Arrangers, the Dealers, the Security Trustee, the Hedge Counterparties, the Authorised Credit Providers, the Agents, the Account Bank or the Bond Trustee that any recipient of this Prospectus or any other information supplied

in connection with the Programme or any 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 the Guarantors. Neither this Prospectus nor any other information supplied in connection with the Programme or the issue of any Bonds constitutes an offer or invitation by or on behalf of the Issuer or the Guarantors, any of the Arrangers, the Dealers, the Security Trustee, the Hedge Counterparties, the Authorised Credit Providers, the Agents, the Account Bank or the Bond Trustee to any person to subscribe for or to purchase any Bonds.

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

None of the Obligor, the Arrangers, the Dealers or the Bond Trustee take responsibility to investors for the regulatory treatment of their investment in the Bonds (including but not limited to whether any transaction or transactions pursuant to which Bonds are issued from time to time is or will be regarded as constituting a "securitisation" for the purposes of: (i) Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) 648/2012 (the "**CRR**"); or (ii) Directive 2006/48/EC, as the same is referenced in Directive 2011/61/EU on Alternative Investment Fund Managers and Amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (the "**AIFMD**") and the application of (iii) Articles 404 to 410 of the CRR, together with the final regulatory technical standards and implementing technical standards to the CRR published by the European Banking Authority pursuant to Articles 410(2) and 410(3) of the CRR and any other applicable guidance, technical standards or related documents published by the European Banking Authority (including any successor or replacement agency or authority) and any delegated regulations of the European Commission (and in each case including any amendment or successor thereto) (together, the "**CRR Retention Requirements**") and (iv) Article 17 of the AIFMD, as implemented by Section 5 of the European Union Commission Delegated Regulation (EU) No. 231/2013 of 19 December, 2012 supplementing the AIFMD, including any guidance published in relation thereto and any implementing laws or regulations in force in any Member State of the European Union (together, the "**AIFMD Retention Requirements**" and, together with the CRR Retention Requirements, the "**Risk Retention Requirements**")), respectively, to any such transaction) in any jurisdiction or by any regulatory authority. If the regulatory treatment of an investment in the Bonds is relevant to an investor's decision whether or not to invest, the investor should make its own determination as to such treatment and for this purpose seek professional advice and consult its regulator. Prospective investors should note that the Issuer is of the opinion that the Risk Retention Requirements do not apply to the Bonds and are referred to the "*Risk factors*" section

of this Prospectus for further information on the Risk Retention Requirements and certain related considerations.

SUPPLEMENTARY PROSPECTUS

The Issuer has undertaken, in connection with the admission of the Bonds to the Official List and to trading on the Market, that, if there shall occur any significant new factor, mistake or material inaccuracy relating to information contained in this Prospectus which is capable of affecting the assessment of any Bonds whose inclusion would reasonably be required by investors and their professional advisers, and would reasonably be expected by them to be found in this Prospectus, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantors and the rights attaching to the Bonds, the Issuer shall prepare a supplement to this Prospectus or publish a replacement prospectus for use in connection with any subsequent issue by the Issuer of Bonds and will supply to each Arranger, each Dealer and the Bond Trustee such number of copies of such supplement hereto or replacement prospectus as such Dealer and Bond Trustee may reasonably request. The Issuer will also supply to the UK Listing Authority such number of copies of such supplement hereto or replacement prospectus as may be required by the UK Listing Authority and will make copies available, free of charge, upon oral or written request, at the specified offices of the Paying Agents and in respect of Registered Bonds, the Registrar and the Transfer Agent (as defined herein).

Each of the Obligors has undertaken to the Dealers in the Dealership Agreement (as defined in "*Subscription and Sale*") to comply with section 87G of the FSMA.

If the terms of the Programme are modified or amended in a manner which would make this Prospectus, as so modified or amended, inaccurate or misleading, a new prospectus will be prepared.

If at any time the Issuer shall be required to prepare a supplementary prospectus pursuant to section 87G of the FSMA, the Issuer shall prepare and make available an appropriate supplement to this Prospectus or a further prospectus which, in respect of any subsequent issue of Bonds to be listed on the Official List and admitted to trading on the Market, shall constitute a supplementary prospectus as required by the UKLA and section 87G of the FSMA.

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression "**necessary information**" means, in relation to any Tranche of Bonds, the information 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 the Guarantors and of the rights attaching to the Bonds. In relation to the different types of Bonds which may be issued under the Programme, the Issuer has endeavoured to include in this Prospectus all of the necessary information except for information relating to the Bonds which is not known at the date of this Prospectus and which can only be determined at the time of an individual issue of a Tranche of Bonds.

Any information relating to the Bonds which is not included in this Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Bonds will be contained either in the relevant Final Terms or in a Drawdown Prospectus. For a Tranche of Bonds which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, supplement this Prospectus and must be read in conjunction with this Prospectus. The Conditions are the terms and conditions applicable to any particular Tranche of Bonds.

The Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus are the terms and conditions applicable to any particular Tranche of Bonds which is the subject of a Drawdown Prospectus. Each Drawdown Prospectus will be constituted by a single document containing the necessary information relating to the Issuer, the Guarantors and the relevant Bonds.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS PROSPECTUS AND OFFERS OF BONDS GENERALLY

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any 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, the Guarantors, the Arrangers, the Dealers, the Security Trustee, the Hedge Counterparties, the Authorised Credit Providers, the Agents, the Account Bank and the Bond Trustee do not represent that this Prospectus may be lawfully distributed, or that any 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, the Guarantors, the Arrangers, the Dealers, the Security Trustee, the Hedge Counterparties, the Authorised Credit Providers, the Agents, the Account Bank or the Bond Trustee which is intended to permit a public offering of any Bonds or 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, the European Economic Area (including the United Kingdom and Ireland) and Japan, 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 or incorporated by reference 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 Bonds with principal or interest payable in one or more currencies, or 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 any relevant indices and 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.

Some Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Bonds which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

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) Bonds are legal investments for it, (2) 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 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, (the **Securities Act**) and are subject to U.S. tax law requirements. Subject to certain exceptions, Prospectus 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

In this Prospectus, all references to:

U.S. dollars, U.S.\$ and **\$** refer to United States dollars;

to **Sterling** and **£** refer to pounds sterling; and

euro and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with the Financial Conduct Authority shall be incorporated in, and form part of, this Prospectus:

(a) the auditors' report and audited consolidated annual financial statements of the Security Group (i.e. consolidated among Eversholt Investment Limited and the other members of the Security Group as set out in the structure diagram under “*Overview of the Programme, Financing Structure, Ownership and Debt Structure – Structure of Eversholt Rail Group*” below) for the financial year ended 31 December 2013, including the information set out at the following pages in particular:

Eversholt Investment Limited (the Security Group)

Independent Auditor's report	Page 6
Consolidated Income statement	Page 7
Consolidated Statement of comprehensive income	Page 7
Consolidated Statement of financial position	Page 8
Consolidated Statement of changes in equity	Page 9
Consolidated Statement of cash flows	Page 10
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(b) the auditors' report and non-consolidated annual financial statements for the financial year ended 31 December 2013 of the Issuer and each Guarantor including the information set out at the following pages in particular:

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Eversholt Rail (380) Limited

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Eversholt Rail Holdings (UK) Limited

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European Rail Finance Holdings Limited

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European Rail Finance (2) Limited

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(c) the auditors' report and audited consolidated annual financial statements of the Security Group (i.e. consolidated among Eversholt Investment Limited and the other members of the Security Group as set out in the structure diagram under “*Overview of the Programme, Financing Structure, Ownership and Debt Structure – Structure of Eversholt Rail Group*” below) for the financial year ended 31 December 2012, including the information set out at the following pages in particular:

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any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation;

(d) the auditors' report and non-consolidated annual financial statements for the financial year ended 31 December 2012 of the Issuer and each Guarantor including the information set out at the following pages in particular:

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European Rail Finance (2) Limited

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(e) the section entitled “*Terms and Conditions of the Bonds*” from the prospectus dated 11 November 2010 (at pages 164 to 220 (inclusive)) relating to the Programme shall be deemed to be incorporated by reference in, and to form part of, this Prospectus.

Following the publication of this Prospectus a supplement may be prepared by the Issuer and approved by the UK Listing Authority in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus can be obtained (without charge) from (i) the registered office of the Issuer and from the specified office of the Principal Paying Agent for the time being in London, (ii) may also be obtained at www.eversholtrail.co.uk/corporate, being the Issuer's website or (iii) on

the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

The Issuer and each Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Bonds, prepare a supplement to this Prospectus or publish a new Prospectus for use in connection with any subsequent issue of Bonds.

OVERVIEW OF THE PROGRAMME, FINANCING STRUCTURE, OWNERSHIP AND DEBT STRUCTURE

The following does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus, and, in relation to the Conditions of any particular Tranche of Bonds, the applicable Final Terms.

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive (the **Prospectus Regulation**).

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

Eversholt Funding plc (the "**Issuer**") has established a bond issuance programme (the "**Programme**") in order to raise finance in the capital markets to enable the Security Group (defined below) to refinance existing indebtedness under its general corporate revolving credit facility and to raise new indebtedness to fund, among other things, the on-going operating and capital expenditure and to pay interest on or refinance any financial indebtedness of the Security Group from time to time.

Under the Programme, the Issuer will issue bonds (designated as the "**Bonds**") the proceeds of which will be loaned by the Issuer to one or more of the members of the Security Group pursuant to intercompany loans.

The payments of all amounts due in respect of the Bonds will be unconditionally and irrevocably guaranteed by the Guarantors and secured on substantially all of the assets of the Security Group (as described below).

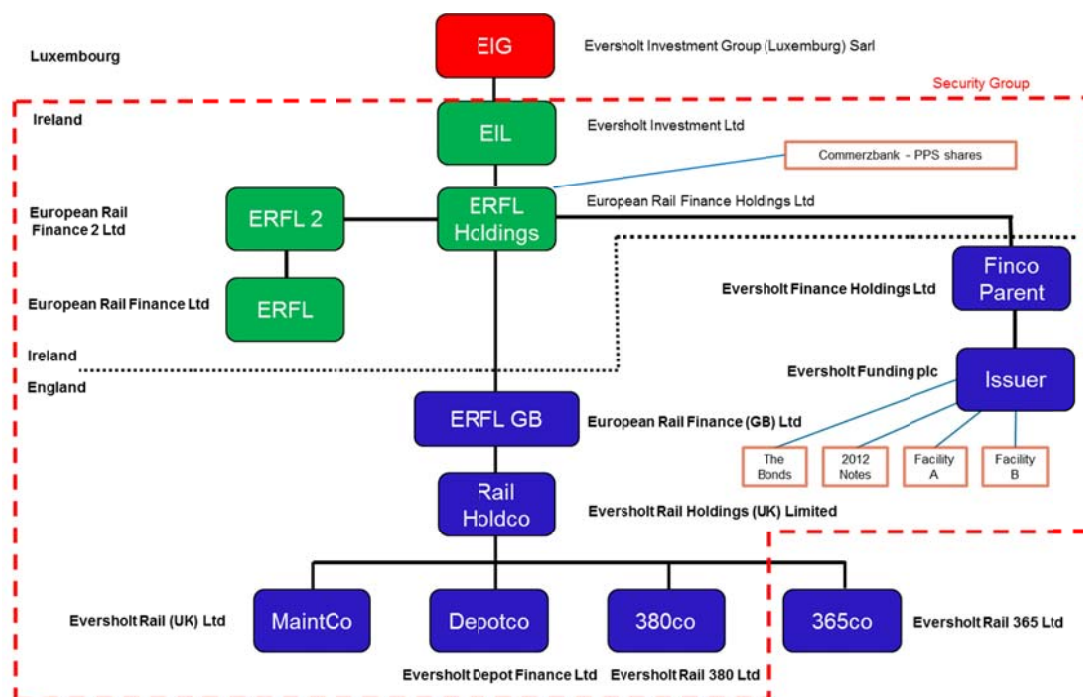
Structure of Eversholt Rail Group

In November 2010, HSBC Asset Finance (UK) Limited, being an indirectly wholly owned subsidiary of HSBC Bank plc, sold the shares in European Rail Finance Holdings Limited ("**ERFL Holdings**"), Eversholt Rail Holdings (UK) Limited ("**Rail Holdco**") and Eversholt Finance Holdings Limited to Eversholt Investment Limited ("**EIL**").

The Structure Diagram below represents the current corporate and debt structure of ERG.

Structure Diagram

Eversholt Rail Group



EIL received a subordinated loan from its shareholder ("**EIL EIG** "), such loan constituting the "**EIL Shareholder Loan**" and is to be used to refinance existing indebtedness and to fund working capital.

Security and intercreditor arrangements

Each Obligor, on 4 November 2010 (and in the case of ERFL 2, on 13 March 2012), gave guarantees in respect of each other's obligations under the various financing agreements (including, as and when issued, the Bonds) and the Issuer and the other Obligors granted security over substantially all of their respective assets in relation to their obligations under, among other things, the Bonds and other Senior Debt and under any Hedging Agreements (in each case, as and when such obligations take effect).

The Bond Trustee (on behalf of the Bondholders) and the other Secured Creditors share the benefit of first ranking fixed and floating security granted by the Obligors pursuant to the Security Documents. In addition, the Bond Trustee (on behalf of the Bondholders) shares the benefit of the common terms, covenants and representations with the other Secured Creditors as set out in the common terms agreement. For a more detailed description of the security arrangements see "*Summary of the Financing Agreements*".

Each Secured Creditor (including, among others, via the Bond Trustee as their Secured Creditor Representative, the Bondholders but excluding until the service of an Enforcement Notice, the Hedge Counterparties will be entitled to vote in respect of certain proposals relating to their common rights under the transaction documents and under the shared security arrangements. The number of votes allocated to each Secured Creditor which is entitled to vote will correspond to the outstanding principal

amount of the indebtedness owed to such Secured Creditor by the Security Group. For a more detailed description of the voting mechanics see "*Summary of the Financing Agreement – Voting under the Intercreditor Arrangements*".

Other matters

MaintCo has been appointed as ERG's agent to perform cash management, related treasury services and certain other services for members of ERG.

The Security Group is required to hedge a proportion of its interest rate exposure and the Security Group has the right to enter into hedging arrangements to hedge its operating revenues and/or capital expenditure, pursuant to the Hedging Policy.

For more details on the financing arrangements described above, see "*Summary of the Financing Agreements*".

Ownership Structure

All members of ERG are incorporated in the United Kingdom except for EIL, ERFL Holdings, ERFL and ERFL 2 which are incorporated in Ireland. The entities that comprise the Security Group are EIL and all its subsidiaries except for 365Co.

Each entity within the Security Group in the Structure Diagram is a 100 per cent. owned subsidiary of EIL (except for ERFL Holdings). ERFL Holdings' share capital comprises (i) 500,000 ordinary shares of £1 each, (ii) 49,500,000 fixed rate preference shares of £1 each and (iii) 25,000,000 profit participating shares of £1 each (such profit participating shares and/or replacement shares in respect thereof, the "**PPS Shares**"). The ordinary shares and the fixed rate preference shares are held by EIL. The profit participating shares are held by Commerzbank AG Frankfurt Branch.

EIL is an entity which is ultimately owned by 3i Infrastructure plc, and funds managed and/or advised by Morgan Stanley Infrastructure Inc. and funds managed and/or advised by STAR Capital Partners Limited.

KEY CHARACTERISTICS OF THE PROGRAMME

The Issuer	Eversholt Funding plc.
Guarantors	Each Obligor with respect to the Guarantee given by it pursuant to the English Law Security Agreement.
Obligors	EIL, the Issuer, ERFL, ERFL 2, ERFL Holdings, ERFL GB, Rail HoldCo, MaintCo, DepotCo, FinCo Parent, or 380Co 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
Risk Factors	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Bonds issued under the Programme. These are set out under " <i>Risk Factors</i> " below and include business and regulatory risks, financing risks, tax risks, security risks and other legal risks. There are also certain factors that may affect the Guarantors' ability to fulfil their obligations under the Guarantee. These are also set out under " <i>Risk Factors</i> " below and include business and regulatory risks, financing risks, tax risks, security risks and other legal risks. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Bonds issued under the Programme. These are set out under " <i>Risk Factors</i> " and include certain risks relating to the structure of particular Series of Bonds and certain market risks.
Description	Multicurrency programme for the issuance of Bonds.
Bond Trustee	The Law Debenture Trust Corporation p.l.c. or any successor appointed pursuant to the Bond Trust Deed.
Principal Paying Agent	HSBC Bank plc or any successor appointed pursuant to the Agency Agreement.
Security Trustee	The Law Debenture Trust Corporation p.l.c. or any successor appointed pursuant to the Security Trust and Intercreditor Deed (the " STID ").
Arrangers	Barclays Bank PLC and The Royal Bank of Scotland plc.
Dealers	Barclays Bank PLC, The Royal Bank of Scotland plc, BNP Paribas, Commonwealth Bank of Australia, Crédit Agricole Corporate and Investment Bank, ING Bank N.V., Lloyds Bank plc, Mitsubishi UFJ Securities International plc, SMBC Nikko Capital

Markets Limited and RBC Europe Limited (together with any other dealer appointed from time to time by the Issuer, the "**Dealers**").

Programme Size

Up to £3,000,000,000 (or its equivalent in other currencies) aggregate nominal amount of Bonds outstanding at any time as increased from time to time by the Issuer.

Issuance in Tranches

Bonds issued under the Programme will be issued in Series, with each Series comprising one class - the Bonds. There is no provision under the Programme for other classes of Bonds. Each Series of Bonds will comprise one or more Tranches.

On each Issue Date, the Issuer will issue the Tranches of Bonds set out in the Final Terms published on the relevant Issue Date.

Certain Restrictions

Each issue of Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time including the restrictions applicable at the date of this Prospectus. See "*Subscription and Sale*".

Currencies

Euro, Sterling, U.S. dollars and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer.

Final Terms or Drawdown Prospectus

Bonds issued under the Programme may be issued either (1) pursuant to this base prospectus and associated Final Terms, or (2) pursuant to a Drawdown Prospectus.

Maturities

Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer.

In certain circumstances, where Bonds have a maturity of less than one year, such Bonds will be subject to limitations to ensure the Issuer complies with section 19 of FSMA. For further details please see the United Kingdom selling restrictions as set out in the "*Subscription and Sale*" section of this Prospectus and the Final Terms for any particular Series of Bonds.

Issue Price

Bonds may be issued at an issue price which is at par

or at a discount to, or premium over, par, as set out in the relevant Final Terms.

Interest

Bonds will, unless otherwise specified in the relevant Final Terms, be interest-bearing and interest will be calculated (unless otherwise specified in the relevant Final Terms) on the Principal Amount Outstanding (as defined in the Conditions) of such Bonds. Interest will accrue at a fixed or floating rate (plus, in the case of Indexed Bonds, amounts in respect of indexation) and will be payable in arrear, as specified in the relevant Final Terms, or on such other basis and at such rate as may be so specified. Interest will be calculated on the basis of such Day Count Fraction (as defined in the Conditions) as may be agreed between the Issuer and the relevant Dealer as specified in the relevant Final Terms. If applied in the applicable Final Terms, the margin on each relevant Tranche of Bonds will increase following a ratings downgrade as described in Condition 6.

Form of Bonds

The Bonds will be issued in bearer or registered form as specified in the relevant Final Terms. Registered Bonds will not be exchangeable for Bearer Bonds.

Fixed Rate Bonds

Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

Floating Rate Bonds

Floating Rate Bonds will bear interest at a rate determined:

(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Bonds of the relevant Series); or

(b) on the basis of the reference rate set out in the applicable Final Terms.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Bonds.

Floating Rate Bonds may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Bonds in respect of each

Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Zero Coupon Bonds

Zero Coupon Bonds will be offered and sold at a discount to their nominal amount and will not bear interest.

Interest Payment Dates

Interest in respect of Fixed Rate Bonds will be payable semi-annually in arrear, interest in respect of Floating Rate Bonds will be payable quarterly in arrear and interest in respect of Indexed Bonds is or will be payable semi-annually in arrear (or, in each case, as otherwise specified in the relevant Final Terms).

Early Redemption

The applicable Final Terms will indicate either that the relevant Bonds cannot be redeemed prior to their stated maturity or that such Bonds will be redeemable at the option of the Issuer and/or the Bondholders upon giving notice to the Bondholders or the Issuer, as the case may be (including at the option of the Bondholders, if applicable pursuant to the relevant Final Terms, following a Control Change Put Event as more particularly described in Condition 8(f)), on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer, in each case as set out in the applicable Final Terms.

Scheduled Redemption

Unless previously redeemed or cancelled, each Tranche of Bonds will be redeemed on the Maturity Date. However, if a Scheduled Redemption Date (falling prior to the Maturity Date) is specified in respect of a Tranche of Bonds in the applicable Final Terms and they are not redeemed on the Scheduled Redemption Date, such Bonds will thereafter accrue interest at a floating rate. If, however, the Bonds are not redeemed in full by their Maturity Date, there will be an Event of Default.

Final Redemption

If a Tranche of Bonds has not previously been redeemed in full, such Tranche shall be finally redeemed at its respective Principal Amount Outstanding (in the case of Indexed Bonds as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio*)) plus accrued interest on the Maturity Date as specified in the applicable Final Terms.

Denomination of Bonds

Bonds will be issued in such denominations as are or may be agreed between the Issuer and the relevant Dealer, as specified in the relevant Final Terms, but the minimum denomination of each Bond will be

EUR100,000 (and higher integral multiples of a smaller amount if specified in the applicable Final Terms) or not less than the equivalent of EUR100,000 in any other currency (and higher integral multiples of a smaller amount if specified in the applicable Final Terms) as at the date of issue of the Bonds.

Taxation

Payments in respect of Bonds will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom or Ireland, unless and save to the extent that the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, (subject to certain exceptions described in Condition 10(a)) the Issuer or (as the case may be) the Guarantors shall pay such additional amounts as will result in receipt by the Bondholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required.

Negative Pledge

The terms of the Bonds will contain a negative pledge provision.

Cross Default

The terms of the Bonds will contain a cross default provision.

Status and Ranking of the Bonds

The Bonds to be issued under the Programme will constitute secured obligations of the Issuer. Bonds will rank *pari passu* without preference or priority in point of security amongst themselves and with the other Senior Debt. One or more Tranches or Series of Bonds may be issued at one time. All Bonds issued under the Programme will be secured over the same assets of the Issuer and the Guarantors, which are secured in favour of the Security Trustee for the benefit of the Bondholders and the other Secured Creditors under the Security Documents.

The Bonds represent the right of the holders of such Bonds to receive interest (where applicable) and principal payments from the Issuer in accordance with the terms and conditions of the Bonds and the bond trust deed dated 4 November 2010 as supplemented on 14 November 2014 and as the same may be further amended and/or supplemented from time to time (the "**Bond Trust Deed**") entered into by the Issuer and the Bond Trustee in connection with the Programme.

Guarantee and Security

The Bonds will be unconditionally and irrevocably guaranteed by the Guarantors (other than the Issuer).

The obligations of the Guarantors under the Guarantee will be direct, unconditional and secured obligations of the Guarantors and will rank *pari passu* with the most senior class of other indebtedness of the Security Group in accordance with the STID. The Guarantee is contained in the English Law Security Agreement. The obligations of the Issuer and the Guarantors in respect of the Bonds and the Guarantee respectively are secured pursuant to the Security Documents. Pursuant to the Security Documents, each of the Issuer and the Guarantors have created security over substantially all of their respective property, assets, rights and undertakings, as described in the "*Summary of the Financing Agreements – The Security Trust and Intercreditor Deed* and *Summary of the Financing Agreements – The Security Documents*."

Intercreditor Agreement

Claims of the Bond Trustee (on behalf of the Bondholders) and other Secured Creditors will be regulated by the Security Trust and Intercreditor Deed. See "*Summary of the Security Trust and Intercreditor Deed*."

Covenants

The representations, warranties, covenants and events of default which will apply to, among other things, the Bonds are set out in the Bond Trust Deed and the Common Terms Agreement. See "*Summary of the Financing Agreements*".

Listing

It is expected that Bonds issued under the Programme will be admitted to the Official List and admitted to trading on the Market.

Ratings

The Programme has been rated BBB by S&P and A- by Fitch.

Series of Bonds issued under the Programme may be rated or unrated. Where a Series of Bonds is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the rating assigned to the Programme.

A rating is not a recommendation to buy, sell or hold securities and will depend, among other things, on certain underlying characteristics of the business and financial condition of the Obligors. A rating may be subject to suspension, reduction or withdrawal at any time by the assigning Rating Agency.

Governing Law

The Bonds and any non-contractual obligations arising out of or in connection with the Bonds shall be governed by, and construed in accordance with, English law.

Selling Restrictions

There are restrictions on the offer, sale and transfer of the Bonds in the United States, the United Kingdom and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Bonds. See "*Subscription and Sale*" and the Final Terms for any particular series of Bonds.

Investor Information

The Security Group Agent (on behalf of members of the Security Group) is required to produce an Investor Report (the "**Investor Report**") and a Compliance Certificate (the "**Compliance Certificate**") semi-annually which will be posted on the Designated Website.

RISK FACTORS

In purchasing Bonds, investors assume the risk that the Issuer and the Guarantors may become insolvent or otherwise be unable to make all payments due in respect of the Bonds. There is a wide range of factors which individually or together could result in the Issuer and the Guarantors becoming unable to make all payments due in respect of the Bonds. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer and the Guarantors may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's and the Guarantors' control. The Issuer and the Guarantors have identified in this Prospectus a number of factors which could materially adversely affect their businesses and ability to make payments due under the Bonds.

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

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.

BUSINESS AND REGULATORY RISKS

The Security Group could be negatively impacted by a failure to fully utilise rolling stock over its useful economic life

The Security Group's business strategy depends on generating rental income from the leasing of rolling stock for the whole of its economic life. The rolling stock will have an economic life of approximately 30-40 years, but the leases will normally not exceed 7-10 years. This means that at the end of each lease the rolling stock may still have a substantial residual value which will only be recovered if the rolling stock is re-leased.

Failure to achieve utilisation for economic rentals for the entire economic life of the rolling stock for a significant part of the fleet will result in a material adverse effect on the forecast income of the Security Group.

The Security Group's ability to re-lease available rolling stock may be affected by, among other things, the perceived attractiveness among Train Operating Companies ("TOCs") of the rolling stock when compared with alternatives (either newly built or existing alternatives). In this assessment of rolling stock requirements, a TOC's decision to order newly built rolling stock may be influenced by its all-in operating cost, its operating characteristics and utility. The utility of rolling stock may be influenced by the following factors:

- its ability to operate on different routes - diesel trains can generally "go anywhere" though may be subject to mass or gauge/length constraints, dual voltage trains can operate using either of the electrification systems in the UK, single voltage trains are more restricted;

- its ability to be coupled into multiple units - trains which can be used in multiple by coupling two or three smaller units together are more useful than trains which can only operate alone;
- its ability to be reconfigured - trains which can easily be reconfigured from 2-car units to 3-car units or from 3-car units to 4-car units etc are far more versatile than trains which are fixed;
- its operational flexibility - trains where the interior layout can be changed easily and at lower cost provides better operational flexibility thereby changing vehicles from first class to standard class etc in response to changing passenger demand; and
- the suitability of its door configuration for the route - wide doors in the middle of the vehicle are good for commuter trains, but cause noise at high speed on intercity routes. Conversely doors at the end of a vehicle are fine for intercity trains but slow passengers down when they are getting on and off a commuter train.

Under the provisions of Section 30 of the Railways Act 1993 the Secretary of State is required to ensure that the passenger services are maintained (see "*Industry Overview - The DfT and the Secretary of State for Transport*" for more detail).

In addition, the Secretary of State can use the powers conferred on him under Section 54 of the Railways Act 1993 to enter into arrangements to ensure the utilisation of rolling stock. These powers have traditionally been used to provide the ROSCOs with an assurance that fleets will be utilised for an agreed period. As at 30 September 2014, 13 per cent. of the Security Group's capital rental income will be supported by Section 54 Undertakings. This to some degree mitigates the risk that the Security Group may not be able to re-lease its rolling stock at the end of a lease.

Since privatisation ERG has had 100 per cent. of its fleets on lease, other than in 2009 when the utilisation dropped to 98 per cent. At the date of this prospectus all of ERG's passenger rolling stock and freight vehicles are on lease.

Limitations to Direct Agreements and OPRCA/ROSCO Agreements

The Secretary of State has certain duties under section 30 of the Railways Act 1993 to ensure the continuity of railway services in the UK (see "*Industry Overview–The DfT and the Secretary of State for Transport*") and these duties are supported by direct agreements (for new rolling stock) and OPRAF/ROSCO agreements for ex-British Rail rolling stock (hereafter referred to collectively as "**Direct Agreements**") between the Secretary of State and the ROSCOs. They provide the DfT various contractual options to lease rolling stock from the ROSCOs in the event of an early termination of a lease between a ROSCO and a TOC. However, the Secretary of State is not obliged to take on a lease in respect of any rolling stock that is not maintained in accordance with its maintenance programme ("**Failed Rolling Stock**"). The Security Group has detailed maintenance tracking and reporting arrangements to help protect it in relation to this risk. The Security Group also employs engineers and follows clear processes and systems to ensure that the condition of the assets is understood throughout their lives.

Whilst the terms of each of the Direct Agreements are slightly different, the main provisions mean the Secretary of State has the right but not the obligation, in the event of a TOC failure, to require the ROSCO to continue to lease the rolling stock to the new operation on the same terms as the existing lease. The provisions prevent the ROSCO from calling a default under the lease and repossessing the rolling stock.

If the Secretary of State exercises his option then the ROSCO will enter into a lease to lease the rolling stock to the new operator for a period which will end on the earlier of (i) the next timetable change which occurs after 12 months; (ii) the end of the franchise or (iii) such other date as is agreed. The Secretary of State has a further right to extend this replacement lease for any of the rolling stock until the end of the original lease. Following such "interim lease", the ROSCO will then seek to lease the relevant rolling stock to a new operator. A new operator is not under an obligation to lease all of the rolling stock from the ROSCO where the Secretary of State exercises this option and the ROSCO is therefore subject to the risk described above.

The Rail Industry is subject to extensive regulation which entails certain political, legal and regulatory risks

Whilst the ROSCOs are not themselves regulated most of the ROSCOs' customers are. Excessive regulation placed on the TOCs, which restricts their ability to contract with ROSCOs, could have a negative effect on the ROSCOs' ability to generate rental income from their rolling stock.

Notwithstanding the fact that the ROSCOs are not regulated, they are still subject to competition laws. Pursuant to its powers under the competition laws, between April 2007 and April 2009 the Competition Commission carried out an in-depth investigation into whether there are features of the market for the leasing of rolling stock for franchised passenger services and related maintenance services in the UK that prevent, restrict or distort competition and so give rise to an adverse effect on competition. In its final report, published on 7 April 2009, the Competition Commission found that there were no competition concerns in the provision of maintenance services, but that there were concerns in respect of the leasing of rolling stock for franchised passenger services. In order to address the adverse effect on competition and the resulting detrimental effects on customers that it identified, the Competition Commission decided to implement a package of remedies and other measures aimed at improving competition and choice in the market including: (1) recommendations to the franchising authorities to make changes to the franchise system; (2) requiring the ROSCOs to remove non-discrimination requirements from their Codes of Practice, which would provide greater incentives for the TOCs to seek improved terms from the ROSCOs and (3) requiring rolling stock lessors to provide TOCs bidding for a franchise with a set list of information when making a lease rental offer for used rolling stock, which were intended to give TOCs the ability to negotiate more effectively with the ROSCOs. Remedies in respect of ROSCOs have been implemented.

Like all other businesses in the UK, the Security Group's business is subject to numerous laws and regulations governing safety procedures, equipment specifications, employment requirements, environmental procedures, insurance coverage, taxation, pensions and other operating issues and considerations. These laws and regulations are subject to constant change.

There is a risk that the Security Group could be adversely affected by any legislative and/or regulatory changes impacting the rail industry that may be proposed in the future, whether in response to the Competition Commission's findings or more generally arising from a change of government and/or any review of rail policy, which may have a material adverse effect on the Security Group's business, financial condition, results of operations or prospects (including, without limitation, the Security Group incurring significant expenses in respect of compliance with such legislative and/or regulatory change).

Similarly, the Security Group bears the risk of changes in laws and public policies in general, including potential changes in tax laws or accounting policies and practices, which may result in expenses in respect of compliance and therefore could have a material adverse effect on the Security Group's business, financial condition, results of operations or prospects.

Environmental, health and safety and planning considerations

The Security Group's business is subject to a number of environmental, health and safety laws and regulations. In addition to the standard health and safety regulations which affect all companies, the members of the Security Group have additional obligations resulting from their ownership or disposal of rolling stock.

The TOCs and FOCs have primary responsibility to ensure the safety of rolling stock and safety related issues could therefore have an adverse impact on the use of rolling stock, including to the extent of it being prevented from operating. Environmental considerations affect the operations of rolling stock, particularly emissions regulations (particularly diesel engines), waste handling and asbestos exposure.

In addition, the Security Group may in some exceptional circumstances be exposed to potential statutory and third party environmental liability as a result of the operations carried out on its rolling stock by contractors including liability arising from clean up and remediation of environmental damage to land, personal injury or property damage, disposal of waste, use of or carrying out of works to rolling stock which may require financial contributions from the Security Group. If exposed to such environmental liability, the Security Group is likely to have direct contractual redress (for example to contracted maintenance suppliers and TOCs) in respect of any such liability, usually by way of a contractual indemnity (or surety) for any loss arising from any such liability.

In addition to the above, there is always the risk that changes in environmental, health and safety regulations could have an adverse effect on the Security Group's business.

Technical failures, safety issues or operational risks could have a material adverse effect on the Security Group's business

There is a risk that the Security Group could be involved, directly or indirectly, in a major operational incident resulting in death, human injuries or damage to property, including damage to or destruction of rolling stock, resulting in liability for the Security Group. Since privatisation none of the major operational incidents that have occurred have resulted from rolling stock failure and, therefore, no incident has resulted in a claim against a ROSCO.

Although primarily the responsibility of the relevant TOC or FOC, if a claim were to be made against the Security Group for which the Security Group was held liable and for which its own insurance programme was inadequate, this could have a material adverse effect on the Security Group's business, financial condition, results of operations or prospects.

The Security Group is exposed to counterparty credit and default risk

The Security Group has counterparty exposure to a number of TOCs and FOCs, which are concentrated in a small number of owner groups. Any default by a TOC or a FOC under an operating lease that is not otherwise mitigated (for example, by intervention of the UK Government in compliance with its obligations under Section 30 or a Section 54 Undertaking) could have a material adverse effect on the Security Group's business if the rolling stock cannot be leased to an alternative user. Section 30 currently applies to all of the Security Group's operating leases. Although the Security Group anticipates that its future operating leases with TOCs will also benefit from the Secretary of State's Section 30 duties there can be no assurance that this will necessarily be the case, although a change in the Section 30 obligations of the Secretary of State is regarded as unlikely. To date, ERG has not suffered any loss from this risk. It should be noted that Section 30 is not relevant for ERG's freight fleets. See *Business Description- How the factors of rolling stock utilisation, re-leasing rates and TOC failures influence financial performance* below.

Repossession after a default by a TOC or a FOC could result in greater costs than those incurred when a train is returned at the end of a lease. These costs include legal expenses that could be significant, particularly if the lessee is contesting the proceedings or is subject to insolvency proceedings. Delays resulting from repossession proceedings would increase the time during which a train does not generate rental revenue. In addition, the Security Group may incur substantial maintenance, refurbishment or repair costs that a defaulting lessee has failed to pay and that are necessary to put the train in the condition suitable for release. However, the Security Group seeks to mitigate this risk by the implementation of extensive audit and asset inspections in respect of its assets subject to dry leases in order to ensure that trains are kept in good condition and fully operational so, if a repossession were to occur, any maintenance, refurbishment or repair costs that the repossessed train may require should not be significant. To date, ERG has not needed to exercise repossession rights in respect of any lease to any TOC or FOC.

The Security Group depends on a limited number of suppliers and maintenance contractors to supply rolling stock and maintenance and repair services

The Security Group acquires rolling stock from a limited number of rolling stock manufacturers and enters into maintenance contracts with third party contractors

The Security Group cannot be certain that it will always be able to obtain satisfactory equipment and service on economically attractive terms or that its suppliers and contractors will perform as expected. Should the Security Group be unable to (i) source the quality of equipment and maintenance services that it requires; (ii) negotiate appropriate financial terms for equipment and services or (iii) obtain adequate supplies of equipment in a timely manner, or if any of its key suppliers

withdraw from the market, the Security Group may find it difficult to replace a supplier or contractor on a timely and cost effective basis.

A failure by one of the Security Group's suppliers or contractors, for any reason, to supply or provide such services and/or equipment may adversely impact the Security Group's ability to fulfil its obligations under its contracts with a TOC or FOC. Similarly, such a failure could impact the Security Group's ability to maximise the residual value of its assets, which in turn could have a material adverse effect on the Security Group's business, financial condition, results of operations or prospects.

In addition, where the Security Group enters into lease agreements in respect of new rolling stock, the scheduled rent payable under such leases will not become payable until the delivery and acceptance of the relevant unit of new rolling stock. Failure or delays in delivery will result in rental income being delayed. A default of this kind is typically covered by liquidated damages, but these may be capped and there is a danger that the limits might be breached.

Further electrification of the UK rail network may reduce demand for the Security Group's diesel fleet

According to the DfT's report "*Britain's Transport Infrastructure Rail Electrification July 2009*", the UK has proportionally fewer electric rail routes than most European countries. In July 2012 the UK government announced £4.2bn of new electrification schemes including the Great Western Line between London and Cardiff, the Cardiff Welsh Valley lines, branch lines in the Thames Valley Corridor, the TransPennine Route between Manchester and Leeds, Basingstoke and Reading, Bedford to Sheffield, Kettering to Corby, Oxford to Coventry and Nuneaton.

Further electrification of the rail network will reduce the demand for diesel units which could have an adverse effect on the Security Group's existing fleets. However, only 10 per cent. of the Security Group's passenger fleets are diesel units. Whilst the Security Group has only limited diesel rolling stock it could be displaced by other ROSCOs' diesel rolling stock which is no longer required on the newly electrified routes. Conversely the newly electrified routes could provide new opportunities for the Security Group's own electric rolling stock. The net effect could be either adverse or beneficial to the Security Group.

The Security Group is exposed to general economic conditions

A sustained economic downturn, whether at a global, regional or national level, could adversely affect rail travel or investment in railways, which could have a negative impact on the Security Group's businesses. Whilst many of the features of the Security Group's business offer a certain degree of protection against economic downturn, a prolonged or severe downturn could adversely impact the Security Group's businesses, financial condition, results of operations or prospects.

Competition from other ROSCOs and alternative modes of transport

The Security Group's market share may be adversely affected by competing UK ROSCOs developing or increasing their capacity or expanding their business.

The development of technologies which reduces the need for travel (e.g. affordable communication links such as video-conferencing and webcasts) could have an adverse impact on all forms of travel including commuting by rail. In addition, the expansion or development of alternative transport links, such as motorways and air routes that improve access and reduce travelling time on routes currently serviced by TOCs may reduce the income of such TOCs which may ultimately also affect the Security Group's income. Similarly, should other forms of haulage, such as road haulage, become more economical or efficient than rail haulage this may reduce the income of certain FOCs which may also affect the Security Group's income.

Mandatory Modifications

The costs of any mandatory modifications that may be required to be made to rolling stock may initially be borne by the relevant ROSCO. These costs would typically be passed onto the TOC by way of increased rentals which should minimise the risk posed by mandatory modification. However, should a proposed mandatory modification be so expensive so as not to be cost effective, the relevant fleet may need to be retired from service before the end of its expected economic life. Depending on the size of such fleet, this may have a material adverse effect on the Security Group. Mandatory modifications may be required pursuant to, for example, the European Technical Specifications for Interoperability Relating to Persons with Reduced Mobility ("**PRM TSI**") and/or Directive 2008/57/EC of the European Parliament and of the Council (the "**Interoperability Directive**").

In the UK, the PRM TSI which came into force on 1 July 2008 requires all trains used on the interoperable rail system, which comprises the major lines of the mainline rail system in the UK (in practice all Network Rail infrastructure), to comply to certain technical specifications.

The Interoperability Directive came into force on 19 July 2008 with a view to introducing vehicle based signalling technology to replace existing trackside equipment with the sole aim of increasing safety and introducing greater interoperability of trains along different sections of track. It requires that all lines forming part of the interoperable rail system must be fitted with the Global System of Communications and all trains on that system must be fitted with the European Train Control System.

Changes in financial reporting standards

Certain provisions of the Finance Documents contain certain conditions and/or triggers which are based upon an assessment of the financial condition of the Security Group calculated by reference to the financial statements produced in respect of the companies in the Security Group. These financial and other covenants have been set at levels which are based on the current accounting principles, standards, conventions and practices adopted by the relevant companies.

It is possible that any future changes in these accounting principles, standards, conventions and practices which are adopted by the companies in the Security Group (and any change in applicable law affecting the same) may result in significant changes in the reporting of its financial performance. For instance, US Financial Accounting Standards Board and the International Accounting Standards Board intend

to produce a revised standard for leases. In May 2013 the Boards published their second exposure draft (first exposure draft was published in August 2010) of the proposed new standard, ED/2013/6. The Boards are currently deliberating the wide-ranging responses received and uncertainty remains over the content and timing of a new leasing standard. The general consensus is that a new standard is unlikely to be effective before 2016. The new standard may, in due course, lead to substantial changes to the way the Security Group will report its income from leasing which could ultimately result in misunderstandings by future users of the financial statements who find that the new accounting policies make it harder to interpret and understand the Security Group's performance

However, the Common Terms Agreement allows the Obligors to change the basis on which their financial statements are prepared, provided that if the change could reasonably be expected to result in a deviation of equal to or greater than 5 per cent. from the result of the calculation of the financial ratios reported in the Compliance Certificates, an international firm of auditors (acting as expert and not as an arbitrator) approved by the Security Trustee will be required to determine whether the amendments will be required to be made to the Financial Covenant Trigger Event Ratio Levels to place the Security Group and the Secured Creditors in a comparable position to that in which they would have been if the change had not happened. Prior to the appointment of such auditors, the Security Trustee shall, if directed by the Qualifying Secured Creditors in accordance with the STID, enter into discussions for a period of not more than 60 days with a view to agreeing any amendments required to be made to the Financial Covenant Trigger Event Ratio Levels to place the Security Group and the Secured Creditors in a comparable position.

Terrorism could have a material adverse effect on the Security Group's business, financial condition, results of operation or prospects

Terrorist acts and the public's concerns about potential future attacks on public transport in the UK could adversely affect demand for the Security Group's rolling stock. There have been multiple acts of terrorism on public transport systems and other terrorist attacks that have discouraged travel. There is a risk that the demand for the Security Group's rolling stock could be adversely affected by a significant terrorist incident. Such a fall in demand could have a material adverse effect on the Security Group's business, financial condition, results of operations or prospects.

The Security Group is dependent on the services of key personnel and its ability to continue to attract and retain such personnel

The Security Group's success will depend, in part, on its ability to continue to attract, retain and motivate qualified personnel. The Security Group relies on its executive management team for the implementation of its strategy and its day-to-day operations. Competition in the rail industry for personnel with relevant expertise, especially at the executive level, may be intense due to the specialised nature of the industry and the limited number of qualified individuals. The Security Group's failure to successfully manage its personnel needs could have a material adverse effect on the Security Group's business, financial condition, results of operations or prospects.

Pensions and the Pension Trustee as a Secured Creditor

As described in the section "*Business Description - Pensions*", MaintCo participates in certain pension schemes including a segregated section of the defined benefit Railways Pension Scheme ("**RPS**"). There is a risk that the liabilities of the relevant section of the RPS, which are long-term in nature, will exceed the assets of that section. While the scheme is ongoing, those liabilities are measured on an ongoing (or technical provisions) basis that is agreed between the RPS trustee and MaintCo, with the Pensions Regulator to determine them if agreement cannot be reached (in some limited circumstances, the RPS actuary may also be able to determine them). MaintCo will be required under legislation and the RPS rules to make the additional contributions to the RPS necessary to eliminate that deficit within a period agreed with the RPS trustee or with the Pensions Regulator to determine the period if agreement cannot be reached (in some limited circumstances, the RPS actuary may also be able to determine such period).

If any of the relevant pension schemes (including the relevant section of the RPS) were to be wound up, which the trustees of the relevant scheme could ask the Pensions Regulator to order, MaintCo would be responsible, under section 75 of the UK Pensions Act 1995, for funding the pension schemes up to the level of the cost of buying out the benefits for all scheme members with an insurer. This cost (known as a section 75 debt) would be considerably more than the value placed on the liabilities while the schemes are ongoing. If this liability were triggered, this could have a material adverse effect on ERG's financial condition and results of operations.

A section 75 debt can also arise if an employer ceases to employ active members in the pension schemes (e.g., on a sale or a transfer of employees) while another employer continues to employ active members. Any such section 75 debt would be calculated by reference to the relevant employing company's proportional share of the deficit on a buyout basis. This cost would be considerably more than the value placed on the liabilities while the schemes are ongoing.

The Pensions Regulator also has statutory powers in some circumstances to require persons connected or associated with an employer (such as other companies within ERG) to contribute to or otherwise support the pension schemes.

The Pension Trustee is a Secured Creditor pursuant to the STID and ranks equally up to a capped amount of £20 million with principal payments in respect of the Bonds. See "*Summary of the Financing Agreements-Security Trust and Intercreditor Deed*". Furthermore, in addition to its rights against MaintCo (as the designated employer), the Pension Trustee will also have an unsecured guarantee claim for any amount owed to it from time to time in respect of Pension Liabilities, provided that the aggregate amount which may be recovered and retained by the Pension Trustee under this guarantee and under any other guarantee provided under the Finance Documents shall not exceed the sum of (a) £20 million plus (b) a capped amount of £10 million (subject to adjustment for inflation) from the rest of the Group to the extent that MaintCo itself fails to meet its obligations to the Pension Trustee from time to time.

FINANCING RISKS

Market and financing risks

The Security Group will need to raise further debt from time to time in order, among other things, to:

- (a) finance future capital expenditure; and
- (b) enable it to refinance Bonds and other debt.

Therefore, the Security Group is exposed to market risks resulting from mismatches between the Security Group's capital requirements and its access to capital in the future. The Security Group's cost of funding may be influenced by, among other things, its own operating performance and general economic conditions. Although the Security Group has not been impacted by current economic conditions, if financial markets deteriorate there could be an adverse effect on the Security Group's ability to refinance its existing debt.

Moreover, the Security Group is exposed to market risks resulting from mismatches between the Security Group's capital requirements and the revenue generated by its assets and through its services. The Security Group's future capital requirements and level of expenses will depend on numerous factors, including, amongst other things, the Security Group's ability to consistently secure lease contracts on appropriate terms and at sufficiently high lease rates in the future, the amount of cash generated from operations, the level of demand for its rolling stock and general industry conditions. The Security Group cannot be assured that it will be able to enter into new leases on favourable terms upon the expiration or termination of existing leases. The inability to cover long term funding costs through rental streams could have a material adverse effect on the Security Group's business, financial condition, results of operations or prospects.

In addition, the primary revenue of the Security Group is generated from rentals under leases with TOCs and FOCs which are predominately fixed at the time such leases are entered into. However, the Security Group will be required to finance its borrowings at the prevailing market rate from time to time. Therefore, there is a potential risk of a mismatch between the Security Group's finance costs and the revenues generated from the fixed rental incomes.

The Security Group has a Hedging Policy in place to mitigate the risks arising from mismatches in cash flows received and payable from time to time. For more detail on the Hedging Policy see "*Summary of the Financing Agreement - Common Terms Agreement*".

Monitoring of Compliance with Warranties and Covenants and the Occurrence of Trigger Events, Credit Rating Downgrade, Events of Default or Potential Events of Default

The STID provides that the Security Trustee will be entitled to assume, unless it is otherwise disclosed in any Investor Report or Compliance Certificate or the Security Trustee is expressly informed otherwise, that no Trigger Event, Credit Rating

Downgrade, Event of Default or Potential Event of Default has occurred which is continuing. The Security Trustee will not itself monitor whether any such event has occurred. It will fall to the Obligors themselves to make these determinations as well as the determinations of the financial and operational positions underlying them, which may be subjective.

Modifications, waivers and consents in respect of Common Documents and the Finance Documents

The STID provides that the Security Trustee shall seek the approval of the Bondholders on certain matters, along with all other holders of Qualifying Debt, as a condition to concurring in making modifications to or granting consents or waivers. There can be no assurance that any modification, consent or waiver 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. In addition, modifications, waivers and consents require the relevant thresholds of Qualifying Debt voting in favour of a proposal (subject to the Entrenched Rights conferred on individual creditor groups). Therefore, the votes of the Bondholders may not constitute a sufficient majority in respect of any such matter and Bondholders alone may not be able to control the outcome of any particular approval process. Consequently, Bondholders may be subject to modifications, waivers or consents which they voted against.

The conditions of the Bonds will also provide that the Bond Trustee may, without the consent of Bondholders but subject to the provisions of the STID (if it is of the opinion the interest of the holders of the Bonds then outstanding shall not be materially prejudiced thereby) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Bonds, the Bond Trust Deed or any other Finance Documents to which the Bond Trustee is a party.

Hedging Risks

Whilst the Issuer and the other Obligors operate a hedging programme in accordance with the Hedging Policy, the Issuer and the other Obligors are not required to fully or perfectly hedge their present or future interest rate or inflation exposure and may not in practice do so. The Issuer and the other Obligors are subject to the creditworthiness of, and in certain circumstances early termination of the hedging arrangements by, Hedge Counterparties.

The terms of the interest rate swap transactions entered into by the Issuer to hedge its floating rate debt mature in 2025. These facilities may be refinanced with fixed rate debt prior to the scheduled termination of the corresponding interest rate swap transactions. As a consequence, the Issuer may be overhedged on repayment of such facilities and may incur costs in terminating such interest rate swap transactions.

TAX RISKS

The Obligors could be subject to tax charges under legislation formerly contained in Schedule 10 to the Finance Act 2006 (Schedule 10)

Under legislation contained in Chapters 3 to 6 of Part 9 of the Corporation Tax Act 2010 (formerly Schedule 10 to the Finance Act 2006) (the "**Sale of Lessor Rules**"), taxable income is treated as arising to a UK leasing company (that is, a company which is within the charge to UK corporation tax and which carries on "a business of leasing plant or machinery") on the occurrence of a relevant change of ownership of that company.

Certain members of the Security Group are likely to be regarded as carrying on "a business of leasing plant or machinery" for these purposes. Consequently, if a relevant change of ownership of such a company were to occur (see below), and such company were within the charge to UK corporation tax, an amount of taxable income may be deemed to arise in that company at the time of the change of ownership. This deemed income would be matched by a deemed expense in the following tax accounting period for UK corporation tax purposes. The amount of the income (and corresponding expense) will depend on a number of factors, which would need to be determined at the time of the change of ownership, and could be a material amount.

A relevant change of ownership for these purposes could occur on a sale of the shares in the relevant members of the Security Group or in certain limited circumstances the shares in one or more of their parent companies (including on certain transactions involving a partner's interest in a Luxembourg société en commandite simple, the partner or members of its group). However, the current structure of the Security Group (including the fact that a large part of the value of the business is held by companies that are tax resident in Ireland and are therefore expected to be outside the scope of UK corporation tax: see the section headed "*Tax residence of the Irish members of the Security Group*" below) means that the Sale of Lessor Rules may not be applicable in all such circumstances.

The Sale of Lessor Rules described above could also give rise to a tax charge on a future enforcement of security over shares in the relevant members of the Security Group.

Tax residence of the Irish members of the Security Group

EIL, ERFL, ERFL 2 and ERFL Holdings, as Irish companies, are not considered to have been and are not expected to become, within the charge to UK corporation tax. However, this may depend *inter alia* on the manner in which they are managed by their directors and the nature of their arrangements and activities in the United Kingdom. If EIL, ERFL ERFL 2 or ERFL Holdings were to be treated as within the charge to UK corporation tax this could have a material adverse effect on its tax position.

EU Savings Directive

The European Union ("EU") has adopted Council Directive 2003/48/EC (the "**EU Savings Directive**") regarding the taxation of savings income. The EU Savings

Directive requires member states of the EU ("**Member States**") to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain other entities established in that other Member State, except that Luxembourg and Austria are instead required to impose a withholding system (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request no tax be withheld) for a transitional period unless during such period they elect otherwise. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015. A number of third countries and territories including Switzerland have adopted similar measures to those required by the EU Savings Directive. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain dependent or associated territories in relation to payments made by a person in a Member State to or collected for an individual or certain other persons in such a territory.

The Council of the European Union has adopted a Directive (the "**Amending Directive**") amending the EU Savings Directive, which will, when implemented, amend and broaden the scope of the requirements of the EU Savings Directive described above. The Amending Directive will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the EU Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the EU Savings Directive, as amended. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

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

U.S. Foreign Account Tax Compliance Withholding

Whilst the Bonds are in global form and held within Euroclear Bank SA/NV or Clearstream Banking, société anonyme (together the "**ICSDs**"), in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") will affect the amount of any payment received by the ICSDs (see *Tax Considerations – FATCA Disclosure*). 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. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Bonds are discharged once it has paid the common depositary or common safekeeper for the ICSDs (as bearer of the Bonds) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries.

INSOLVENCY CONSIDERATIONS

Floating charges over the assets that secure the Bonds will be subject to rights of third parties in certain circumstances

Certain of the assets that secure the Bonds are subject to floating charges governed by English law and Irish law. As a matter of such laws, certain third party claims against the companies that have granted the floating charges would have priority over the claims secured by the floating charges. In particular, the expenses of any winding up, liquidation, or administration and certain claims of employees as preferred creditors would rank ahead of the claims secured by the floating charges. In addition, under English law any administrative receiver, administrator or liquidator appointed in respect of a company that has granted a floating charge would be required to set aside a prescribed percentage of the moneys realised upon enforcement of that floating charge up to a maximum amount of £600,000 for application in or towards the claims of the company's unsecured creditors.

The assets the subject of the floating charges securing the Bonds may be disposed of in certain circumstances without the consent of the Security Trustee or the Bond Trustee (as the case may be). In particular, in such circumstances, an administrator has the right to dispose of such assets free of the security interests constituted by the floating charges. It is also the case that by their nature floating charges (which are intended to provide a means whereby security can be taken over fluctuating collections of assets) leave the companies that have granted them free to deal with the charged assets in the ordinary course of business until the security is enforced, with the result that the assets can be sold in the ordinary course of business to (or subjected to fixed charges in favour of) third parties free and clear of the security interests constituted by the floating charges.

The railway industry is subject to a special regime of railway administration

The UK rail industry is subject to the Railway Administration Order regime under the Railways Act 1993.

The railway industry is subject to provisions under Sections 59 to 63 of the Railways Act 1993 ("**Railways Act**"), which impose a special regime of railway administration on, amongst others, TOCs. Although this special administration regime has no direct application to ROSCOs, it could nevertheless affect the Security Group indirectly as the Railways Act may subject a TOC customer of the Security Group that is at risk of

becoming insolvent to a railway administration order process which could then restrict the Security Group's ability to commence enforcement proceedings against such TOC, including to repossess its leased rolling stock.

The railway administration provisions under the Railways Act are a specialised variant of "ordinary" administration, but have certain features to address special requirements and characteristics of the rail industry. A railway administration order may only be made in relation to a "protected railway company", (as defined in the Railways Act) which would include a TOC. To date, there has only been one railway administration, relating to Railtrack plc.

Under the Railways Act, the purposes of a railway administration order, which is more limited than that of an ordinary administration, is to transfer to another company so much of the insolvent company's undertaking as is necessary in order to ensure that its relevant activities are properly carried out and to ensure that its relevant activities are carried out pending the transfer.

In the case of a company which is the holder of a passenger licence, "relevant activities" are the carriage of passengers by railway. In the case of Railtrack plc, the railway administrators interpreted this purpose to mean the continuation of existing services for the period of the railway administration.

An ordinary administration order normally imposes a moratorium which prevents creditors from taking enforcement action against the affected company or companies without either the consent of the administrator or the permission of the court. The same principles apply to a railway administration and would, if a TOC to whom the Security Group has leased rolling stock became subject to a railway administration order, prevent the Security Group from commencing enforcement proceedings or repossessing leased rolling stock without the administrator's consent, or failing that, without the court's consent.

In the case of ordinary administrations, existing case law provides guidance as to the considerations that a court would need to take into account when determining whether to grant its consent in such circumstances, namely the reasonable requirements of the administrators in terms of achieving the purposes of the administration and the rights of and any prejudice suffered by the owner/lessor of the leased assets of the affected business. On that basis, an ordinary administrator would be able to retain leased assets only if he could demonstrate that the lessee is likely to be able to meet its ongoing rental obligations.

In the case of a railway administration, whilst the railway administrator and the court may be expected to have regard to the guidance provided by case law relating to ordinary administrations, a court may form the view that the continuation of rail passenger services should take priority over a ROSCO's rights to receive contracted rental income from the rolling stock leased to that TOC. If, during a railway administration, the Security Group were not able to repossess its rolling stock following the TOC's failure to pay the required rental, this could have a material adverse effect on the Security Group's business, financial condition, results of operations or prospects.

The transfer of the lessee's undertaking by a railway administrator will be expected to occur by means of a statutory transfer scheme. The scheme is designed to ensure that a successor company or companies are able (in the case of a TOC) to properly manage the passenger services.

This sort of transfer scheme effectively overrides any other legal requirement (for example, the provisions of a contract) which would otherwise prevent the transfer of assets, rights and liabilities. In the event of a railway administration of a TOC, the railway administrator could, without seeking the consent of the relevant ROSCO, enforce a form of statutory novation upon it of the relevant lease or leases, by means of a transfer scheme. Although the Railways Act does not directly address the question of what the position of the counterparties to such arrangements (such as the Security Group) would be, for example, in relation to payments of any compensation or arrears of rental, Article 5(2) of Schedule 7 of the Railways Act provides that "for purposes connected with any transfers made in accordance with the scheme the new appointee is to be treated as the same person in law as the existing appointee" and on that basis any successor lessee should be expected to inherit any outstanding liabilities of the original lessee (including arrears of rental). Any such transfer without the consent of the Security Group could have a material adverse effect on the Security Group's business, financial condition, results of operations or prospects.

Examinership in Ireland

Examinership is a court procedure available under the Irish Companies (Amendment) Act 1990, as amended, (the "**1990 Act**") to facilitate the survival of Irish companies in financial difficulties. An examiner, once appointed, has the power to set aside contracts and arrangements entered into by the company after his appointment and, in certain circumstances, can avoid a negative pledge given by the company prior to his appointment. Furthermore, the examiner may sell assets which are the subject of any fixed charge. However, if such power is exercised, he must account to the holders of the fixed charge for the amount realised and discharge the amounts due to them out of the proceeds of sale.

The appointment of an examiner to a company cannot be blocked by the holder of a fixed or floating charge in respect of the assets of that company, although no examiner may be appointed to a company where a receiver stands appointed in respect of the assets of that company for a period of at least 3 days prior to the examinership application.

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement to assist the survival of the company or the whole or any part of its undertaking as a going concern.

In considering the proposals by the examiner, it is likely that secured and unsecured creditors would form separate classes of creditors. In the case of any Irish Obligor, if the Security Trustee represented the majority and number in value of the claims within the secured creditor class (which would be likely given the restrictions agreed to by each Irish Obligor under the Finance Documents), the Security Trustee would be in a position to reject any proposal not in favour of the Secured Creditors. However, a scheme of arrangement may be approved by the Irish High Court when at least one class of creditors has voted in favour of the proposals and the Irish High Court is

satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement and the proposals are not unfairly prejudicial to the interests of any interested party.

The Security Trustee would be entitled to argue at the Irish High Court hearing at which the proposed scheme of arrangement is considered that the proposals are unfair and inequitable in relation to the Secured Creditors especially if such proposals included a writing down of the value of amounts due by the relevant Irish member of the Security Group to the Secured Creditors to an amount less than the value of the security held.

The primary risks to the Secured Creditors if an examiner were to be appointed to any Irish member of the Security Group are as follows:

- (a) during the period of protection, no action may be taken by creditors to enforce their rights to payment of amounts due by the company in examinership or any guarantor or (in the case of the secured creditors) to enforce or realise any security granted by that company. Accordingly, if an examiner were to be appointed over any Irish Obligor, payments on the Bonds could be deferred;
- (b) the potential for a scheme of arrangement being approved including a write down of the debt due by any Irish Obligor in respect of the Bonds;
- (c) the potential for the examiner to set aside any negative pledge in the Finance Documents prohibiting the creation of security or the incurring of borrowings by any Irish Obligor to enable the examiner to borrow to fund that company during the protection period; and
- (d) if a scheme of arrangement is not approved and the relevant Irish Obligor subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the Irish company and approved by the Irish High Court) will take priority over the monies and liabilities which from time to time are or may become due, owing or payable by the Irish company to secured creditors.

These risks have the potential to reduce the amounts due on the Bonds and/or any proceeds from the exercise of remedies with respect to the collateral and thus reduce distributions on the Bonds.

Appointment of Administrative Receiver

Under the Insolvency Act 1986, as amended (the "**Insolvency Act**") an administrative receiver is restricted (unless an exception applies) and primacy is given to collective insolvency proceedings (in particular administration). There is as yet no case law on how relevant provisions of the Insolvency Act will be interpreted and, accordingly, it is not possible to say whether in the circumstances of this financing structure, where the floating charges are created to support both bank and capital market debt, it would be possible to appoint an administrative receiver to the English Obligors. Were it not to be possible to appoint an administrative receiver in respect of one or more English

Obligors, they would in all likelihood be subject to administration if they were to become insolvent.

Since the Irish Obligors are incorporated in Ireland, it is not possible to appoint an administrative receiver in respect of the Irish Obligors (so as to prevent the appointment of an English administrator) in England using the capital market provisions referred to above. Accordingly, in the event that the Irish Obligors were to become insolvent, the Irish Obligors might (in addition to being subject to Irish insolvency proceedings (including examinership proceedings)) be placed into administration.

SECURITY RISKS

Scope of Security and recharacterisation of fixed security interest

As described below under "*Summary of the Financing Agreements - Security Agreements - English Law Security Agreement*", the Security is expressed to include fixed security over the principal assets of the Security Group, in particular the Security Group's rolling stock, TOC and FOC leases and material supply contracts, the insurances taken out by the Security Group itself, specified bank accounts, investments, book debts and shares held by the Security Group companies. Other assets of the Security Group, in particular the depots, certain other contracts, IP rights and IT agreements, are not expressed to be subject to fixed security but should be subject to the floating charge if capable of assignment.

There is a possibility that a Court could find that certain fixed security interests instead take effect as floating charges. Whether the fixed security interests will be upheld will depend, among other things, on whether the Security Trustee has the requisite degree of control over the relevant assets and exercises that control in practice. If the fixed security interests are recharacterised as floating security interests, certain claims, including certain employee claims in respect of contributions to pension schemes and wages and the costs and expenses of an administration and/or a liquidation, may have priority over the rights of the Security Trustee to the proceeds of enforcement. In addition, the rights of an examiner of any Irish member of the Security Group to deal with any property subject to such floating charges would be broader.

In particular it is to be noted that, the English Law Security Agreement, the Irish Law Security Agreement and the ERFL2 Irish Law Security Agreement purport to create fixed security interests over certain assets of the Security Group, such as certain book debts and certain bank accounts, in respect of which the Security Group will retain effective control prior to the delivery of an Enforcement Notice by the Security Trustee. This is likely to lead to such security interests being characterised as floating security interests.

Consents required for security over certain contracts

The Security Group's Section 54 Undertakings and a small number of the Security Group's leases and material supply contracts contain provisions (typical for such contracts) which require the consent of the lessee or supplier to the creation or enforcement of security over those contracts. Such consents have been obtained (or an

agreement to give such consent has been obtained) for the majority of the Security Group's existing leases and material supply contracts, but if such consents are not obtained with respect to any leases and material supply contracts those leases and material supply contracts will fall outside the security granted for the Senior Debt until such consents are obtained. If the DfT does not give consent, the Section 54 Undertakings will fall outside the security granted for the Senior Debt. There is no requirement for the Security Group to obtain consents in relation to other contracts, IP rights and IT agreements.

Mortgagee in possession liability

Should the Security Trustee take enforcement proceedings under the Security Documents and if there is a physical entry into possession of any rolling stock or an act of control or influence that may amount to possession, such as receiving lease rentals directly from a relevant TOCs, the Security Trustee may be deemed to be a mortgagee in possession. A mortgagee in possession may incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), can incur the liabilities of a property owner. The Security Trustee has the absolute discretion at any time to refrain from taking any action under the Finance Documents, including becoming a mortgagee in possession in respect of any rolling stock, unless it is satisfied at the time that it is adequately indemnified, secured and/or prefunded to its satisfaction as provided under the STID.

Preferred Creditors under Irish Law

Under Irish law, upon the winding up in Ireland of an Irish tax resident company (such as any Irish member of the Security Group), when applying the proceeds that may have been realised in the course of a liquidation or receivership of assets subject to security such as the security granted by the Security Documents, the claims of a limited category of preferential creditors will take priority in such application of proceeds over the claims of creditors holding the security in such assets. These preferred claims include the remuneration, costs and expenses properly incurred by an examiner of the company (which may include any borrowings made by an examiner to fund the company's requirements for the duration of his appointment) which had been approved by the Irish courts. See "Insolvency Considerations - Examinership In Ireland".

The Irish Revenue Commissioners may attach any debt due to an Irish tax resident company by another person in order to discharge any liabilities of the company in respect of outstanding tax, whether such liabilities are due on its own account or as an agent or trustee. The Irish courts have not yet considered the scope of this right of the Irish Revenue Commissioners and the right may override the right of holders of security over the debt in question. In relation to the disposal of assets of any Irish tax resident company which are subject to security, a person entitled to the benefit of the security may be liable for tax in relation to any capital gains made by the company on a disposal of those assets on exercise of the security.

Under Section 285 of the Irish Companies Act of 1963 as amended (the “**1963 Act**”), in a winding-up of an Irish company, preferential debts are required to be paid in priority to all other debts other than those secured by a fixed security interest. Preferential debts therefore have priority over unsecured debts and debts secured by a

floating charge. If the assets of the relevant Irish Obligor available for payment of general creditors are insufficient to pay the preferential debts, the preferential debts are required to be paid out of the assets that are not subject to a fixed security interest.

The preferential debts will comprise, among other things, any amounts owed in respect of certain local rates and certain amounts owed to the Irish Revenue Commissioners for income/corporation/capital gains tax, VAT, PAYE, social security and pension scheme contributions and remuneration, salary and wages of employees. In addition, the expenses of liquidation and examinership (should either occur) of the Irish company are required to be paid ahead of the preferential creditors prescribed by Section 285 of the 1963 Act.

If the security granted under the Security Documents by the Irish Obligors were characterised as a floating charge, then in a winding-up of the relevant Irish Obligor, the liquidator may be required to pay amounts due to preferential creditors in advance of paying any amounts due to the Secured Creditors.

Risks in relation to enforcement of Scottish security

Fixed Security

It should be noted that the fixed charges and assignments created in favour of the Security Trustee under the English Law Security Agreement will not be effective in respect of the Chargors' present and future assets located in Scotland or governed by Scots law (the "**Scottish Charged Property**"). The law of Scotland in relation to the creation of fixed securities differs substantially to the law of England and the fixed charge customarily created over such assets in England (such as contained in the English Law Security Agreement) is ineffective in Scots law.

In practice, it will nearly always be impossible to create effective fixed charges under Scots law over corporeal moveables such as fleets of rolling stock (to the extent these are located in Scotland) due to the requirement for some sort of delivery (be it actual, symbolic or constructive) to the security holder. As such, the rolling stock located in Scotland is not in this case subject to a fixed charge.

Floating Security

The floating charge created under the English Law Security Agreement will, however, extend to and be valid and effective against the Scottish Charged Property subject to the rights of creditors holding other valid fixed securities over the Scottish Charged Property, the rights of any creditors who have effectually executed diligence against the Scottish Charged Property, and the claims of preferential creditors under Schedule 6, and ordinary creditors in respect of the prescribed part of the Company's net property under Section 176A, of the Insolvency Act.

The floating charge created under the English Law Security Agreement will attach to the Scottish Charged Property only on the appointment of a receiver or administrative receiver under such floating charge in accordance with English law or on the liquidation of the relevant Chargor: Scottish law will not recognise the attachment of the floating charge (or its conversion into a fixed charge or charges) in respect of the

Scottish Charged Property by notice or upon the occurrence of some specified event (other than liquidation).

Pursuant to Section 72 of the Insolvency Act, a receiver appointed in accordance with English law under the floating charge created under the English Law Security Agreement can exercise his/her powers in relation to the Scottish Charged Property so far as not inconsistent with Scottish law.

The Security Trustee must comply with certain obligations during an enforcement process

The Security Group's ability to grant security over its leases and rolling stock is affected by certain DfT requirements that are aimed at ensuring continuity of passenger rail services. In some cases this requires the relevant Obligor to procure that the Security Trustee undertakes to the lessee to ensure such ROSCO's obligations under the lease are performed at any time after the Security Trustee enforces any rights in respect of the rolling stock or under the lease. The undertaking is designed to ensure that the ROSCO's obligations to the lessees are discharged. The Security Trustee could either procure that a receiver or other relevant person discharges these obligations or procure that a third party to whom it transfers the benefit of the ROSCO's rights under the lease discharges these obligations.

Where a lease is subject to a Direct Agreement, the DfT requires that the lease must include:

- A requirement that any assignee, transferee or financier to whom the ROSCO has provided security over the rolling stock that is the subject of the lease or the lease itself will have no right to interfere with the quiet possession, use and enjoyment of the rolling stock by the lessee, provided no breach, default or agreed termination event is subsisting; and
- In some cases, a requirement that from the date on which any assignee, transferee or financier takes any steps to enforce any of its rights under any security, such assignee, transferee or financier will continue to perform the ROSCO's obligations to the lessee under the lease in respect of the leasing of the rolling stock and any related maintenance or supply agreement, unless the lessee has the right to terminate the lease and exercises this right or ceases to perform its obligations under the lease.

The potential assumption of such obligations as a result of enforcement of security over the leases could affect the ability of the Senior Creditors and/or the Security Trustee to enforce security. The Security Trustee is not obliged to comply with any instruction to enforce such Security if it would or might result in the Security Trustee assuming or incurring such obligations, unless arrangements have been put in place to enable it to transfer its obligations to a third party such that the Security Trustee is released from such obligations and it has been indemnified, secured or pre-funded to its satisfaction.

Moreover, ROSCOs may not create or permit to exist security on or over the rolling stock or under the lease without either the prior written consent of the DfT, or the Security Trustee entering into a deed of accession in relation to the Direct Agreement.

Pursuant to such deed of accession, the Security Trustee would agree to comply with each ROSCO's obligations under the Direct Agreement (and use its best endeavours to procure, insofar as it does not conflict with any legal duties of any manager, administrative receiver or receiver, that these obligations are performed by such person). The Security Trustee could therefore require a receiver to perform the obligations under the Direct Agreement.

If as part of the enforcement of the security, the Security Trustee or receiver transfers the rolling stock and/or rights under the lease to a third party, and such a transfer involves an arm's-length sale on commercial terms of the rolling stock for use outside the UK, and such rolling stock is exported for such use, the deed of accession would cease to apply and the Direct Agreement would be terminated. In any other case, the Security Trustee or receiver would only be permitted to transfer the rolling stock and/or rights under the Direct Agreement either with the prior written consent of the DfT or if the third party transferee enters into a deed of accession in relation to the Direct Agreement.

Upon accession of the third party transferee, the Security Trustee or receiver would be released from its obligations in respect of the Direct Agreement and the third party transferee would assume the obligations of the Security Trustee/receiver under the Direct Agreement.

RANKING OF CLAIMS

General

Although the Security Trustee will hold the benefit of the Security on trust for the Secured Creditors (including the Bondholders) such security interests will also be held on trust for certain other Secured Creditors which may rank ahead of the Bondholders. Such persons include, among others, the Bond Trustee (in its individual capacity), the Security Trustee (in its individual capacity), the Registrar, the Transfer Agents, the Paying Agents and the Account Bank in respect of certain amounts owed to them. To the extent that significant amounts are owing to any such persons, the amounts available to Bondholders will be reduced.

In addition, it should be noted that unsecured creditors of the Obligor, such as trade creditors and suppliers, while subordinate to Secured Creditors, will not become parties to the Common Terms Agreement or the STID and will have rights of action in respect of their debts which are independent from those of the Secured Creditors. Although the aggregate amount of unsecured debt that the Security Group can incur will be restricted under the Common Terms Agreement, any unsecured creditor will be able to petition for a winding-up or administration of any Obligor who is liable for such debts if any such Obligor fails to make payments when they fall due. Any such action may result in the occurrence of an Insolvency Event which constitutes an Event of Default and may lead to delivery of a Enforcement Notice. To the extent that the Obligor has insufficient sums to meet all obligations in full, this could adversely affect the Issuer's ability to make payments of interest and principal under the Bonds.

Certain of the assets that secure the Bonds are subject to floating charges governed by English law. As a matter of law, certain third party claims against the companies that have granted the floating charges would have priority over the claims secured by the

floating charges. In particular, the expenses of any winding up, liquidation or administration and certain claims of employees as preferred creditors would rank ahead of the claims secured by the floating charges. In addition, any administrative receiver, administrator or liquidator appointed in respect of a company that has granted a floating charge would be required to set aside a prescribed percentage of the moneys realised upon enforcement of that floating charge up to a maximum amount of £600,000 for application in or towards the claims of the company's unsecured creditors.

Funding to Funded Non-Obligors and other amounts payable notwithstanding Trigger Event lock-up

The Finance Documents permit members of the Security Group to make loans to and to receive loans from Funded Non-Obligors (i.e. members of ERG which are not Obligors), provided that the aggregate net amount of repayments and advances made by the Security Group to all Funded Non-Obligors does not exceed £15,000,000 per annum (RPI indexed) (for the purposes of the definition of Permitted Inter-Company Loan referenced in the Common Terms Agreement). Payments of such net amounts to Funded Non-Obligors up to the applicable maximum amounts and certain other amounts which are carved out of the definition of Restricted Payments, such as payments on the PPS Shares, payments on the 2021 Debt and certain payments in relation to tax and will be permitted to be made by Obligors even whilst a Trigger Event is continuing (and therefore will not be subject to the mandatory lock-up of Excess Cashflow or the restriction on the making of Restricted Payments that applies following the occurrence of a Trigger Event). For further details see "*Summary of the Financing Agreements-Common Terms Agreement*".

OTHER LEGAL RISKS

Change of law

It is possible that changes in law or regulations, or their interpretation or application (including in relation to European Union law and regulations, English law or Irish law), after the date of the Prospectus may result in the transaction as originally structured no longer having the effect anticipated (see, for example, "*Business and Regulatory Risk*" above).

Limited Recourse against KPMG LLP and KPMG (Ireland)

Each of the audit reports of KPMG LLP or, as the case may be, KPMG (Ireland) in relation to the Financial Statements of Issuer and the Obligors contained in this Prospectus, purports to limit the scope of KPMG LLP's duty of care in relation to such reports and the financial information to which it relates. If a court were to give effect to this limiting language, the recourse that investors in the Bonds may have against KPMG LLP or, as the case may be, KPMG (Ireland) based on their report could be limited.

ISSUER AND BOND CONSIDERATIONS

Market value of the Bonds may fluctuate

The market value of the Bonds may fluctuate for a number of reasons including due to prevailing market conditions, current interest rates and the perceived creditworthiness of the Issuer and the Security Group. Any perceived threat of insolvency or other financial difficulties of the Security Group or a less favourable outlook of the rail industry in the UK could result in a downgrade of ratings and/or a decline in market value of the Bonds.

Conflict of interest

The Bond Trust Deed requires the Bond Trustee to have regard to the interests of all the Bondholders equally as regards all powers, trusts, authorities, duties and discretions of the Bond Trustee as if they formed a single class (except where expressly required otherwise). However, the Bond Trust Deed also requires that, in the event of a conflict of interest between the holders of two or more Tranches of Bonds, it shall have regard to the interests of the holders of the Tranche of Bonds then outstanding with the greatest Principal Amount Outstanding.

Limited liquidity of the Bonds; Absence of secondary market for the Bonds

There can be no assurance that a secondary market for the Bonds will develop, or, if a secondary market does develop for any of the Bonds issued after the date of this Prospectus, that it will provide any holder of Bonds 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.

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 Obligor.

Rating of the Bonds

One or more independent credit rating agencies may assign credit ratings to the Issuer, the Guarantor or the Bonds. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Bonds. A rating is not a recommendation to buy, sell or hold securities and will depend, among other things, on certain underlying characteristics of the Security Group and financial condition of the Obligor from time to time. A credit rating 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 by Regulation (EU) No 513/2011 and Regulation (EU) No 462/2013, collectively 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 whilst 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 the European Securities and Markets Authority (“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. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

The ratings assigned by the Rating Agencies to the Bonds reflect only the views of the Rating Agencies and in assigning the ratings the Rating Agencies take into consideration the credit quality of the Obligors and structural features and other aspects of the transaction. 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 or if, in the Rating Agencies' judgement, circumstances so warrant. If any rating assigned to the Bonds is lowered or withdrawn, the market value of the Bonds may be reduced. Future events, including events affecting the Obligors and/or circumstances relating to the rail industry generally, could have an adverse impact on the ratings of the Bonds.

Certain risks related to index-linked Bonds

The Issuer may issue Bonds with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities or other factors (each, a “**Relevant Factor**”). In addition, the Issuer may issue Bonds with principal or interest payable in a currency which may be different from the currency in which the Bonds are denominated. Potential investors should be aware that:

- the market price of such Bonds may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- they may lose all or a substantial portion of their principal;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates or other indices;
- if a Relevant Factor is applied to Bonds in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and

- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical performance of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Bonds. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Bonds and the suitability of such Bonds in light of its particular circumstances.

Certain risks related to variable rate Bonds with a multiplier or other leverage factor

Bonds with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Certain risks related to Fixed/Floating Rate Bonds

Fixed/Floating Rate Bonds may bear interest at a rate that converts from a fixed rate to a floating rate or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Bonds since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Bonds may be less favourable than then prevailing spreads on comparable Floating Rate Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Bonds. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Bonds.

Certain risk related to Bonds issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest bearing securities with comparable maturities.

Certain risks related to Fixed Rate Bonds

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

Changes to the risk weighted asset framework

Bondholders should consult their own advisers as to the consequences to and effect on them of the application of the EU Capital Requirements Directive (Directive numbers 2006/48/EC and 2006/49/EEU, as amended ("**CRD**")), as implemented by their own

regulator, to their holding of any Tranche of Bonds. The Issuer is not responsible for informing Bondholders of the effects of the changes to risk-weighting which will result for investors from the adoption of CRD by their own regulator.

Denominations and trading

The Bonds will be in bearer form ("**Bearer Bonds**") or in registered form ("**Registered Bonds**") as specified in the applicable Final Terms and serially numbered in the Specified Denomination(s) provided that in the case of any Bonds which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be EUR100,000 or not less than the equivalent of EUR100,000 in any other currency as at the date of issue of the relevant Bonds.

Bonds may be issued in the minimum Specified Denomination and higher integral multiples of a smaller amount if specified in the applicable Final Terms. However, if Definitive Bonds for such a Tranche of Bonds are required to be issued and printed, any Bondholders will not be entitled to receive a Definitive Bond in respect of amounts which are smaller than the Specified Denomination and would need to purchase a principal amount of Bonds such that its holding amounts to a Specified Denomination.

Book-entry form of Bonds

The Bonds will initially only be issued in global form and deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Interests in the Global Bonds and Global Bond Certificates will trade in book-entry form only. The common depositary, or its nominee, for Euroclear and Clearstream, Luxembourg will be the sole holder of the Global Bonds and Global Bond Certificates 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.

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 Bonds are legal investments for it, Bonds can be used as security for indebtedness and other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Bonds

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in a raft of measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in securitisation exposures and/or the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities. Investors in the Bonds are responsible for analysing their own regulatory position and none of the Issuer, the Guarantors, the Arrangers, the Dealers, the Security Trustee, any Hedge Counterparty, any Authorised Credit Provider, any Agent, the Account Bank or the Bonds Trustee makes any representation to any prospective investor or purchaser of the Bonds regarding the regulatory capital treatment of their investment on the date of this Prospectus or at any time in the future.

In particular, investors should be aware of: (i) Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) 648/2012 (the "**CRR**"); or (ii) Directive 2006/48/EC, as the same is referenced in Directive 2011/61/EU on Alternative Investment Fund Managers and Amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (the "**AIFMD**") and the application of (iii) Articles 404 to 410 of the CRR, together with the final regulatory technical standards and implementing technical standards to the CRR published by the European Banking Authority pursuant to Articles 410(2) and 410(3) of the CRR and any other applicable guidance, technical standards or related documents published by the European Banking Authority (including any successor or replacement agency or authority) and any delegated regulations of the European Commission (and in each case including any amendment or successor thereto) (together, the "**CRR Retention Requirements**") and (iv) Article 17 of the AIFMD, as implemented by Section 5 of the European Union Commission Delegated Regulation (EU) No. 231/2013 of 19 December, 2012 supplementing the AIFMD, including any guidance published in relation thereto and any implementing laws or regulations in force in any Member State of the European Union (together, the "**AIFMD Retention Requirements**" and, together with the CRR Retention Requirements, the "**Risk Retention Requirements**")), which currently apply in respect of various types of EU regulated investors including credit institutions, authorised alternative investment fund managers, investment firms, insurance and reinsurance undertakings and UCITS funds. Amongst other things, such requirements restrict a relevant investor from investing in asset-backed securities unless (i) that investor is able to demonstrate that it has undertaken certain due diligence in respect of various matters including its bond position, the underlying assets and (in the case of certain types of investors) the relevant sponsor or originator and (ii) the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the investor that it will retain, on an on-going basis, a net economic interest of not less than 5 per cent. in respect of certain specified credit risk tranches or asset exposures. Failure to comply with one or more of the Risk Retention Requirements may result in penalties for relevant investors and/or have a negative impact on the price and liquidity of the Bonds in the secondary market.

The Issuer is of the opinion that the Bonds do not constitute an exposure to a "securitisation" for the purposes of the CRR or the AIFMD and, as such, the Risk Retention Requirements should not apply to investments in the Bonds. Therefore, neither the Issuer nor any other Obligor has committed to retain a material net economic interest in relation to the issuance of any Bonds.

None of the Obligors, the Arrangers, the Dealers or the Bond Trustee is responsible for informing Bondholders of the effects of the changes to risk weighting which may result for investors from the adoption, implementation and/or interpretation of the Risk Retention Requirements by their own regulator. Bondholders are responsible for analysing their own regulatory position. Potential investors should consult their regulator should they require guidance in relation to the regulatory capital treatment that their regulator would apply to an investment in the Bonds.

The Bonds are subject to exchange rate risks and exchange controls risks.

The Issuer will pay principal and interest on the Bonds in the Specified Currency. 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 the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency 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. The Issuer has no control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for applicable currencies. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease the Investor's Currency-equivalent yield on the Bonds, the Investor's Currency-equivalent value of the principal payable on the Bonds and 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.

INDUSTRY OVERVIEW

The information contained in this section of the Prospectus incorporates all of the trains utilised within ERG's business including the 40 trains of the Class 365 fleet. This fleet is not owned by ERG, but is owned by The Royal Bank of Scotland plc and is leased to 365Co. 365Co, whilst a wholly owned subsidiary of Rail HoldCo, is not a member of the Security Group and therefore security will not be granted over the Class 365 fleet. The information in this section would, however, not be materially different were the Class 365 fleet to be excluded from this section.

UK Rail Industry Structure

Until the mid-1990s, British Rail, a UK government entity, owned all rail operations in the UK, with the exception of those in Northern Ireland, the London Underground and some metropolitan services in other major cities. British Rail was privatised in the mid-1990s and the rail industry was separated into three distinct sectors: rolling stock, operating companies and infrastructure (e.g. track).

Control over the rail infrastructure passed initially to a regulated, privately-owned entity called Railtrack Plc, which subsequently was passed into the hands of a company limited by guarantee and subsequently renamed Network Rail.

Freight operations were sold to two private sector freight operating companies ("**FOCs**"). Passenger railway services in the UK are operated by Train Operating Companies ("**TOCs**"), in most cases on the basis of franchises which are granted by the Department for Transport (the "**DfT**") through a competitive tender process.

British Rail's rolling stock was sold either directly to operators (freight) or to the three rolling stock owning companies ("**ROSCOs**"), which in turn leased it to TOCs.

At the time of privatisation the passenger rolling stock was allocated to the three ROSCOs in a way which sought to ensure that each ROSCO had a reasonably diversified portfolio of fleets and, where practical, that comparable fleets were allocated to different ROSCOs.

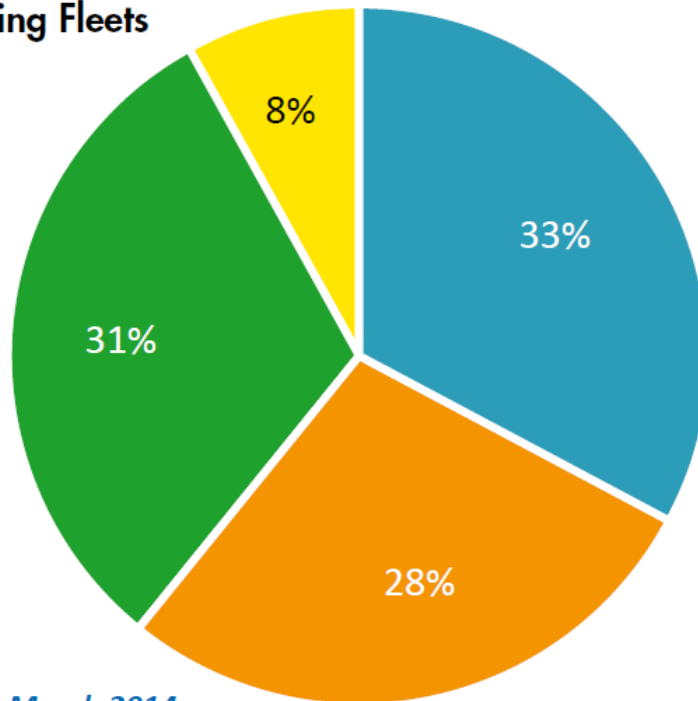
The three ROSCOs: ERG, Angel Trains Limited ("**Angel**") and Porterbrook Leasing Company Limited ("**Porterbrook**"), were subsequently sold into the private sector.

Whilst the original ROSCOs still own the majority of the passenger rolling stock used in the UK, recent years have seen new "ROSCOs" enter the market. Voyager Leasing Limited ("**Voyager**"), was established to lease a new fleet of "Voyager" trains, but has not otherwise undertaken any further leasing activities. QW Rail Leasing and Macquarie Leasing are active in the passenger rolling stock market. Beacon Rail is active in the freight rolling stock market and owns a small fleet of suburban rolling stock.

The three original ROSCOs still have approximately equal shares of the passenger rolling stock with the new entrants sharing only 8 per cent between them, details below:

Ownership of Existing Fleets

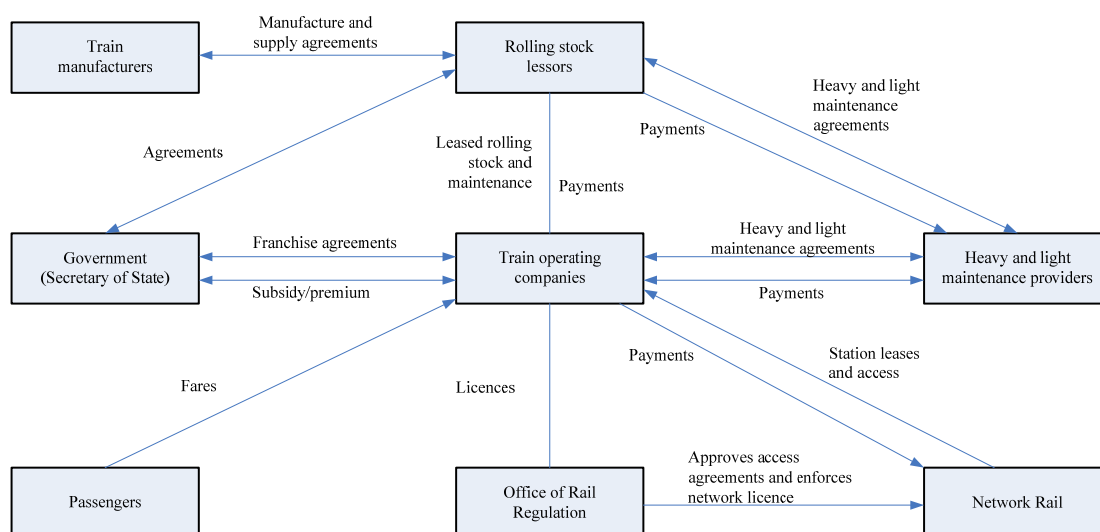
- Angel
- Eversholt
- Porterbrook
- Other



as at the end of CP4 in March 2014

Source: RSS report, February 2014

Overview of the UK Passenger Railway Industry



Source: Competition Commission Working Paper on Industry Background, published 21 December 2007.

Train Operating Companies (TOCs)

Passenger rail services in the UK are run by TOCs. The majority of TOCs operate services under a franchise agreement issued by the DfT, with the exceptions being open access operators (which are TOCs which are not subject to franchising agreements such as First Hull Trains, Grand Central, Eurostar and Heathrow Express) and operations in Northern Ireland. Transport Scotland and Scottish Ministers have responsibility for the award of future Scottish Rail franchises, with the DfT being the franchising authority for the remainder of the UK (excluding Northern Ireland).

A franchise agreement is one under which a passenger operator undertakes to the Secretary of State to provide particular passenger railway services during the term of the franchise agreement. The train operator will also require a train operating licence from the Office of Rail Regulation and access agreements from Network Rail enabling it to run the services to which the franchise agreement relates.

Since 1997 most of the franchises have been re-let, sometimes following a redrawing of the franchise boundaries or a redefining of the service requirements. These changes have resulted in 17 franchised TOCs and 3 open access operators currently operating in the UK (plus Translink in Northern Ireland).

The East Coast Main Line services are currently operated by East Coast Main Line Company Limited which is owned by Directly Operated Railways (a subsidiary of the DfT), which is operating passenger services under the Secretary of State's obligations under Section 30 of the Railways Act 1993 ("**Section 30**") (see "*The DfT and the Secretary of State for Transport*" for further details on Section 30). A list of operators of franchised rail services as of 30 September 2014 is set out in the table below (* denotes ERG customers):

Owning Group	TOC	Franchise	Franchise End date (without discretionary extensions)
Abellio	Abellio Greater Anglia*	East Anglia	October 2016
National Express Group	c2c	Essex Thameside	September 2029
Virgin Group and Stagecoach Group	Virgin Trains	Inter-City West Coast	April 2017
Serco and Abellio	Northern Rail*	Northern	February 2016
First Group	First ScotRail*	ScotRail	March 2015
	First Great Western	Greater Western	March 2019
First Group and Keolis	First Trans-Pennine Express*	Trans-Pennine	February 2016
Stagecoach Group	East Midlands Trains*	East Midlands	October 2015
	Stagecoach South West Trains	South Western	February 2017
Govia	Southeastern*	South Eastern	June 2018
	London & Birmingham*	West Midlands	April 2016
	Southern*	Southern	July 2015
	Govia Thameslink Railway*	Thameslink/Great Northern	September 2021
Deutsche (Arriva)	Bahn Chiltern Railways*	Chiltern	December 2021
	XC Trains	Cross Country	October 2016
	Arriva Trains Wales	Wales & Borders	October 2018
DfT	East Coast Main Line Company*	Inter-City East Coast	March 2015

Source: DfT Rail Executive rail franchise schedule published October 2014 and subsequent DfT announcements.

The short-term nature of the franchising structure encourages TOCs to lease rolling stock rather than own it because the economic life of rolling stock (usually 30-40 years) is longer than the duration of franchises (usually 7-10 years). In addition, leasing rolling stock enables franchise operators to commence and maintain operations without having to incur major capital expenditures on new or refurbished vehicles.

The DfT and the Secretary of State for Transport

The DfT and the Secretary of State formulate the UK Government's rail policy and have a number of other key responsibilities in relation to the railways; including determining the extent of UK Government subsidies and awarding passenger rail franchises.

The relevant franchising authority (being the Scottish Ministers for Scottish franchises and the Secretary of State for Transport acting through the DfT in the case of all other franchises) has a statutory duty under Section 30 to ensure the continuity of rail passenger services. Section 30 states that the relevant franchising authority has a duty to "secure the provision of, services until such time as they again begin to be provided under a franchise agreement" where a franchise agreement is terminated or otherwise comes to an end but no further franchise agreement has been entered into in respect of the services provided under such terminated or expired franchise agreement. The franchising authority can fulfil its Section 30 obligations either by finding a new franchisee or by becoming the "operator of last resort". This obligation does not, however, require the relevant franchising authority to provide or secure services if, in its opinion, adequate alternative passenger services are available.

In order to assist in its Section 30 obligations, the relevant franchising authority will also enter into agreements with ROSCOs in case a franchisee defaults. The franchising authorities have entered into direct agreements with the ROSCOs which give it various step-in options in the case of franchisee default or termination of the franchise agreement by the franchising authority. These agreements give the UK Government the option, but not an obligation, to require the ROSCOs to lease the same rolling stock to a successor TOC on substantially the same terms as existed with the incumbent TOC before it defaulted.

The franchising authority has the powers under Section 54 of the Railways Act 1993 ("**Section 54 Undertakings**") to "enter into agreements" for "the purpose of encouraging railway investment". These agreements have traditionally sought to mitigate the risk of the rolling stock not being re-leased at the scheduled termination of a franchise. A Section 54 Undertaking ensures that vehicles are re-leased from the end of a lease period through to the expiration of the Section 54 Undertaking on substantially the same terms as the initial lease. Generally, Section 54 Undertakings only apply at the expiration of a franchise and not in the event of a TOC's default or the early termination of a franchise. Section 54 Undertakings ensure that rolling stock will continue to be leased, but not necessarily on the same franchise. To-date where rolling stock has been the subject of a Section 54 Undertaking or transferred following a failure of a TOC the rolling stock has been retained *in situ* undertaking similar services.

As of 30 September 2014, 13 per cent. of the Security Group's capital rentals as at that date will be subject to Section 54 Undertakings.

The Office of Rail Regulation

The Office of Rail Regulation ("**ORR**") is an independent statutory body that is responsible for regulating the UK railway industry. No specific regulations apply to the ROSCOs and the Government has continued to support self-regulation of the rolling stock leasing market. Accordingly the ORR has little direct effect on the ROSCOs, however, it does have influence over the environment in which the ROSCOs operate.

The ORR is responsible for issuing operator licences to TOCs and freight operators and also approves terms for access by operators to the UK's rail network. Since April 2006, the ORR also has acted as the health and safety regulator for the rail industry. In exercising its functions, the ORR is under a duty to protect the interests of rail users and promote efficiency and enforcing competition in railway services.

Network Rail

Network Rail owns and has operational responsibility for substantially all track and associated railway infrastructure in the UK (Northern Ireland and London Underground excepted). It also owns all stations in the UK (except Northern Ireland and London Underground), operating 18 of them directly and leasing the remainder to TOCs. The majority of Network Rail's revenues are generated from the DfT (through direct grant), track access charges and operation of railway stations. Network Rail is a "not for dividend" company limited by guarantee, reinvesting surpluses into the network.

Franchise process for TOCs

The process for the grant of a passenger rail franchise is governed by the DfT, who specifies the minimum service requirement and runs the tender process. The tenders have on occasions been able to propose additional services over and above the minimum service requirement. The DfT then evaluates all tenders including the value for money of any additional services. The Government's (and therefore the DfT's) view of additional services is influenced by the economics of the services and their impact on the wider economy. Once the tenders have been evaluated and contracts agreed the franchise is awarded. The DfT then undertakes a role of oversight of the subsequent performance. The franchise agreements specify the services that are to be run (minimum service and any agreed additional services), the quality of those services and other service conditions (punctuality, cleanliness of trains, station facilities and hours, etc) that have to be met by the operators.

The franchise agreements also provide for the financial framework applying to the franchise, for example whether subsidies are provided by the Government or if premium payments are to be made by the TOC. There are also financial covenants which the TOC is required to meet. All of these provisions are independently negotiated and depend on the commercial attractiveness of the franchise and its potential for income generation.

Current franchise terms have been granted for between 7-10 years (with a small number of notable exceptions). Some franchise agreements have included provisions to enable the franchise to be extendable for one to three years upon satisfaction of pre-agreed performance criteria or some to be terminated early where performance tests are not met.

The Brown Review of franchising undertaken in the wake of the DfT's failed Intercity West Coast (ICWC) refranchising competition in 2012 concluded that a core franchise term of between 7 and 10 years should remain the future norm. Ongoing DfT refranchising competitions, including Intercity East Coast, Transpennine Express and Northern reflect this. The recently-announced Thameslink, Southern and Great Northern (TSGN) franchise won by Govia is for a 7-year term, while the largely-self-contained Essex Thameside franchise retained by National Express (the competition for which, like TSGN, was re-started after the Brown Review) will run for 15 years – the only legacy of the 2010 Government's earlier rail policy.

To allow the DfT to implement the desired 2-year refranchising cycle recommended by the Brown Review and to move to a steady state programme of 3-4 franchise competitions each year, a series of short to medium term Direct Award ("DA") extensions has been agreed with incumbent TOCs. The DfT's published refranchising schedule shows that the majority of DAs will be negotiated by early 2017.

Recent franchise agreements contain a revenue sharing and support mechanism and this is expected to continue as new franchises are let. If revenues are lower than projected, the DfT will provide additional subsidies. However, if revenues exceed a certain threshold, the DfT is entitled to a share of the upside. While upside sharing generally applies from commencement of the franchise, the revenue support has historically only applied as of year four of most franchises, which has left some volume/revenue exposure for the TOCs.

A franchise agreement also provides the franchisee with certain protections against changes in circumstances which it cannot control nor respond to by altering its service obligations. These include changes to the pricing of track access as a result of regulatory reviews implemented after the start of the franchise. A franchisee may be entitled to a matching adjustment to the level of the payments which it makes (or receives) under the franchise to (or from) the Secretary of State.

Towards the end of a franchise term, the DfT will re-tender the franchise. Bidders will negotiate to lease rolling stock from the ROSCOs. Usually negotiations with the ROSCOs will be substantially finalised before bids are submitted to the DfT, but the winning franchise bidder usually has three months before franchise commencement to finalise the lease agreements.

Following various independent reviews, most recently the Laidlaw and Brown Reviews, DfT and Government have reviewed and revised the franchising policy. The Brown Review reaffirmed the need for the DfT to be less prescriptive in specifying its franchise requirements and also recommended that an increased weighting should be applied to passenger-facing aspects of the franchise bids. The DfT has taken steps to reflect these recommendations and is now implementing a standardised franchising process in which the respective weightings of price and quality for each franchise are clearly defined. The minimum service requirement and

the financial covenants which are currently incorporated in franchises will be retained to afford the public protection.

Competition Commission review

Between April 2007 and April 2009, the Competition Commission ("**CC**") conducted an inquiry into the market for the leasing of rolling stock for franchised passenger services (the rolling stock leasing market) and the supply of related maintenance services in Great Britain. In its final report, published on 7 April 2009, the CC concluded that competition in the market for the leasing of rolling stock was restricted by a number of factors which, either alone or in combination with each other, prevent, restrict or distort competition and result in the rolling stock leasing market not operating as competitively as it could or should do.

The CC found that, although the ROSCOs had not acted anti-competitively (in that they had not acted in breach of competition law), those factors prevented the market from performing competitively and this lack of competition had a detrimental effect on TOCs.

The CC consulted on a range of possible actions and identified various remedies to address the competitive problems it had identified in its report. In particular, the CC made a number of recommendations to the DfT and Transport Scotland and, in particular, suggested they consider longer franchise terms and adopt looser specifications in invitations to tender for new franchises so as to allow the TOCs to consider alternative used and new stock. The CC also imposed requirements on the ROSCOs to amend their Code of Practice in order to remove the "non-discrimination" undertakings (which prevented ROSCOs from discriminating between TOCs on the terms of the leases), thereby creating an incentive for TOCs to exercise choice and negotiate with the ROSCOs. The CC also used its powers under Sections 161, 164 and Schedule 8 of the Enterprise Act 2002 and, on 22 December 2009, enacted an Order (*The Rolling Stock Leasing Market Investigation Order 2009*) requiring the ROSCOs to provide the TOCs with a set list of information when making an offer to lease incumbent or alternative used rolling stock to operate franchised passenger services. This is intended to enhance the TOCs ability to negotiate more effectively with ROSCOs.

The Order confers various powers of investigation on the Office of Rail Regulation ("**ORR**") to allow it to monitor the ROSCOs compliance with the terms of the Order. The Order requires all ROSCOs including ERG companies to submit a Compliance Statement in a prescribed form annually to the ORR; they may also be required to perform an audit of compliance with the terms of the Order.

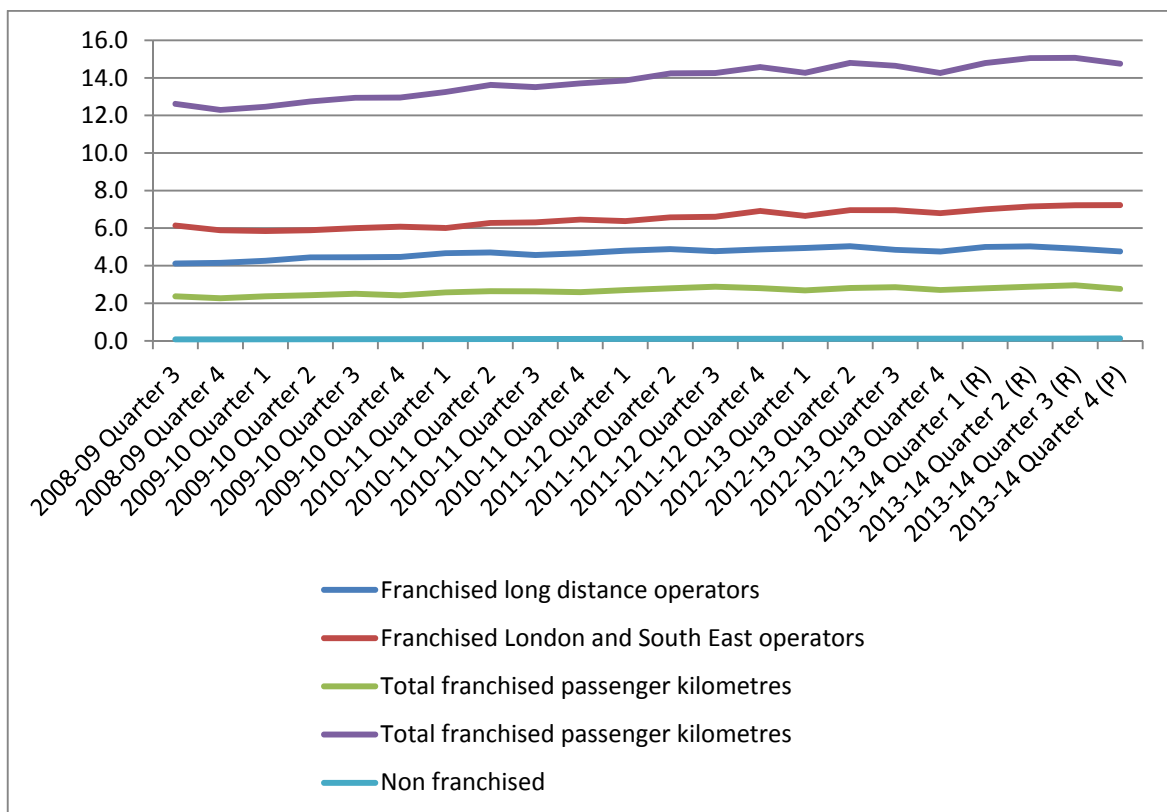
ERG has taken steps to ensure it complies with the Order, including:

- instruction of external legal counsel to advise on and assist with the implementation of the Order;
- production of an internal "Competition Commission Order Compliance Manual and Procedures" (discussed with the ORR) which explains the scope of the Order, the procedures put in place to ensure compliance and the consequences of non-compliance;

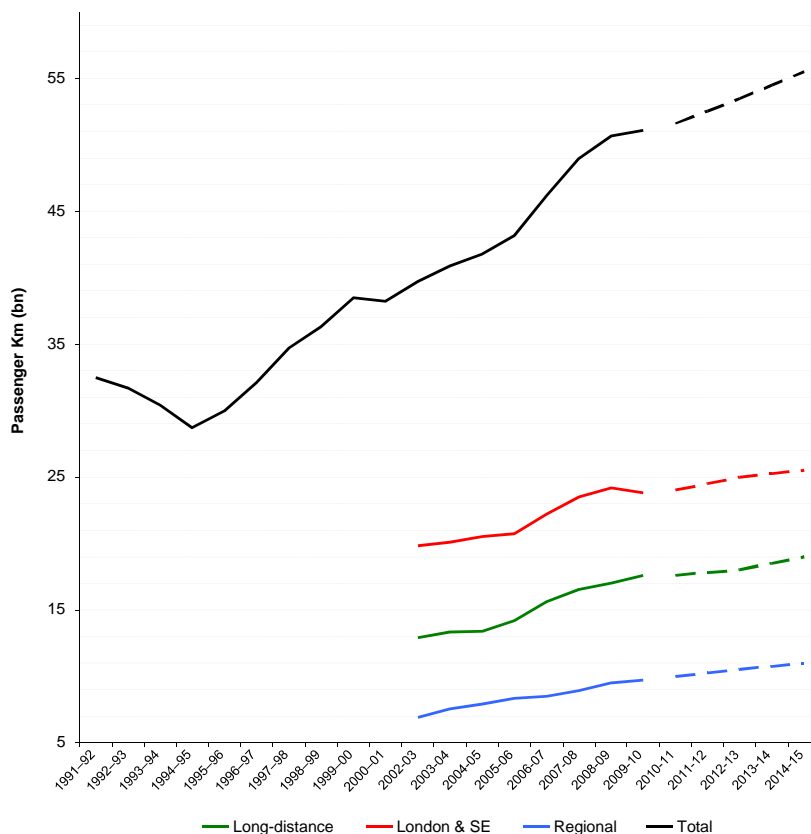
- training of staff (including senior managers and Directors) who have direct and frequent interaction with TOCs and "dry runs";
- production of template documents in line with the requirements of the Order, to be used when making an offer to lease rolling stock to a TOC; and
- development of an IT system designed efficiently to log indicative offers.

UK Passenger Rail Market Growth

The ORR's National Rail Trends report shows that demand for passenger rail travel, in all sectors, has continued to grow since privatisation. Total passenger kilometres ("pkms") travelled during the year to 31 March 2014 (2013/14) was 60.2bn, an increase of 3.08 per cent from 2012/13. The graph below shows passenger kilometres travelled on a quarterly basis since 2008.



Source: Office of Rail Regulation 2013-14 data



Sources:

1991-2005: Actuals from Office of Rail Regulation - Rolling National Rail Trends 2004-2005.

2005-2010: Actuals from Office of Rail Regulation, Rolling National Rail Trends 2010-2011.

2011-2015: Forecasts extrapolated from DfT White Paper 'Delivering a Sustainable Railway', July 2007

UK Passenger Market Impact on Rolling Stock

During 2012 an industry Rolling Stock Strategy Steering Group (RSSSG) that includes major TOC owning Groups and the three principal ROSCOs commissioned the production of a high-level passenger rolling stock strategy to predict future demand over a 30-year timeframe, taking into account a range of demand growth and future electrification scenarios. The initial Rolling Stock Strategy (RSS) report was published in February 2013 and was reviewed and updated in February 2014. Both issues have been endorsed at Ministerial level. The following are extracts from the Executive Summary of the February 2014 RSS:

“The long term conclusions are largely unchanged, being demand-led. Passenger growth across all market segments continues and it is necessary to expand the rolling stock fleet to address crowding. It is important that short term factors do not adversely affect long term value for money. A constructive dialogue has been established with Government on these issues.

The total passenger fleet is forecast to grow by between 53% and 99% over the next 30 years, and the proportion that will use electric traction is forecast to rise from 69% today to over 90% in all scenarios. These scenarios indicate that between 13,000 and 19,000 new electric vehicles will be required over this period. Electrification will in many cases permit longer trains, and will

enable diesel trains to be transferred to non-electrified routes, where growth has been constrained by lack of sufficient vehicles. These changes will produce significant benefits for the national economy, local communities and the environment.

The updated analysis has given greater focus to fleet requirements in the next five to ten years. The central forecast of the RSS indicates that around 3,050 new electric vehicles (for England, Wales and Scotland, including TfL's rail concessions) will be delivered in CP5, over 80% of which have already been ordered. This includes around 2,250 for three major projects – the new intercity Super Express trains, and the trains for the Thameslink and the Crossrail projects - which are being procured by the public sector. The forecast of 3,050 new vehicles represents a capital cost of more than £5 billion, and requires an average build rate of 12 vehicles per week. This compares with an average of just four vehicles per week in the current five years to April 2014 (CP4)."

Sub-Group	Committed CP4 vehicles	Forecast CP5 vehicles to 2019	Forecast CP6 vehicles to 2024	Forecast CP7 vehicles to 2029	Forecast CP8 vehicles to 2034	Forecast CP9/10 vehicles to 2043
Diesel totals	3,896	2,983	1,866	1,195	1,155	1,166
Electric and Bi-Mode totals	8,751	11,578	13,908	16,213	18,470	20,548
Electric and Bi-Mode %	69%	80%	88%	93%	94%	95%

Source: RSS report, February 2014 – Medium Growth and Electrification Scenario

DfT-led rolling stock procurement

The DfT is leading or involved in three major rolling stock procurement projects:

- **Intercity Express Programme ("IEP"):** IEP is a procurement programme for the next generation of Intercity trains to replace the current HST fleet and other Intercity stock in the Great Western and Intercity East Coast franchises. The programme will procure a fleet of 856 vehicles to accommodate anticipated substantial growth in demand on long-distance routes. The trains will be delivered into service between 2017 and 2020. Agility Trains (a consortium comprising Hitachi Limited and John Laing Projects and Developments) were appointed as the preferred bidder in February 2009.
- **Thameslink:** Thameslink is a £5.5bn programme to increase capacity on the Thameslink network. The project includes platform lengthening, station remodelling, new railway infrastructure and replacement rolling stock. The rolling stock project includes a new fleet of 1,140 new Class 700 carriages

manufactured by Siemens. ERG has secured a long-term contract for provision of asset management services to Cross-London Trains, the owners of the Class 700 fleet.

- **Crossrail:** Crossrail is a £14.5bn rail project led by Transport for London (TfL), with DfT as a key stakeholder. It will provide a link from Reading (to the West of London) through central London and the City to Shenfield (to the East). 65 new 10-car Class 345 Electric Multiple Units ("**EMUs**") have been ordered by Crossrail Ltd from Bombardier to operate the Crossrail services.

Dynamics of passenger rolling stock choice

Under normal circumstances the franchising authority will not specify the rolling stock to be used by a TOC and therefore the TOCs are free to choose the rolling stock they use to operate their services. However, with little or no surplus rolling stock the opportunity for TOCs to change rolling stock from the start of a new franchise or within a short-term franchise extension is limited.

In addition, where the DfT has procured a specific fleet such as IEP or the Thameslink Class 700 rolling stock or has provided a Section 54 Undertaking that a given fleet will be used on a certain route, then it will stipulate this as part of the franchise requirements. The use of Section 54 Undertakings beyond those already in place is not now favoured by the DfT, though Transport Scotland continues to consider Section 54s as an option for future new-build rolling stock.

The DfT and the TOC may as part of the franchise terms agree to an increased subsidy payment (or reduced premium payment) on the proviso that the TOC introduces "new" rolling stock by an agreed date, but even in these circumstances the TOC may not be free to choose the type of new rolling stock.

The TOC will use the following considerations when undertaking their business assessment:

- rolling stock capable of operating the service, for example, diesel units can "run anywhere", but electric units can only run where the right sort of electric supply is available (note there are two distinct electrification systems in the UK). Trains designed with a maximum speed of 100 mph cannot provide 125 mph intercity services, etc;
- availability of rolling stock - the TOC will need to commence services from the first day of its franchise and therefore cannot wait for rolling stock to become available. This constraint could be overcome by taking rolling stock which is available on a short lease until alternatives (including new-build) become available, but a short lease premium may be charged by the owner;
- the "all in" cost of operating the service. This cost will include the leasing cost, the cost of maintaining the train, and the operating costs (fuel consumption etc);
- there will always be a need to consider the balance between newer trains which are more expensive to buy (and therefore higher leasing cost), but are

cheaper to maintain (needing less maintenance in the earlier years) vs. older trains which are cheaper to lease but more expensive to maintain;

- the operating costs will also be a function of the design of the trains;
- diesel trains use more expensive fuel, but can generally "go anywhere" though may be subject to mass or gauge/length constraints;
- newer trains tend to be heavier and therefore use more fuel or electricity, though newer electric trains are generally equipped with regenerative braking that reduces their net power consumption;
- newer trains may have air conditioning, etc to improve the passenger experience; and
- reliability of the rolling stock. TOCs are assessed on the punctuality and reliability of the service and therefore may be willing to pay more for reliable trains.
- TOCs will always have the option to procure new fleets, either by direct purchase or by leasing them from a lessor (traditional ROSCO, new ROSCO or a finance lessor).

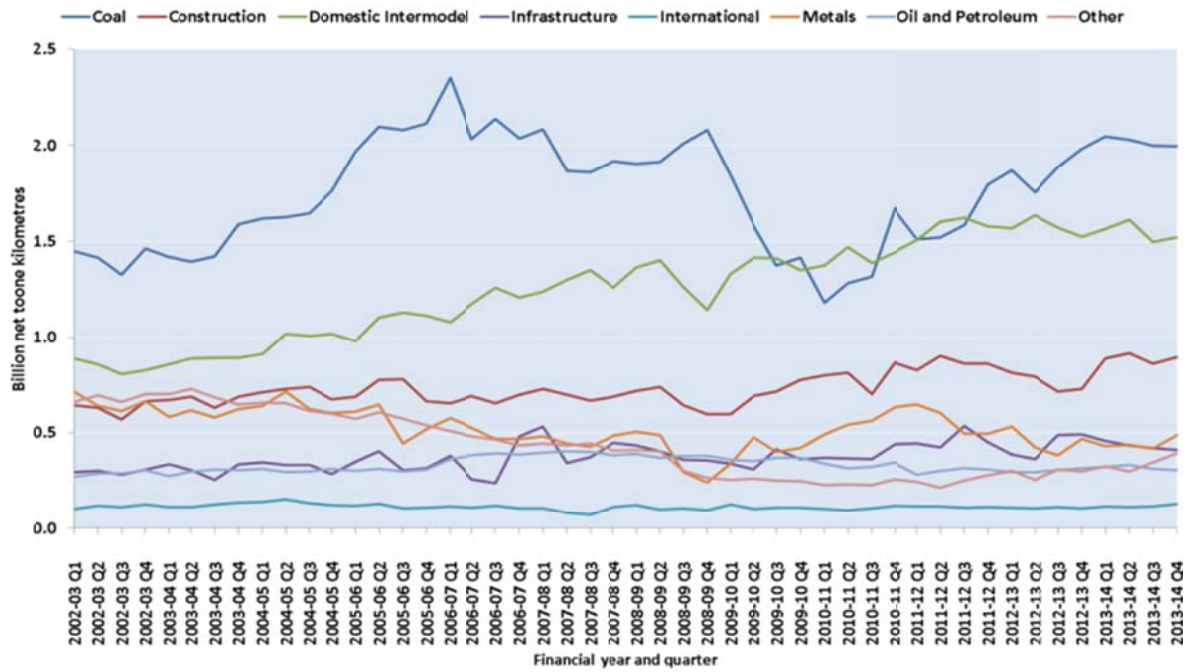
TOCs will also be aware that when new rolling stock is introduced to provide one service, the displaced rolling stock may offer a viable alternative option for use in the operation they are considering.

UK Rail Freight Market

Network Rail's Long Term Planning Process Freight Market Study, which was published in October 2013 states that Rail Freight is enjoying resilient demand that is projected to more than double by 2043. The projected growth in terms of tonne kilometres moved is principally influenced by expected growth in the intermodal and biomass sectors. Since privatisation, rail freight (measured in terms of tonne kilometres) has increased at about 2.5 per cent per annum and was resilient during the recent recession, with both tonnes and tonne kilometres increasing between 2009 and 2012.

The ORR's most recent 'Freight Rail Usage' statistics published in June 2014 show that a record amount of freight was carried on the UK's railways in 2013-14. Total freight moved reached 22.7 billion net tonne kilometres, a 5.8% rise compared with 2012-13.

Coal accounted for 35.0% (2.0 billion net tonne kilometres) of this total freight moved on the rail network in 2013-14 Q4 - the greatest proportion of all commodities carried by rail, with five of the seven commodity groups which combine to provide the overall total having experienced an increase over the past year. The table below shows the long-term freight market trends.



Source: ORR, June 2014

DESCRIPTION OF THE ISSUER AND THE OTHER OBLIGORS

Eversholt Investment Limited

Eversholt Investment Limited was incorporated under the Irish Companies Acts 1963 to 2013 and registered in Ireland on 19 October 2010 as a private limited company with number 490363. *Eversholt Investment Limited's* registered office is at Newmount House, 22-24 Mount Street Lower, Dublin 2 and its telephone number is +353 (0) 1 6869466. The entire issued share capital of *Eversholt Investment Limited* (being one share of £1) is held by *Eversholt Investment Group (Luxembourg) S.à.r.l.* and the authorised share capital of *Eversholt Investment Limited* is twelve thousand (12,000) shares of £1 each. *Eversholt Investment Limited's* principal activity is the provision of management and other administrative services to the ERG group.

Management and Employees

The directors and company secretary of *Eversholt Investment Limited* and their respective business addresses and principal activities are set out below.

<i>Name</i>	<i>Business Address</i>	<i>Principal Activities</i>
Christopher John Cullen	Newmount House 22-24 Mount Street Lower Dublin 2	Director
Michael George Walsh	Newmount House 22-24 Mount Street Lower Dublin 2	Director
Brian Thomas Hayden	Newmount House 22-24 Mount Street Lower Dublin 2	Non-executive Chairman
Brian Peter Gallagher	Newmount House 22-24 Mount Street Lower Dublin 2	Company Secretary

There are no actual or potential conflicts of interest between the duties to *Eversholt Investment Limited* of the persons listed above and their private interests or duties.

Eversholt Rail Holdings (UK) Limited

Eversholt Rail Holdings (UK) Limited was incorporated under the Companies Act 1985 and registered in England and Wales on 12 April 2002 as a private limited company with number 04415647. *Eversholt Rail Holdings (UK) Limited's* registered office is at 210 Pentonville Road, London N1 9JY, United Kingdom and its telephone number is 44 (0) 207380 5040. *Eversholt Rail Holdings (UK) Limited* is a wholly owned subsidiary of European Rail Finance (GB) Limited and its authorised share capital is one ordinary share of £1.

Management and Employees

The directors and company secretary of *Eversholt Rail Holdings (UK) Limited* and their respective business addresses and principal activities are set out below.

<i>Name</i>	<i>Business Address</i>	<i>Principal Activities</i>
Mary Bridget Kenny	210 Pentonville Road, London N1 9JY	Director
Andrew James Course	210 Pentonville Road, London N1 9JY	Director
David George Stickland	210 Pentonville Road, London N1 9JY	Director
Clive Lewis Thomas	210 Pentonville Road, London N1 9JY	Company Secretary

There are no actual or potential conflicts of interest between the duties to *Eversholt Rail Holdings (UK) Limited* of the persons listed above and their private interests or duties.

European Rail Finance Holdings Limited

European Rail Finance Holdings Limited was incorporated under the Irish Companies Acts 1963 to 2013 and registered in Ireland on 23 July 2007 as a private limited company with number 443562. *European Rail Finance Holdings Limited's* registered office is at Newmount House, 22-24 Mount Street Lower, Dublin 2, and its telephone number is 353 (0) 1 6869466. *European Rail Finance Holdings Limited* is held by Eversholt Investment Limited and Commerzbank AG London Branch and its authorised share capital is 49,500,000 non-voting fixed rate preference shares at £1 each (**FRPS**), 500,001 ordinary shares at £1 each (**Ordinary Shares**) and 25,000,000 non-voting profit participation shares at £1 each (**PPS**). Eversholt Investment Limited owns the FRPS and Ordinary Shares. Commerzbank AG Frankfurt Branch owns the PPS.

Management and Employees

The directors and company secretary of *European Rail Finance Holdings Limited* and their respective business addresses and principal activities are set out below.

<i>Name</i>	<i>Business Address</i>	<i>Principal Activities</i>
Brian Thomas Hayden	Newmount House 22-24 Mount Street Lower Dublin 2	Director
Christopher John Cullen	Newmount House 22-24 Mount Street Lower	Director

	Dublin 2	
Michael George Walsh	Newmount House 22-24 Mount Street Lower Dublin 2	Director
Brian Peter Gallagher	Newmount House 22-24 Mount Street Lower Dublin 2	Company Secretary

There are no actual or potential conflicts of interest between the duties to *European Rail Finance Holdings Limited* of the persons listed above and their private interests or duties.

Eversholt Finance Holdings Limited

Eversholt Finance Holdings Limited was incorporated under the Companies Act 1985 and registered in England and Wales on 27 July 2010 as a private limited company with number 7327371. *Eversholt Finance Holdings Limited's* registered office is at 210 Pentonville Road, London N1 9JY, United Kingdom and its telephone number is 44 (0) 207380 5040. *Eversholt Finance Holdings Limited* is a wholly owned subsidiary of European Rail Finance Holdings Limited and its issued share capital is £50,000 divided into 50,000 ordinary shares of £1 each.

Management and Employees

The directors and company secretary of *Eversholt Finance Holdings Limited* and their respective business addresses and principal activities are set out below.

<i>Name</i>	<i>Business Address</i>	<i>Principal Activities</i>
Mary Bridget Kenny	210 Pentonville Road, London N1 9JY	Director
Andrew James Course	210 Pentonville Road, London N1 9JY	Director
David George Stickland	210 Pentonville Road, London N1 9JY	Director
Clive Lewis Thomas	210 Pentonville Road, London N1 9JY	Company Secretary

There are no actual or potential conflicts of interest between the duties to *Eversholt Finance Holdings Limited* of the persons listed above and their private interests or duties.

Eversholt Rail (UK) Limited

Eversholt Rail (UK) Limited was incorporated under the Companies Act 1985 and registered in England and Wales on 6 July 2009 as a private limited company with number 06953114. *Eversholt Rail (UK) Limited's* registered office is at 210 Pentonville Road, London N1 9JY, United Kingdom and its telephone number is 44 (0) 207380 5040. *Eversholt Rail (UK) Limited* is a wholly owned subsidiary of Eversholt Rail Holdings (UK) Limited and its authorised share capital is £100,000,002 divided into 100,000,002 ordinary shares of £1 each.

Management and Employees

The directors and company secretary of *Eversholt Rail (UK) Limited* and their respective business addresses and principal activities are set out below.

<i>Name</i>	<i>Business Address</i>	<i>Principal Activities</i>
Mary Bridget Kenny	210 Pentonville Road, London N1 9JY	Director
Andrew James Course	210 Pentonville Road, London N1 9JY	Director
David George Stickland	210 Pentonville Road, London N1 9JY	Director
Clive Lewis Thomas	210 Pentonville Road, London N1 9JY	Company Secretary

There are no actual or potential conflicts of interest between the duties to *Eversholt Rail (UK) Limited* of the persons listed above and their private interests or duties.

Eversholt Depot Finance (UK) Limited

Eversholt Depot Finance (UK) Limited was incorporated under the Companies Act 1985 and registered in England and Wales on 13 September 2004 as a private limited company with number 05229765. *Eversholt Depot Finance (UK) Limited's* registered office is at 210 Pentonville Road, London N1 9JY, United Kingdom and its telephone number is 44 (0) 207380 5040. *Eversholt Depot Finance (UK) Limited* is a wholly owned subsidiary of Eversholt Rail Holdings (UK) Limited and its authorised share capital is £5,000,100 divided into 5,000,100 ordinary shares of £1 each.

Management and Employees

The directors and company secretary of *Eversholt Depot Finance (UK) Limited* and their respective business addresses and principal activities are set out below.

<i>Name</i>	<i>Business Address</i>	<i>Principal Activities</i>
Mary Bridget Kenny	210 Pentonville Road, London N1 9JY	Director
Andrew James Course	210 Pentonville Road, London N1 9JY	Director
David George Stickland	210 Pentonville Road, London N1 9JY	Director
Clive Lewis Thomas	210 Pentonville Road, London N1 9JY	Company Secretary

There are no actual or potential conflicts of interest between the duties to *Eversholt Depot Finance (UK) Limited* of the persons listed above and their private interests or duties.

Eversholt Rail (380) Limited

Eversholt Rail (380) Limited was incorporated under the Companies Act 1985 and registered in England and Wales on 15 October 1973 as a private limited company with number 01139640. *Eversholt Rail (380) Limited's* registered office is at 210 Pentonville Road, London N1 9JY and its telephone number is 44 (0) 207380 5040. *Eversholt Rail (380) Limited* is a wholly owned subsidiary of Eversholt Rail Holdings (UK) Limited and its authorised share capital is £2 in ordinary shares of £1 each.

Management and Employees

The directors and company secretary of *Eversholt Rail (380) Limited* and their respective business addresses and principal activities are set out below.

<i>Name</i>	<i>Business Address</i>	<i>Principal Activities</i>
Mary Bridget Kenny	210 Pentonville Road, London N1 9JY	Director
Andrew James Course	210 Pentonville Road, London N1 9JY	Director
David George Stickland	210 Pentonville Road, London N1 9JY	Director
Clive Lewis Thomas	210 Pentonville Road, London N1 9JY	Company Secretary

There are no actual or potential conflicts of interest between the duties to *Eversholt Rail (380) Limited* of the persons listed above and their private interests or duties.

European Rail Finance (2) Limited

European Rail Finance (2) Limited was incorporated under the Irish Companies Acts 1963 to 2013 and registered in Ireland on 29 February 2012 as a private limited company with number 510311. *European Rail Finance (2) Limited's* registered office is at Newmount House, 22-24 Mount Street Lower, Dublin 2 and its telephone number is 353 (0) 1 6869466. *European Rail Finance (2) Limited* is a wholly owned subsidiary of European Rail Finance Holdings Limited and its authorised share capital is one (1) ordinary share of £1. *European Rail Finance (2) Limited's* principal activity is to act as an investment holding company.

Management and Employees

The directors and company secretary of *European Rail Finance (2) Limited* and their respective business addresses and principal activities are set out below.

<i>Name</i>	<i>Business Address</i>	<i>Principal Activities</i>
Brian Thomas Hayden	Newmount House 22-24 Mount Street Lower Dublin 2	Non-executive Chairman
Christopher John Cullen	Newmount House 22-24 Mount Street Lower Dublin 2	Director
Michael George Walsh	Newmount House 22-24 Mount Street Lower Dublin 2	Director
Brian Peter Gallagher	Newmount House 22-24 Mount Street Lower Dublin 2	Company Secretary

There are no actual or potential conflicts of interest between the duties to *European Rail Finance (2) Limited* of the persons listed above and their private interests or duties.

European Rail Finance Limited

European Rail Finance Limited was incorporated under the Irish Companies Acts 1963 to 2013 and registered in Ireland on 23 July 2007 as a private limited company with number 443563. *European Rail Finance Limited's* registered office is at Newmount House, 22-24 Mount Street Lower, Dublin 2 and its telephone number is 353 (0) 1 6869466. *European Rail Finance Limited* is a wholly owned subsidiary of European Rail Finance (2) Limited and its authorised share capital is £50,000,001 divided into 50,000,001 £1 ordinary shares. *European Rail Finance Limited's* principal activity is the ownership and leasing of Rolling Stock.

Management and Employees

The directors and company secretary of *European Rail Finance Limited* and their respective business addresses and principal activities are set out below.

<i>Name</i>	<i>Business Address</i>	<i>Principal Activities</i>
Brian Thomas Hayden	Newmount House 22-24 Mount Street Lower Dublin 2	Non-executive Chairman
Christopher John Cullen	Newmount House 22-24 Mount Street Lower Dublin 2	Director
Michael George Walsh	Newmount House 22-24 Mount Street Lower Dublin 2	Director
Brian Peter Gallagher	Newmount House 22-24 Mount Street Lower Dublin 2	Company Secretary

There are no actual or potential conflicts of interest between the duties to *European Rail Finance Limited* of the persons listed above and their private interests or duties.

European Rail Finance (GB) Limited

European Rail Finance (GB) Limited was incorporated under the Companies Act 1985 and registered in England and Wales on 5 June 1992 as a private limited company with number 02720809. *European Rail Finance (GB) Limited*'s registered office is at 210 Pentonville Road, London N1 9JY and its telephone number is 44 (0) 207380 5040. *European Rail Finance (GB) Limited* is a wholly owned subsidiary of European Rail Finance Holdings Limited and its authorised share capital is £50,000,002 divided into 50,000,002 £1 ordinary shares.

Management and Employees

The directors and company secretary of *European Rail Finance (GB) Limited* and their respective business addresses and principal activities are set out below.

<i>Name</i>	<i>Business Address</i>	<i>Principal Activities</i>
Mary Bridget Kenny	210 Pentonville Road, London N1 9JY	Director
Andrew James Course	210 Pentonville Road, London N1 9JY	Director

David George Stickland	210 Pentonville Road, London N1 9JY	Director
Keith Lawrence Ludeman	210 Pentonville Road, London N1 9JY	Non-executive Chairman
Neil Edmund King	3i Investments Plc	Director
Matthew Giles Barker	3i Investments Plc	Director
Philip Joseph White	3i Investments Plc	Director
Paul Gough	STAR Capital Partners Limited	Director
Roy Mani	STAR Capital Partners Limited	Director
James Michael Wilmott	Morgan Stanley	Director
John Beresford Watt	Morgan Stanley	Director
Andrew Haines	210 Pentonville Road, London N1 9JY	Director
Clive Lewis Thomas	210 Pentonville Road, London N1 9JY	Company Secretary

There are no actual or potential conflicts of interest between the duties to *European Rail Finance (GB) Limited* of the persons listed above and their private interests or duties.

THE ISSUER

Eversholt Funding plc

The Issuer was incorporated and registered in England and Wales on 29 July 2010 (with registered number 7329930) as a public company of unlimited duration and with limited liability under the Companies Act 2006. The registered office of the Issuer is 210 Pentonville Road, London N1 9JY and its telephone number is 44 (0) 207380 5040.

The issued share capital of the Issuer consists of 50,000 ordinary shares of £1 each. The entire issued share capital of the Issuer is held by Eversholt Finance Holdings Limited. Since the date of incorporation, no options to acquire shares have been issued or authorised. Since its incorporation up to the date of this Prospectus, the Issuer has not paid any dividends.

Principal Activities

The Issuer was formed with a view to raise or borrow money and to grant security over its property for the performance of its obligations or the payment of money, to lend money and to invest in and acquire loans and other similar investments.

The Issuer was established as a special purpose vehicle and its principal activities will be to raise capital by the issue of Bonds and by the borrowing of funds under the Initial Facility Agreement (which was replaced on the 1 November 2013 by the ACF Agreement) and to on-lend the proceeds of such issues of Bonds and such advances to the Guarantors. The Issuer is and is obliged to remain resident in the United Kingdom for United Kingdom tax purposes.

The Issuer has not engaged, since its incorporation, and does not expect to engage, in any activities other than those incidental to (i) the authorisation and issue of the Bonds; (ii) entering into and borrowing funds under the ACF Agreement and in due course entering into replacement or additional facilities to refinance existing indebtedness and finance the capital expenditure and working capital needs of ERG; (iii) the ownership of such interests and other assets referred to herein; (iv) entering into certain hedging transactions; (v) the making of loans to other companies in the Security Group; (vi) the other matters contemplated in this Prospectus; (vii) the authorisation and execution of the other documents to which it is or will be a party; and (viii) other matters which are incidental or ancillary to those activities.

The Issuer has entered into the Finance Documents to which it is party for the purpose of making a profit. The Issuer has no subsidiaries, employees or non-executive directors.

Directors and Company Secretary

The directors and company secretary of the Issuer and their respective business addresses and principal activities are set out below.

<i>Name</i>	<i>Business Address</i>	<i>Principal Activities</i>
Mary Bridget Kenny	210 Pentonville Road, London N1 9JY	Director
Andrew James Course	210 Pentonville Road, London N1 9JY	Director
David George Stickland	210 Pentonville Road, London N1 9JY	Director
L.D.C. Securitisation Director No.3 Limited (company number 04652675)	Fifth Floor, 100 Wood Street, London, EC2V 7EX	Independent Director
Clive Lewis Thomas	210 Pentonville Road, London N1 9JY	Company Secretary

There are no actual or potential conflicts of interest between the duties to the Issuer of the persons listed above and their private interests or duties.

Corporate Services Agreement

Pursuant to the terms of the Corporate Services Agreement, Law Debenture Corporate Services Limited (the "**Corporate Services Provider**") provides certain corporate services to the Issuer and provides an independent, UK-resident director to the Issuer, each in consideration for the payment by the Issuer of an annual fee to the Corporate Services Provider.

Pursuant to the terms of the Corporate Services Agreement, the appointment of the Corporate Services Provider shall terminate upon the expiration of 90 days' notice in writing given by the Corporate Services Provider or by the Issuer and provided that a substitute corporate services provider acceptable to the Issuer has been appointed on terms substantially the same as those set out in the Corporate Services Agreement and that such appointment will be effective not later than the date of the termination. The appointment shall also terminate upon resolution of a majority of the board of directors of the Issuer, immediately thereafter if (i) an order has been made or a resolution has been passed to put the Corporate Services Provider into liquidation (except voluntary liquidation for the purpose of reconstruction or amalgamation); or (ii) the Corporate Services Provider has broken or is in breach of any of the terms of the Corporate Services Agreement and shall not have remedied such breach within 30 days after service of notice requiring the same to be remedied; or (iii) the Corporate Services Provider becomes insolvent; or (iv) the Corporate Services Provider ceases or threatens to cease to carry on its business or a substantial part of its business or stops payment or threatens to stop payment of its debts. The Corporate Services Agreement shall terminate automatically upon completion of liquidation or dissolution of the Issuer.

Upon the termination of its appointment, the Corporate Services Provider is required within 5 business days of the Issuer's request, to deliver all information and data relating to the Issuer held by the Corporate Services Provider, to the Issuer.

The Corporate Services Agreement between the Issuer and the Corporate Services Provider is governed by the laws of England and Wales.

BUSINESS DESCRIPTION

The information contained in this section of the Prospectus incorporates all of the trains utilised within ERG's business including the 40 trains of the Class 365 fleet. This fleet is not owned by ERG, but is owned by The Royal Bank of Scotland plc and is leased to 365Co. 365Co, whilst a wholly owned subsidiary of Rail HoldCo, is not a member of the Security Group and therefore security will not be granted over the Class 365 fleet. The information in this section would, however, not be materially different were the Class 365 fleet to be excluded from this section. It should also be noted that the Summary Financials contained in this section only reflect the financial information of the Security Group. Even though ERG believes that its expectations regarding future events are based on reasonable assumptions, forward looking statements are not guarantees of future performance. Management's assumptions rely on ERG's operational analysis and expectations for the operating performance of the Security Group's assets based on their historical operating performance and management expectations as described below. Factors within and beyond ERG's control could cause actual results to vary materially from the expectations discussed below. Certain of these factors are discussed in "Risk Factors", including "Risk Factors - Financial Forecast" and elsewhere in this Prospectus. Prospective investors are cautioned that the prospective operating and financial data included below are not fact and should not be relied upon as being necessarily indicative of future results, and prospective investors are cautioned not to place undue reliance on this prospective operating and financial data.

ERG is a leading ROSCO with a current market share of approximately 28 % of the traditional UK passenger train leasing market by number of vehicles. ERG enters into medium to long-term operating leases to supply a diverse range of passenger rolling stock including regional, commuter and high speed passenger trains to TOCs and freight locomotives and wagons to FOCs. The TOCs and FOCs provide train services to the end users.

As of 30 September 2014, ERG's rolling stock portfolio was comprised of a diversified fleet of 3,474 passenger vehicles, 1003 freight vehicles, 63 load units and 2 depots all of which are leased in the UK, with a combined net book value of £1,781 million, of which 100% were on lease.

ERG's business benefits from long-term contracted leases, which means that its cash flows are stable and predictable. As of September 2014 over 70% of its existing revenues are contracted until 2016, 60% until 2017. Further, 13% of existing revenues are contracted rental and lease revenue enjoying the benefit of Section 54 support until 2026 (See *Industry Overview*).

Depending on the nature of the lease, ERG also may receive a further income stream related to managing some or all of the necessary life-cycle maintenance work on the rolling stock. Where ERG provides such maintenance services, it subcontracts to third party maintenance providers who carry out the maintenance work on its behalf.

History

ERG is one of the three ROSCOs formed as part of the privatisation of British Rail and has 20 years of experience in the rolling stock procurement and funding market.

At privatisation, ERG owned only electric rolling stock, and whilst some diversification has occurred, it has continued to be a specialist in electric powered passenger rolling stock. ERG's business is purely UK based, having disposed of its small fleet of non-UK assets in 2009.

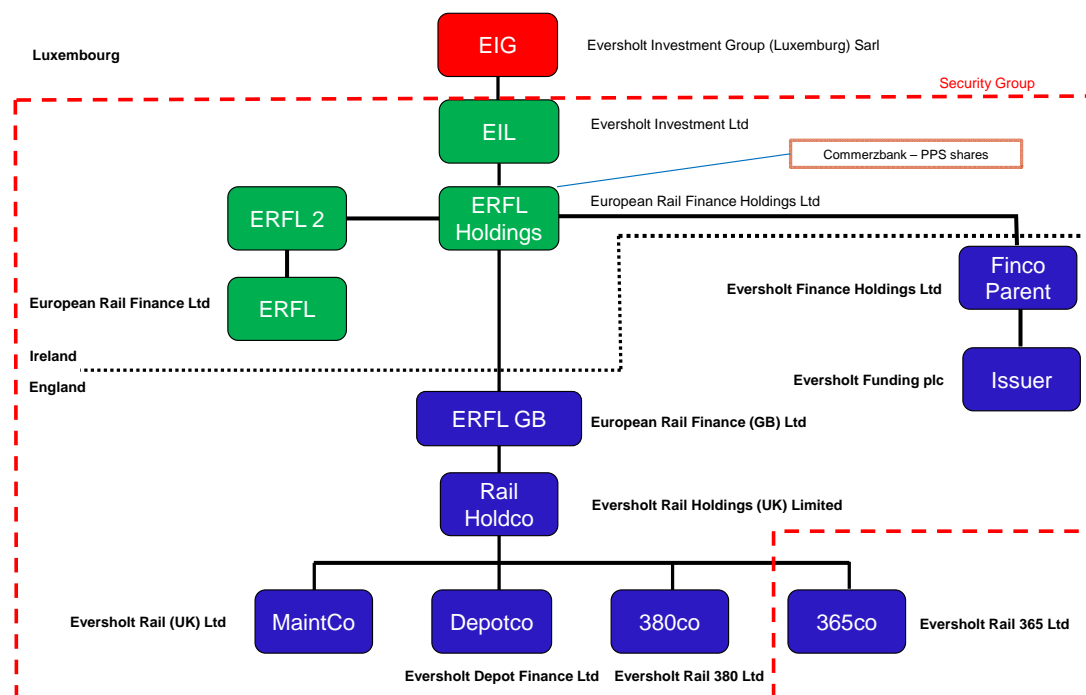
ERG has 3,474 passenger vehicles which implies a 28 % market share of the UK's passenger fleets and are focused in key areas:

- High Speed & Intercity electric passenger rolling stock;
- Electric Commuter stock especially in the South East of England; and
- A significant proportion of the rolling stock (mostly electric rolling stock) operated in Scotland.

In addition to passenger rolling stock, ERG also leases freight locomotives and wagons, together with light maintenance depots.

ERG has offices in London, England and Dublin Ireland, with a total of 101 employees.

Corporate structure



EIL sub-group, an ERFL GB sub-group and a Financing sub-group, as represented in the structure diagram above. The Security Group comprises ERG excluding 365Co. The names of the relevant entities and abbreviations used in this Prospectus are as follows:

The EIL sub-group (all entities incorporated in Ireland comprises the following companies:

EIL:	Eversholt Investment Limited
ERFL Holdings:	European Rail Finance Holdings Limited
ERFL:	European Rail Finance Limited
ERFL2:	European Rail Finance (2) Limited

ERFL Holdings' share capital comprises (i) 500,001 ordinary shares of £1 each, (ii) 49,500,000 non-voting fixed rate preference shares of £1 each and (iii) 25,000,000 non-voting profit participating shares of £1 each. The ordinary shares and the fixed rate preference shares are held by EIL and the profit participating shares are held by Commerzbank Aktiengesellschaft.

The ERFL GB sub-group (all entities incorporated in England) comprises the following companies:

ERFL GB:	European Rail Finance (GB) Limited
Rail HoldCo:	Eversholt Rail Holdings (UK) Limited
MaintCo:	Eversholt Rail (UK) Limited
DepotCo:	Eversholt Depot Finance (UK) Limited
380Co:	Eversholt Rail (380) Limited
365Co:	Eversholt Rail (365) Limited

ERFL GB is a wholly owned subsidiary of ERFL Holdings.

The Financing sub-group (all entities incorporated in England) comprises the following companies:

Issuer:	Eversholt Funding plc
FinCo Parent:	Eversholt Finance Holdings Limited

The Issuer is a special purpose entity incorporated in England that has been established for the purpose of raising funds and on lending these funds to other members of the Security Group. The Issuer is a wholly owned subsidiary of FinCo Parent. All of the shares in FinCo Parent are held by ERFL Holdings.

The Issuer, FinCo Parent and each of the companies in the EIL sub-group and the ERFL GB sub-group (except for 365Co) make up the Security Group. Each of the companies in the Security Group together with 365Co make up ERG.

ERFL Holdings acts as the holding company for the Financing sub-group and the ERF GB sub-group.

ERFL2 acceded to the Common Terms Agreement and the STID as an Obligor on 13 March 2012.

DepotCo owns two depots and leases these to TOCs.

380Co owns the fleet of Class 380 EMUs and leases these to a TOC.

365Co leases the fleet of Class 365 EMUs from two Royal Bank of Scotland leasing companies and on-leases this fleet to a TOC.

EIL and MaintCo are the only entities in ERG that employ staff.

ERUK provides asset management, consultancy and maintenance services to TOCs/FOCs and to other third parties. In June 2013, Eversholt Rail entered into a long-term agreement to provide project and asset management services to Cross London Trains Limited, the consortium providing the new fleet of Siemens Desiro City Class 700 trains to be operated on the Thameslink routes. The services to be provided by Eversholt Rail, under the 22 year agreement will include project management during the build and delivery of the rolling stock and then long-term asset management, including both technical and commercial support to Cross London Trains Limited. This is a new business area for Eversholt and is consistent with its strategic plan of providing asset management services to other rolling stock owners.

ERFL and ERFL GB own the remainder of the fleets in ERG and lease these either directly or indirectly to TOCs/FOCs.

Intra-group service agreements are in place between the ERG companies.

The Issuer and the other Obligors each comply with the corporate governance regime applicable under the laws of their respective jurisdictions of incorporation.

Financial Performance

ERG's long-term operating lease arrangements provide contractual income stability and predictability. ERG's customers pay capital (and, where applicable, non-capital) rents even if the relevant vehicle is not in service or operational. ERG receives lease rental payments in advance on the first day of each month. In addition, ERG's rate of renewals of leasing contracts is high. The utilisation rate (i.e. the percentage of the total amount of vehicles on lease) was 100 per cent. from privatisation until 2009 and dropped to 98 per cent. in 2009 with a small number of passenger and freight vehicles being off lease. Since 2010 all of the passenger vehicles have been on lease with only a small number of freight vehicles remaining off lease until 2012. In 2013 all vehicles were on lease and it is currently expected that all vehicles will be on lease during 2014.

In the year ended 31 December 2013 ERG continued to perform well despite the delay in the recommencement of the refranchising programme. Financial performance was in line with expectations with EBITDA of £271m (2012:£275m) representing turnover of £341m (2012:£349m) less maintenance spend of £52m (2012:£59m) and overheads of £18m (2012:£15m. In line with its policy of enhancing its existing portfolio of trains so as to secure life extensions and otherwise improve the quality of the stock available to its customers, ERG invested £16m (2012:£18m) during the year.

Further details can be found in the section entitled “*Documents Incorporated By Reference*” which provides references to the last 2 years consolidated financial statements for the Security Group and Issuer.

Financing activities

In November 2013, Eversholt Rail completed a new £600m senior debt financing, which provides additional funding capacity for investment in rolling stock and has enabled the business to prepay its acquisition bank facilities well ahead of their scheduled maturity. The financing, which was provided by a club of eleven banks, includes a £100m five year term loan facility and a £500m five year general purpose revolving credit facility, which can be extended by up to two years by agreement.

Customers

ERG currently has long-term leases to supply rolling stock to 11 UK TOCs and 2 of the major UK FOCs. Most of ERG's leases are for periods of 7 to 10 years. Five of these TOCs each accounted for more than 6 per cent. of ERG's revenues for the year ended 31 December 2013, as detailed in the table below.

	TOC	% of Capital Rental for the year ended 31 December 2013
1	London South-Eastern Railway	32%
2	First ScotRail	15%
3	East Coast Main Line	14%
4	Abellio Greater Anglia	13%
5	First Capital Connect	7%

The table on the following page summarises certain operating information about ERG's rolling stock leases as of 31 December 2013.

Leases

<u>Franchisee</u>	<u>Class</u>	<u>No. of Vehicles</u>	<u>Lease type</u>
Passenger			
Chiltern Railways	Class 168	9	Dry
East Anglia	Class 315	244	Wet
East Anglia	Class 321	376	Wet
East Midland Trains	Class 222	143	Dry
East Coast	IC 225	333	Wet
Govia Thameslink Railway	Class 313	132	Dry
Govia Thameslink Railway	Class 365	160	Wet
Govia Thameslink Railway	Class 321	52	Wet
London Midland	Class 321	28	Wet
Northern	Class 322	20	Wet
Northern	Class 321	12	Wet
Northern	Class 158	20	Dry
ScotRail	Mark II	22	Wet
ScotRail	Class 170	27	Soggy
ScotRail	Class 318	63	Wet
ScotRail	Class 320	66	Wet
ScotRail	Class 334	120	Soggy
ScotRail	Class 380	130	Dry
South Eastern	Class 465	388	Wet
South Eastern	Class 375	438	Dry
South Eastern	Class 376	180	Dry
South Eastern	Class 395	174	Dry
Southern	Class 455	184	Dry
Transpennine Exp.	Class 185	153	Dry
Freight			
Freightliner	Class 66	56	Dry/Soggy
GBRF	Class 66	27	Dry/Soggy
Freightliner	Wagons	465	Dry/Soggy
GBRF	Wagons	497	Dry/Soggy
Colas	Wagons	21	Dry

Source: ERG

Following industry practice in the UK, ERG uses three different lease structures with its TOC/FOC customers depending on the level of maintenance services provided:

- **Dry leases:** All maintenance is undertaken by the TOC/FOC. The ROSCO may collect a maintenance reserve rental which it will use to help a future operator to defray the costs of future heavy maintenance which is carried out after the expiry of the current lease.
- **Wet leases:** All of the heavy (i.e. periodic) maintenance is undertaken by the ROSCO, whilst the TOC/FOC undertakes/procures all of the light (i.e. day-to-day) maintenance. The ROSCOs will collect additional "non-capital" rentals for this service. The non-capital rentals are calculated by reference to the costs associated with the provision of heavy maintenance (based on an agreed whole life cost model) smoothed on a monthly basis over the future life of the asset.

- **Soggy leases:** The TOC/FOC will have responsibility for all maintenance during the lease period, however, the ROSCO, will collect a monthly amount from the TOC/FOC which it will use to defray the costs of heavy maintenance, whether undertaken by the current TOC/FOC or under a future arrangement. Thus, a soggy lease is similar to a dry lease, except that the TOC/FOC pays a maintenance reserve rental calculated so as to provide for the costs of heavy maintenance not only for the period after the end of the lease (as in the case of a dry lease) but also for the cost of such maintenance during the term of the lease. This latter element of the maintenance reserve rental is then paid over to the TOC/FOC on receipt of confirmation (which is checked) that the TOC/FOC has carried out the heavy maintenance for which that element of the maintenance reserve rental has been collected.

As of 30 September 2014, approximately 45 per cent., 51 per cent. and 4 per cent. of ERG's fleet by net book value was leased on a dry lease basis, a wet lease basis and a soggy lease basis, respectively.

ERG's lease contracts for the leasing of rolling stock generally have the following terms:

- delivery and redelivery of the rolling stock;
- all manufacturers' warranties in respect of the rolling stock and the spares and all guarantees in respect of any parts installed are made available to the lessee to be exercised in its own name for the term of the lease;
- rental and payments;
- quiet enjoyment provisions;
- restrictions on any sub-leasing of the rolling stock;
- insurance obligations on the TOC/FOC to keep the rolling stock insured;
- maintenance, operation and repair of the rolling stock (including return condition);
- rights of inspection, default maintenance and security;
- recording of information such as mileage and other performance data;
- mandatory modifications; and
- termination rights.

Asset inspections and maintenance

The maintenance requirements of rolling stock are worked out well in advance of entering into a lease and are carefully negotiated with suppliers.

Whilst rolling stock is on lease, ERG utilises extensive audit and asset inspections in order to ensure that trains are kept in good condition and fully operational until at least the end of their book life. Detailed bottom-up analysis of the technical condition and obsolescence risk of ERG's fleet has revealed there are no material issues of wear and tear, technical defects or functional defects that threaten the continued operation or the re-lease of these vehicles.

How the factors of rolling stock utilisation, re-leasing rates and TOC failures influence financial performance

ERG's financial performance is directly linked to its ability to utilise rolling stock for its expected useful life. ERG seeks to acquire standardised rolling stock to limit the likelihood of stock being unable to be used for a protracted period. Demand for rolling stock generally outstrips supply as indicated by the tables in the "*Industry Overview - UK Passenger Market Impact on Rolling Stock*" section above.

ERG undertakes asset reviews at least once a year, in which it assesses the likelihood of each fleet being re-leased, the likely duration of future leases, the needs and opportunities for future investment and the likely income each fleet will generate. These reviews are updated to take account of prevailing market conditions. These reviews are undertaken by the Relationship Development, Operations and Commercial Finance teams in order to provide a multifunctional view of the asset.

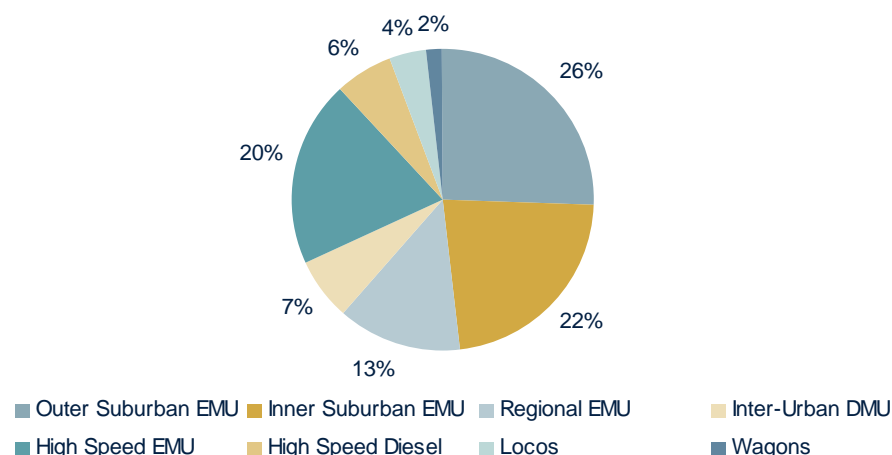
The rail industry has seen a small number of TOC failures, resulting in a TOC losing its franchise. Notwithstanding the TOC failure ERG has not suffered any financial loss. In each case the DfT has transferred the operations of the franchise to a new franchisee, with the lease for the rolling stock transferring at the same time. In November 2009, the National Express Group ceased to operate the East Coast mainline services. The DfT transferred the operation to its own subsidiary (East Coast Main Line Company Ltd). ERG's lease for its IC 225 fleet was transferred to the new operator and has continued uninterrupted. This is the second occasion that this fleet has been transferred, following the transfer from GNER to National Express in 2007. This indicates the practical application of the Secretary of State's obligations under Section 30.

To date, none of ERG's rolling stock has been retired before the end of its originally expected useful life.

Fleet

As of 30 September 2014, ERG owned 3,474 passenger vehicles, 1,003 freight vehicles, 63 load units and 2 depots, all of which are leased in the UK. The fleets will be able to be split into the following categories:

ERG fleet summary by capital rentals as at 30 September 2014



Source: ERG

- Passenger Electrical Multiple Units ("**EMUs**"): ERG owned 2,593 EMU vehicles at 30 September 2014. The EMUs contributed 61 per cent. of the capital rental income for the year ended December 2013.
- Passenger Diesel Multiple Units ("**DMUs**"): ERG owned 209 DMU vehicles, which are diesel-powered and as a result can operate both inside and outside areas of the electrified network. The DMUs contributed 7 per cent. of the capital rental income for the year ended December 2013.
- Passenger High Speed & Intercity ("**HSI**"): ERG owns 650 HSI vehicles, which are capable of reaching speeds of between 125 and 140mph. The HSI vehicles can be classified into 507 electric vehicles which contributed 20 per cent. of the capital rental income and 143 diesel vehicles which contributed 6 per cent. of the capital rental income in 2013.

In addition, ERG also owns a further 22 loco-hauled coaches, which can be utilised using electric or diesel locomotives.

- Freight locomotives, wagons and depots: ERG owns 83 locomotives and 920 wagons, 63 load units and 1 operating-lease depot which contributed 6 per cent. of the capital rental income in 2013. ERG also owns a depot which is classified as a finance-lease.
- Utilisation of the fleet has historically been at very high levels and ERG generally has been able to lease out its trains to or beyond the originally anticipated end of their useful lives. The CC report noted that actual occurrences of off-lease rolling stock are rare. As of 30 September 2014, 100 per cent. of ERG's vehicles were on lease.

Several factors have contributed to this level of utilisation. These factors include the following:

- a shortage of rolling stock in the UK due to the increase in demand for rail services over the past 10-15 years. Demand exceeds capacity on many routes, which leads to overcrowding at peak times on many services;
- ERG believes the risk of technical obsolescence in its fleet is low;
- ERG has a large and diversified rolling stock fleet, which reduces the risk of not being able to re-lease an individual fleet; and
- vehicles operated on UK tracks are significantly smaller than European vehicles due to the smaller loading gauge profile used in the UK. As a result, European trains are not suitable for deployment in the UK. This limited interoperability impedes the transfer of vehicles from overseas and limits rolling stock supply competition for the ROSCOs to the UK market.

A brief description of the fleet is given below:

Electric Multiple Units ("EMU")

- Class 313 & Class 315: Fleets of 44 three-car units (132 vehicles) and 61 four-car units (244 vehicles), respectively, the Class 313 and 315 are unsophisticated, high-capacity EMUs built in the late 1970s and early 1980s. They currently operate on AC inner-suburban routes around London and the South East.
- Class 321 & Class 322, Class 318, Class 320: The Class 321 and Class 322 is a simple, reliable, high-capacity fleet of 488 vehicles, which comprise 122 four-car units. The majority are leased to operate AC outer-suburban commuter routes to East Anglia. Derivatives of the same 'family', the Class 318 and Class 320 (63 and 66 vehicles, respectively) are three-car commuter units operating on AC in Scotland. These trains were built between the late 1980s and early 1990s.
- Class 334: The Class 334 fleet of 40 three-car units (120 vehicles) entered service in 2001 and operates AC commuter routes in Scotland.
- Class 375 & Class 376: The 'Electrostar' fleets of 438 and 180 vehicles comprise three, four and five-car units. The 375 fleet includes some dual voltage units, capable of operating on both DC and AC routes. Having entered service between 2002 and 2005, they currently operate commuter services in London and the South East.
- Class 380 fleet (130 vehicles), consisting of three and four-car units, entered service between 2010 and 2011 and operates AC commuter routes in Scotland.
- Class 455: The Class 455 fleet consists of 46 four-car units (184 vehicles). It is a simple and utilitarian fleet operating inner-suburban DC commuter services south of London, manufactured in the early 1980s.

- Class 465: The Class 465 fleet of 97 four-car units (388 vehicles) was built in the early 1990s and operates on the DC South Eastern London commuter routes.
- Class 365: Part of the 'Networker' family of trains, the Class 365 is a fleet of 40 four-car units (160 vehicles) which was built in the mid-nineties. These are dual voltage units, capable of operating on both DC and AC routes which currently operates outer-suburban services from Kings Cross. It should be noted that 365Co which owns Class 365 is not a member of the Security Group and is not a Guarantor.

Diesel Multiple Units ("DMUs")

- Class 158: The Class 158 is part of the 'Sprinter' family built in the late 1980s. The small fleet of 10 two-car units (20 vehicles) operates diesel regional passenger services in the north of England. The small fleet benefits from being a part of a larger fleet of Class 158s owned by other lessors.
- Class 168, Class 170: The Class 168 and Class 170, of the 'Turbostar' family, are small fleets of 3 and 9 three-car units respectively (36 vehicles in total). The Class 168 operates diesel services between London and the Chilterns and the Class 170 currently operates inter-urban diesel services in Scotland and is scheduled to be operated on the Thameslink, Southern and Great Northern Franchise from September 2014 . Similarly to the Class 158 these small fleets also benefit from being part of larger fleets of the same type of rolling stock, owned by other lessors.
- Class 185: Built in 2006 by Siemens, Germany, the fleet of 51 three-car units (153 vehicles) currently operates diesel trans-Pennine services and inter-urban routes in the north-east of England.

High Speed, Intercity & loco-hauled

- IC225: The InterCity-225 fleet of 30 ten-coach 'rakes' (similar to units) consists of MK-4 coaches hauled by 30 Class 91 locomotives (333 vehicles in total including one additional Class 91 and two 'Barrier' vehicles). They create the fastest locomotive-hauled domestic train in the United Kingdom, capable of over 225 km/h. Manufactured in late 1980s to early 1990s, and heavily refurbished in the mid-2000s, they operate high-speed inter-city services to the north of London along the East Coast.
- MK II Coaches: 22 MkII coaches are leased to operate various services, including overnight 'Sleeper' services from London to Scotland. These vehicles are economically life-expired and all of them are expected to be sold by ERG or withdrawn from services over the next few years.
- Class 222: The Class 222 is a high-speed Diesel-Electric-Multiple-Unit fleet of 143 vehicles capable of speeds of over 200 km/h. They were manufactured in 2002-2004 and are currently leased to East Midlands Trains to operate intercity services from London across the Midlands.

- Class 395: The Class 395 is a dual-voltage Electric-Multiple-Unit (operates on both AC and DC electric lines), leased to operate domestic services along the High Speed One route, which links London to the Channel Tunnel. They are a lightweight aluminium construction capable of over 225 km/h. The fleet of 174 vehicles was manufactured by Hitachi in Japan and delivered during 2009.

Freight

- Class 66: The Class 66 are diesel locomotives which can be used to haul various types of vehicles. The fleet of 83 locomotives, built from the year 2000 onwards, is leased to FOCs in the UK who primarily use them to haul freight wagons.
- Wagons and load units: The total Wagons fleet of 920 consists of various types, including: Container Flats, Hoppers, and Box Wagons. In addition ERG owns 63 load units. The assets are of similar ages to the Class 66 locomotives, and are also leased to FOCs in the UK.

Depots

- Eversholt Depot Finance (UK) Limited (or "**DepotCo**") has the leasehold of two depots (Bedford and Northam) and certain rights under a series of contracts relating to the construction of the depots. The depots are subject to sub-leases - in the case of the Bedford, the depot is subleased to Govia Thameslink Railway; in the case of the Northam, the depot is subleased to South West Trains. The leases have the benefit of a Section 54 Undertaking from the Secretary of State in respect of each of the depots.

Supply

A detailed evaluation process is carried out on all main suppliers and sub-suppliers of key components to ensure an adequate and competitive range of supply options. All maintenance contracts provide for regular inspections by the highly experienced and qualified staff of ERG.

For wet leases, where ERG is additionally exposed to the costs of maintenance during the lease, detailed project budgets are developed from the whole life cost forecasts at the business case stage, setting out planned spend over the project life and reconciled with the detailed project specification. Actual spend and changes to the forecast spend are reviewed monthly by the project and asset managers. A business case is required to support any change to the project budget.

If work carried out by a supplier is not of a sufficient standard, then the fleet may not be accepted back into service. This will result in a reduction in income for ERG. Accordingly, ERG closely monitors the quality of work undertaken by its suppliers.

In general, the supplier agrees to carry out maintenance or refurbishment for a given price, to a given specification and for a given time period. The ROSCO generally has the following rights:

- indemnities against losses incurred if the supplier is required to cease working due to being in breach of safety standards;
- warranties in relation to defects;
- general supplier's indemnity, backed by insurance;
- liquidated damages for any delay in re-delivery of maintained/refurbished trains by the supplier against agreed timescales; and
- termination rights for poor or late performance by the supplier or the supplier's insolvency.
- In respect of new rolling stock, the supplier agrees to carry out the design, manufacture and supply of equipment in respect of such rolling stock. ERG also seeks contractual arrangements which allow it to procure spare parts for the asset for its entire economic life. The purchaser of new rolling stock generally has the following rights:
 - rights against the supplier in relation to, amongst other things, the design, construction, testing, safety and delivery of the equipment;
 - indemnities against losses incurred if the supplier is required to cease working due to being in breach of safety standards;
 - grant of an irrevocable, royalty-free, transferable and non-exclusive licence of the supplier's relevant intellectual property rights;
 - warranties in relation to defects;
 - rights in relation to purchasing spare parts and special tools, with respect to manufacture and supply agreements only;
 - general supplier's indemnity, backed by insurance;
 - liquidated damages for any delay in delivery by the supplier against agreed timescales; and
 - termination rights for poor or late performance by the supplier or the supplier's insolvency.

ERG has strong long-term relationships with all of its key suppliers. It has developed a procurement approach, which takes into account the risks around a limited supplier base for the manufacture of new rolling stock and the provision of maintenance. ERG works on a collaborative basis with a number of its key suppliers and thereby seeks to ensure that its longer-term supplier relationships successfully leverage the combined experienced and knowledge of both parties. Although the supply base for rolling stock is limited, ERG believes its strong relationships would enable it to find adequate alternative suppliers in the event one supplier failed to perform.

Highlights and Investments

Since privatisation ERG has invested some £2bn in rolling stock since privatisation and currently spends approximately between £40m-£80m a year maintaining and £20m-£40m a year enhancing its fleet. The average age of the fleet at December 2013 is 18.6 years and varies from older vehicles introduced into service in 1976 (Class 313 EMU) to the newest fleet of Class 380 EMUs introduced into passenger service during 2010/2011. ERG remains actively engaged in considering new opportunities to own and manage new build rolling stock to meet the future requirements of the industry and is therefore actively engaged with bidders in the franchising process to identify and where appropriate to develop and bid for these opportunities.

Modifications to increase asset value and the utility of rolling stock are identified, developed and delivered by the asset management team. Significant investments have been made in the production of mock-ups and vehicle demonstrators to promote the available options to Eversholt's current and prospective customers. New engineering solutions have been developed to create comfortable, modern passenger environments in preparation for new franchise opportunities.

In December 2013 ERG, in partnership with Abellio Greater Anglia and Wabtec, launched the Class 321 Demonstrator at Liverpool Street Station. The train has undergone a high-specification refurbishment and technology upgrades and will be running in normal service on the Abellio Greater Anglia network for a year. ERG and Abellio Greater Anglia will be seeking passenger views on the new features showcased. The demonstrator provides a powerful means of displaying the possibilities offered by quality refurbishment delivered at significantly lower cost than new trains.

Safety

The train operators are primarily responsible for train safety and for ensuring that they only operate trains which are safe to operate. ERG does however take its safety obligations very seriously and manages both its own obligations and takes an oversight role regarding the safety of its assets as set out below:

ERG's management of safety is divided between the safety of the staff and that of the assets:

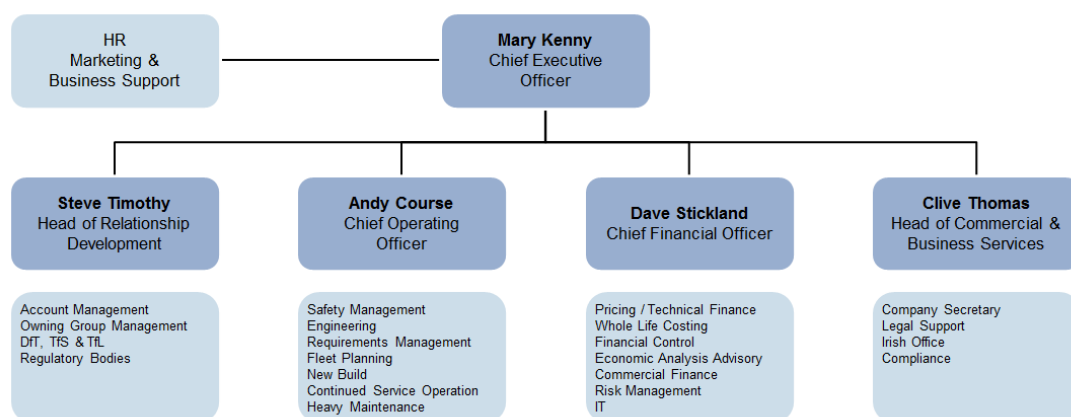
- Personal health, safety and welfare is a line management responsibility and is managed by risk assessing activities of staff, ensuring that they are properly trained and have the correct equipment to carry out their job in a safe manner.
- Asset safety is the prime responsibility of the Chief Engineer supported by the management team. This responsibility is discharged by employing competent staff supported by policies and processes to manage work carried out by ERG and the qualification, selection and management of all suppliers. There is a monthly meeting, attended by relevant stakeholders, to review the management of safety risk in accordance with Safety Management System.

Safety governance is provided by a quarterly review of asset safety chaired by an Independent Safety Adviser and supported by two other Independent Safety Advisers. This ensures compliance with policy and due consideration of safety best practice.

Management

ERG's executive management team is highly experienced and has a strong knowledge and understanding of the ROSCO market. ERG's executive management comprises as at the date of this Prospectus, the following individuals:

Executive Management Team



Source:ERG

There are no conflicts of interest between any duties that the members of ERG's management team owe to the Issuer and the other Obligors and their private interests and/or other duties. The business address for the management team is 210 Pentonville Road, N1 9JY.

Employees

As of 30 September 2014, ERG had 106 employees, 100 of whom are based in the London office and 6 in Dublin. Headcount is divided among the following functions:

Function	Headcount
Relationship Development	9
Operations	54
Commercial and Business Services (including Legal)	9
Finance & IT	26
Marketing, HR, Administration	8
Total	106

Source: ERG

Insurance

Own Insurance

ERG maintains general insurance policies for third party liability risk in an amount of £155,000,000, for Directors' and Officers' liability and for loss or damage to any off-lease rolling stock.

The insurance programme in place for ERG covers all the companies in the group including the Issuer and the Guarantors. The insurance programme is brokered by Marsh Brokers Limited.

Since privatisation there has been no material claims under any of ERG's insurances.

Third Party Insurances

ERG's contractual arrangements with lessees, maintenance contractors and train manufacturers incorporate indemnity and insurance requirements which are intended to ensure that the vast majority of risks associated with the leased rolling stock/equipment (i.e. damage caused to the rolling stock and liabilities arising from its operation), rolling stock maintenance and procurement of new rolling stock, are borne by the lessee companies, maintenance contractors or train manufacturers.

In particular, ERG's operating lease contracts place obligations on the train operator companies to hold property damage insurance which is based upon agreed fleet values and takes account of expected maximum aggregations of rolling stock (ERG's and that from other sources) at depots and other locations. The lease contracts place further obligations on the train operators to obtain third party liability insurance, in accordance with the regulatory governance framework for operator insurance which is set by ORR.

The arrangements described above should significantly reduce the Security Group's direct risk exposure. There is, however, a risk that insurance cover held by the relevant third parties is not in line with the contractual requirements or that the insurance cover does not perform, for example due to insurer insolvency. This risk is mitigated, in the case of damage to rolling stock and liabilities to third parties which should otherwise be covered by insurance obtained by the relevant train operators, by certain contingent insurance policies which have been put in place by ERG.

Pensions

MaintCo is the designated employer of its own section within the RPS. RPMI administers the RPS, which provides defined benefits to members based on final pensionable salaries. Other than for existing members the section is only made available by the company to new employees who are existing members of the RPS, and who fulfil certain criteria. MaintCo also operates a defined contribution pension scheme.

At the end of December 2013 there were 115 members of the section, of whom 27 were active members, 52 deferred members and 36 pensioners. At the time of the last

formal actuarial valuation, 31 December 2013, the scheme showed a funding level of 104.6 per cent.

The Pension Trustee is a Secured Creditor pursuant to the STID and ranks equally (up to a capped amount of £20 million) with principal payments required to be made to the holders of the Bonds and other Senior Debt. See "*Summary of the Financing Agreements-Security Trust and Intercreditor Deed*". The Pension Trustee also has an unsecured guarantee claim for any amount owed to it from time to time in respect of Pension Liabilities, provided that the aggregate amount which may be recovered and retained by the Pension Trustee under this guarantee and under any other guarantee provided under the Finance Documents shall not exceed the sum of (a) £20 million plus (b) a capped amount of £10 million (subject to adjustment for inflation), from the rest of the EIL Group to the extent that MaintCo itself fails to meet its obligations to the Pension Trustee from time to time and the right to share in the proportion of net proceeds of disposals which exceed £750 million applied to prepay Senior Debt.

See "*Risk Factors - Pensions and the Pension Trustee as a Secured Creditor*" for certain risks in relation to the relevant pension schemes.

SUMMARY OF THE FINANCING AGREEMENTS

This section contains summaries of the key financing agreements. Investors may also view copies of certain of the financing agreements which are summarised in this section on the website www.eversholtrail.co.uk (including the Common Terms Agreement, the STID, the Master Definitions Agreement and the Bond Trust Deed).

The Issuer's assets backing the issue have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the securities.

1. COMMON TERMS AGREEMENT

General

Each of the Bond Trustee, Security Trustee, the Security Group Agent, the Initial Facility Finance Parties, the Initial Hedge Counterparties, each Obligor (including the Issuer) and others entered into a common terms agreement dated 4 November 2010, which was further amended on 12 December 2012 and 16 May 2014 (the **Common Terms Agreement**). ERFL2 acceded to the Common Terms Agreement as an Obligor on 13 March 2012.

The Common Terms Agreement sets out the representations, covenants (positive, negative and financial), Trigger Events and Events of Default of which the Secured Creditors (including the Bondholders through the Bond Trustee as their Secured Creditor Representative) have the benefit.

The Common Terms Agreement contains provisions which have the effect of rendering unenforceable any representations, covenants (to the extent their breach can give rise to an Event of Default), Trigger Events and Events of Default contained in any Authorised Credit Facility which are in addition to those in the Common Terms Agreement (save for certain exceptions which, among other things, include tax representations and covenants relating to transfer mechanics, accession, set-off, the delivery of document to allow payments to be made without deduction of tax, indemnities, covenants to pay, notification of any changes in status relating to tax, "know your customer" requirements, "clean down" provisions, covenants and certain representations in any Operational Hedging Agreement or Hedging Agreement (subject to the Hedging Policy), voluntary prepayments, mandatory prepayments (other than upon or following the occurrence of any event of default howsoever worded), covenants in respect of reporting obligations, remuneration, costs and expenses and withholding and/or gross up payments in an Authorised Credit Facility).

It is a requirement of the Common Terms Agreement that future providers of Authorised Credit Facilities must also accede to the Common Terms Agreement and the STID.

A summary of the representations, covenants, Trigger Events and Events of Default included in the Common Terms Agreement is set out below.

Representations

On the Signing Date each Obligor made a number of customary representations which are subject, in some cases, to agreed exceptions and qualifications as to materiality

and reservations as to matters of law and any disclosures made prior to the giving of the relevant representation. These include, without limitation, representations by the Obligors (i) the accuracy of certain written information provided by the Obligors and the accuracy of this Prospectus, (ii) that each member of the EIL Group has good, valid and marketable title to, or valid leases or licences of, or other right to use, and all appropriate authorisations to use, all material assets necessary to carry on its business substantially as it is presently conducted; (iii) that it is the sole legal and/or beneficial owner of the shares over which it purports to grant a Security Interest; (iv) the Security Documents to which it is a party confer the Security Interests they purport to confer over the assets referred to therein subject to certain reservations and those Security Interests are not subject to any prior or *pari passu* Security Interests (other than any Permitted Security Interest) and those Security Interests are valid and effective; and (v) that the Security Shares are issued, fully paid, non-assessable, not subject to any option to purchase (other than pursuant to the Acquisition Agreement and the Security Documents), allotment agreements or similar rights, and freely transferable and constitute shares in the capital of limited companies, and there are no moneys or liabilities outstanding or payable in respect of any such share.

In addition, on each Payment Date, on each date of a request for a borrowing and, on the first date of each borrowing each Obligor shall make certain repeating representations (the "**Repeated Representations**"). An Obligor acceding to any Authorised Credit Facility shall make the Repeated Representations on the date of such accession.

Covenants

The Common Terms Agreement contains certain covenants from each of the Obligors. A summary of the covenants which are (amongst others) included (subject, in some cases, to agreed exceptions, *de minimis* amounts, qualifications in respect of confidential information and qualifications as to materiality and reservations as to matters of law) in the Common Terms Agreement is set out below in "*Covenants-Information*" and "*Covenants-General*".

Covenants - Information

- (a) The Security Group Agent, on behalf of the Security Group has undertaken to (a) supply to the Security Trustee, the Bond Trustee and each Rating Agency and (b) post to the Designated Website (1) the aggregate of the audited Financial Statements (within 120 days after the end of the preceding financial year) (or 180 days after the end of the first financial year) and the aggregate of the unaudited Financial Statements (90 days after the end of such financial half-year) (or 120 days after the end of the first financial half-year) of the Security Group, in each case after making such adjustments to present the aggregated Financial Statements as if they constituted a statutory group for consolidation purposes; (2) the audited Financial Statements of each Relevant Obligor within 120 days of the preceding financial year (or 180 days after the end of the first financial year); and (3) the unaudited Financial Statements of each Relevant Obligor for the first financial half-year in each financial year within 90 days after the end of such financial half-year (or 120 days after the end of the first financial half-year).

- (b) The Security Group Agent must, on behalf of each Obligor, supply to the Security Trustee, the Bond Trustee and each Rating Agency, a Compliance Certificate together with (and at the same time as) the financial statements referred to above. At the same time as distributing a Compliance Certificate the Security Group Agent must procure that such Compliance Certificate is published on the Designated Website (the "**Posting Date**"). Such Compliance Certificate shall include, without limitation:
- (i) the Financial Ratios and calculations thereof in reasonable detail (as well as various confirmations regarding the forward looking financial ratio calculations and projections);
 - (ii) the balance on the Disposal Proceeds Account, Insurance Proceeds Account, Acquisition Claim Account, the Lock-up Account and the Bond Defeasance Account;
 - (iii) a running total of the amount of Retained Excess Cashflow which has not yet been paid out of the Security Group as a Restricted Payment;
 - (iv) confirmation that no Credit Rating Downgrade, Default, or Trigger Event has occurred or is continuing, or if a Credit Rating Downgrade, Default or Trigger Event has occurred and is continuing, steps (which shall be specified) are being taken to remedy such Credit Rating Downgrade, Default or Trigger Event.
- (c) In the period starting on, but not including, the Posting Date of a Compliance Certificate and ending on, and including, the date falling 30 days from such date (the "**Challenge Period**") the Security Trustee will have the right on the written instructions of Qualifying Secured Creditors holding at least 25 per cent. of the Qualifying Secured Debt in accordance with the STID to challenge such Compliance Certificate (a "**Challenge**") by delivery of a written notice (a "**Challenge Notice**") if there is reason to believe that any statements made in the Compliance Certificate (including in respect of the Financial Ratios (or any confirmation of compliance with the Financial Ratios)) are incorrect or misleading in any material respect.

A Challenge Notice shall include a request that additional substantiating evidence is provided to confirm the calculations or statements contained in the Compliance Certificate. However, if the Security Group Agent responds within 14 days of delivery of a Challenge Notice by stating that the requested information is confidential or commercially sensitive and therefore wishes that the matter be dealt with through an Independent Expert, or the Security Trustee states within 14 days of receipt of the relevant information that the information provided is insufficient to determine whether the statements contained in the relevant Compliance Certificate (or the calculations behind such statements) are accurate, then the Security Trustee shall, following consultation with the Security Group Agent, within 14 days of such response or statement appoint an independent expert (the "**Independent Expert**") in accordance with the procedure set out in the Common Terms Agreement.

No Obligor may make any Restricted Payments in:

- (i) the period starting on, but not including, the Posting Date and ending on, and including, the date falling 15 days from such date (such period being the "**Non-Payment Period**"); and
- (ii) in the event that a Challenge is made, the period from the date of such Challenge until the earlier of:
 - (A) the date on which investigations in respect of that Challenge are completed to the reasonable satisfaction of the Security Trustee;
 - (B) the date on which the Independent Expert announces its conclusions in respect of a Confirmed Certificate to the Security Trustee and the Security Group Agent; and
 - (C) the date following expiry of the re-stated Challenge Period after a re-stated Compliance Certificate has been delivered,(the "**Investigation Period**").
- (d) In addition to the Compliance Certificate, the Security Group Agent (on behalf of each Obligor) must, in respect of each Calculation Date and at the same time as the relevant Compliance Certificate is supplied, (i) supply to the Security Trustee, the Bond Trustee and each Rating Agency, an Investor Report, and (ii) post such Investor Report on the Designated Website. The Investor Report must include, among other things, descriptions about the Security Group's historical regulatory and business developments, historical capital expenditure and financing.
- (e) The Security Group Agent must ensure, among other things, that each set of Financial Statements that are required to be supplied in accordance with the Common Terms Agreement are prepared in accordance with Applicable Accounting Principles and gives a true and fair view of, and in the case of unaudited financial statements, fairly presents the financial conditions of the relevant company or companies. The Security Group Agent must notify the Security Trustee of any material change to the basis on which the Financial Statements of any Obligor are prepared. If the change notified by the Security Group Agent relates to a Financial Ratio and could reasonably be expected to result in a deviation of equal to or greater than 5 per cent. from the result of the calculation of such Financial Ratio if such change had not occurred, the Security Group Agent (with the approval of the Security Trustee) is required to amend the Financial Covenant Trigger Event Ratio Levels to place the Security Group Agent and the Secured Creditors in a comparable position to that in which they would have been if the notified change had not happened (and if the Security Group Agent and the Security Trustee cannot reach agreement on this decision, they are required to appoint an international firm of auditors (acting as expert and not as an arbitrator) to make it). If the Security Group Agent and the Security Trustee cannot agree to the appropriate amendments to be made to the Financial Covenant Trigger Event Ratio Levels

then an international firm of auditors will be appointed for the purposes of determining the necessary amendments.

- (f) Each Obligor shall ensure that any Prospectus is updated as required under applicable laws or market practice before the Issuer seeks to issue any further series or tranches of Bonds after the validity period following the filing of the latest update (or, if none, the original filing of the Prospectus) has expired.
- (g) So far as permitted by any applicable law, regulation, order or any binding arm's length third party confidentiality obligations, each Obligor must supply to the Security Trustee and each Rating Agency information including in relation to (i) litigation, investigations, enquiries and proceedings which are current, threatened in writing or pending and which, if adversely determined, would reasonably be expected to have a Material Adverse Effect; (ii) ratings events and (iii) any Default or Trigger Event.
- (h) An Obligor (or the Security Group Agent on its behalf) may (and in the case of Financial Statements and Investor Reports shall) deliver any information (including Investor Reports, Compliance Certificates and Financial Statements) required to be delivered under the Common Terms Agreement to a Secured Creditor (including Bondholders) by posting it on to an electronic website provided the Obligor designates an electronic website (without password protection) (the "**Designated Website**") for this purpose and the Obligor notifies such persons of the address of the Designated Website.
- (i) The Obligors are required to notify the Security Trustee promptly upon becoming aware of any notice, enquiry or assessment or any other action taken by a Tax Authority relating to or in connection with any actual or potential liability of a member of the EIL Group to a Schedule 10 Tax Charge (save in respect of the 380 Co Schedule 10 Tax Charge, any ERFL GB Schedule 10 Tax Charge and any Rail Holdco Schedule 10 Tax Charge) or from which it might reasonably be inferred that such Schedule 10 Tax Charge may have arisen, and shall promptly provide the Security Trustee with full details of the relevant matter, including copies of any written notice or correspondence..
- (j) On a yearly basis an appropriate management team must give a presentation in the United Kingdom to such Secured Creditors (or their representatives) as wish to attend.

Covenants - General

Each Obligor agrees to be bound by certain general covenants including, without limitation, those set out below:

- (a) EIL and FinCo Parent shall not carry on any business other than (i) (in the case of EIL only) the ownership of shares; (ii) (in the case of FinCo Parent only) the ownership of shares in the Issuer; (iii) the business of a holding company and/or (in the case of EIL only) the provision of administrative services to other members of the Security Group; (iv) the ownership of cash or cash equivalents; (v) incurring professional fees; (vi) operating bank accounts or making payments or incurring liabilities under the Finance Documents;

(vii) entering into and performing the transactions contemplated by or not prohibited by the Finance Documents and the Acquisition Documents (and incurring any costs or liabilities in connection with the entry into or performance of such transactions); (viii) transactions in connection with group tax arrangements and surrenders of losses or other tax reliefs in each case in compliance with the terms of the Finance Documents; and (ix) (in the case of EIL only), declaring, making or paying Restricted Payments, subject to the terms of the Finance Documents.

- (b) The Issuer shall not carry on any business other than:
- (i) the raising of funds to provide debt financing to the Borrowers in accordance with the Finance Documents;
 - (ii) entering into Hedging Agreements in accordance with the Hedging Policy;
 - (iii) the ownership of cash and cash equivalents;
 - (iv) incurring professional fees;
 - (v) operating bank accounts or making payments or incurring liabilities under the Finance Documents;
 - (vi) entering into and performing the transactions contemplated by or not prohibited by the Finance Documents and the Acquisition Documents (and incurring any costs or liabilities in connection with the entry into or performance of such transactions); and
 - (vii) transactions in connection with group tax arrangements and surrender of losses or other tax reliefs in each case in compliance with the terms of the Finance Documents;
- (c) No Obligor shall carry on any business other than the Permitted Business (defined below) or actions which are permitted or contemplated by the Finance Documents.

"Permitted Business" means carrying on or being engaged in any trade or business of the nature carried on at the Signing Date by any member of the EIL Group including, without limitation:

- (i) the acquisition, procurement, disposal, owning, leasing, maintaining, servicing, renewing, upgrading and the provision of Railway Assets including depot and storage facilities and/or stations in respect of Railway Assets (but excluding networks (other than network directly connected to the use of any depot, storage facility and/or station)) and spares in the United Kingdom;
- (ii) the provision of consultancy services in respect of the procurement, asset management, funding, maintenance and servicing of Railway Assets in any jurisdiction other than the United States;

- (iii) any business or activity in the United Kingdom in the ordinary course of business which is ancillary to the business or activities set out in paragraph (i) above, provided that the activities set out in the preamble and paragraph (a) shall constitute the principal business carried on by the Security Group.
- (d) Negative pledge covenants under which the Obligors undertake not to:
 - (i) create or permit to exist any Security Interest on any of its present or future business, assets, Equipment or undertakings other than any Permitted Security Interest; or
 - (ii) sell, transfer or otherwise dispose of any of its assets on terms where such asset is or may be leased to or re-acquired or acquired by a member of the Security Group or any Associate, other than pursuant to a Finance Lease or a Permitted Disposal or any Permitted Security Interest; or
 - (iii) save to the extent permitted by the Common Terms Agreement or pursuant to any Permitted Security Interest, purchase any asset on terms providing for a retention of title by the vendor or on conditional sale terms or on terms having a like substantive effect to any of the foregoing except where acquired in the ordinary course of its business or pursuant to a Permitted Acquisition,

in the case of (ii) and (iii) above, in circumstances where the transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset.
- (e) No Obligor may, either in a single transaction or in a series of transactions and whether related or not, dispose of all or any part of its undertaking, revenues, business or assets other than as permitted by the Common Terms Agreement and described below under "*Disposals, Acquisition Claim Proceeds and Insurance Proceeds - Application of Excess Net Disposal Proceeds, Excess Acquisition Claim Proceeds and Excess Insurance Proceeds*". In addition, each Obligor must apply Excess Net Disposal Proceeds, Excess Acquisition Claim Proceeds and Excess Insurance Proceeds as set out in the Common Terms Agreement and described below under "*Disposals, Acquisition Claim Proceeds and Insurance Proceeds - Application of Excess Net Disposal Proceeds, Excess Acquisition Claim Proceeds and Excess Insurance Proceeds*".
- (f) No Obligor may incur any Financial Indebtedness other than Permitted Financial Indebtedness.
- (g) No Obligor may make any acquisition or investment (including incorporating any company or acquire shares or other ownership interests or the business of any company) other than:
 - (i) (A) as specifically permitted under paragraph (ii) below; or

- (B) Permitted Acquisitions.
- (ii) an Obligor may acquire any company, entity or business that upon acquisition will become an Obligor, provided that:
 - (A) the total consideration (including associated costs and expenses) for the acquisition and any Financial Indebtedness or other assumed actual or contingent liability as shown on the balance sheet (the "**Total Purchase Price**"), in each case remaining in the acquired company at the date of the acquisition does not exceed, when aggregated with the Total Purchase Price for each other acquisition falling within this paragraph (iii) and completed during any rolling three-year period, £300,000,000 (RPI Indexed); and
 - (B) the conditions set out in the Common Terms Agreement to such accession are met.
- (h) Each Obligor agrees to:
 - (i) maintain reasonably prudent Insurances which a business of a similar size and substantially the same nature would keep in place (so far as is commercially available); and
 - (ii) keep the Security Trustee informed of any insurance claims over £5,000,000 and not do or so far as within its power permit anything to be done by it which would make void or voidable any material insurance policy required to be maintained under paragraph (i) above.
- (i) Each Obligor undertakes that following the Closing Date or, if later, the date upon which new Railway Assets have been delivered to it under any Supply Contract, it will use reasonable efforts to procure that each TOC or FOC maintains or procures the maintenance in full force and effect of public and product liability insurance in respect of personal injury and damage to property caused in connection with its Railway Assets (save where the Obligor maintains such insurance in its own name) leased to such TOC or FOC and that the TOC or FOC:
 - (i) designates, as soon as practicable, the relevant Security Group members and the Finance Parties or the Security Trustee on their behalf as an additional insured under such insurances; and
 - (ii) maintains or procures the maintenance in full force and effect of property insurance covering risk of physical loss or damage to its Railway Assets and designates, as soon as practicable, the relevant Security Group members as an additional insured under such insurances.
- (j) Each Obligor undertakes that it shall at all times only enter into hedging and derivative transactions that are Permitted Treasury Transactions and maintain compliance with the Hedging Policy.

- (k) Subject to paragraph (1) below, each Obligor undertakes that it shall not make or grant any loan, guarantee or indemnity to any third party other than
 - (i) pursuant to the Finance Documents and/or pursuant to transactions permitted by or contemplated by the Finance Documents; (ii) under any Permitted Inter-Company Loan; (iii) under any Permitted Financial Indebtedness; (iv) the buying or holding of Cash, Cash Equivalent Investments or Authorised Investments; and (v) any loans to employees provided that the aggregate amount outstanding shall not exceed £3,000,000 (RPI Indexed).

- (l)
 - (i) Unless paragraph (ii) below applies, each Obligor may enter into any Finance Lease Out provided that the aggregate amount of Finance Leases Out entered into in any Financial Year does not exceed £50,000,000 (RPI Indexed).

 - (ii) If there is a change of Applicable Accounting Principles which results in any existing or future lease (which under Current Accounting Principles is not a Finance Lease Out) being characterised or recharacterised as a Finance Lease Out then such lease shall be allowed to subsist and shall not be counted for the purposes of the limitation set out in sub-paragraph (i).

- (m) Except as provided below, no Obligor shall (A) redeem, repurchase, defease, retire or repay any of its share capital or resolve to do so; (B) issue any shares which by their terms are redeemable or convertible or exchangeable for Financial Indebtedness; or (C) issue any share capital to any person which is not an Obligor. However, sub-paragraphs (A) to (C) do not apply to:
 - (i) any such action which is in furtherance of a Restricted Payment or other payment permitted by the Finance Documents, where the amount of the Restricted Payment is permitted to be paid pursuant to the Finance Documents;

 - (ii) any transaction which is expressly permitted under the Finance Documents;

 - (iii) (in respect of EIL only) the issue of any shares for the purposes of raising funds for an Additional Contribution;

 - (iv) the issue of any shares to any Obligor which is an immediate Holding Company of the issuer of such shares;

 - (v) in respect of EIL only, the issue of shares to capitalise any Subordinated Intragroup Liability owed by EIL to any Subordinated Intragroup Creditor;

 - (vi) any transaction which has received the prior written consent of the Security Trustee;

 - (vii) the issue of shares in connection with any remuneration scheme or management incentive plan, provided that the aggregate amount of

shares so issued does not exceed 2 per cent. of the share capital of the member of the Security Group;

- (viii) the redemption, repurchase, defeasance, retirement or repayment of any share capital issued pursuant to sub-paragraph (vii) above;
 - (ix) the redemption, repurchase, defeasance, retirement or repayment of the PPS Shares or the issue of any PPS Shares subject to compliance with paragraph (y)(ii); or
 - (x) the redemption, repurchase, defeasance, retirement or repayment of its share capital to another Obligor.
- (n) The Issuer shall use reasonable endeavours to maintain long term ratings for the Bonds with at least two Rating Agencies.
- (o) Subject to paragraph (p) below, no Obligor may make a Restricted Payment unless:
- (i) no Non-Payment Period or Investigation Period is continuing at such time;
 - (ii) a Relevant Compliance Date and connected Posting Date has occurred and such Restricted Payment is made prior to the end of the Semi-Annual Period in which such Relevant Compliance Date falls (except in respect of the first Semi-Annual Period or where a Challenge has been instigated in respect of a Compliance Certificate and the relevant Investigation Period comes to an end after the end of the Semi-Annual Period in which such Relevant Compliance Date falls in which case the Restricted Payment arising from such Semi-Annual Period may be made at any time prior to the last day of the following Semi-Annual Period or the Semi-Annual Period in which the Investigation Period ends); and
 - (iii) the Compliance Certificate for such Relevant Compliance Date states that no Default or Trigger Event is outstanding on the date of such Compliance Certificate.
- (p) In addition to the above conditions, for so long as any Authorised Credit Facility is outstanding the terms of which require compliance with this covenant and the one described above, any Restricted Payment cannot exceed Cash Available for Distributions in respect of the Relevant Period to which such Compliance Certificate was delivered.

The restrictions described in this paragraph and in paragraph (o) above will not apply to any amount paid to meet (directly or indirectly) an obligation falling within paragraph (i) of the definition of Excess Cashflow up to the limit specified in such paragraph provided that no such payment shall be made if a Trigger Event has occurred and is continuing.

- (q) No Obligor may purchase any Senior Debt unless such debt is cancelled on or as soon as reasonably practicable following any such purchase.

- (r) If a Compliance Certificate has been delivered which evidences that a Trigger Event that was previously subsisting is no longer continuing and a Challenge has been instigated in respect of such Compliance Certificate, then such Excess Cashflow shall not be applied in accordance with provisions summarised in section entitled *Trigger Event Consequences* until the end of the Investigation Period at which time such Excess Cashflow shall be applied as follows:
 - (i) if the Investigation Period is brought to an end by the delivery of a re-stated Compliance Certificate evidencing that a Trigger Event is continuing, in accordance with provisions summarised in the section entitled *Trigger Event Consequences*; or
 - (ii) in all other cases, in accordance with paragraph (r) above.
- (s) At all times, all members of the EIL Group shall be Guarantors except for any Funded Non-Obligors; provided that no Funded Non-Obligor may account for more than 5 per cent. individually (other than 365Co) or more than 20 per cent. when aggregated with all other Funded Non-Obligors of:
 - (i) the consolidated net assets of the EIL Group;
 - (ii) the consolidated turnover of the EIL Group;
 - (iii) the consolidated assets of the EIL Group; and
 - (iv) the Consolidated EBITDA of the EIL Group.
- (t) No Obligor may compromise or settle any claim, litigation or arbitration without prior notification to the Security Trustee if any such compromise or settlement would be reasonably likely to have a Material Adverse Effect.
- (u) No Obligor may change its Accounting Reference Date unless the Security Group Agent delivers to the Security Trustee a written notice and certificate describing such change and the effect of such change on certain matters including the calculation of the Financial Ratios and the relevant Obligor has executed any document required by the Security Trustee as a result of such change. The Accounting Reference Date cannot be changed more than once in a five year period provided that it may be changed more often if a change of control occurs in respect of ERG or an accounting or tax change occurs which renders it either necessary or desirable to change the Accounting Reference Date. In addition all Obligors are required to have the same Accounting Reference Date.
- (v) Each of the Issuer and EIL shall ensure that at all times it has an independent director in accordance with its constitutional documents.

(w) Bond Covenants

(i) Listing

The Issuer shall at all times use reasonable endeavours to procure the admission of all listed Bonds to the Official List and to trading on the London Stock Exchange's Regulated Market, or such other recognised stock exchange (within the meaning of section 1005 of the Income Tax Act 2007) approved by the Dealers, and to maintain such admission until none of the relevant listed Bonds are outstanding. If the Issuer is unable to maintain the listing having used all reasonable endeavours or if the maintenance of such listing is agreed by the Bond Trustee to be unduly burdensome or impractical, the Issuer shall use reasonable endeavours to obtain and maintain a listing of the Bonds on such other stock exchange(s) or securities market(s) as the Issuer may (with the approval of the Bond Trustee) decide and give notice of the identity of such other stock exchange(s) or securities market(s) to the Bondholders.

(ii) Ascertaining the amount outstanding of the Bonds

The Issuer shall, upon receiving a written request from the Bond Trustee, deliver to the Bond Trustee a certificate setting out, *inter alia*, details of the aggregate principal amount outstanding under the outstanding Bonds which, for the time being, are held by any Affiliate of the EIL Group (other than an Obligor, who shall ensure that any Bonds held by it are cancelled on or as soon as reasonably practicable following any such purchase date in accordance with the Common Terms Agreement) or by any person for the benefit of such person or persons.

(iii) Notices to Bondholders

The Issuer shall send or procure to be sent (not less than three days prior to the date of publication) to the Bond Trustee, for the Bond Trustee's approval, one copy of each notice to be given to the Bondholders in accordance with the Conditions and not publish such notice without such approval and, upon publication, send to the Bond Trustee two copies of such notice (such approval, unless so expressed, not to constitute approval for the purpose of Section 21 of the FSMA of such notice as an investment advertisement (as therein defined)).

(iv) Notification of non-payment

The Issuer shall use reasonable endeavours to procure that the Principal Paying Agent notifies the Bond Trustee and the Security Trustee forthwith in the event that it does not, on or before the due date for payment in respect of the Bonds of any Tranche receive unconditionally the full amount in the relevant currency of the monies payable on such due date.

(v) Notification of late payment

The Issuer shall forthwith give notice to the Bondholders of payments of any sum due in respect of the Bonds, the Coupons or the Receipts made after their due date to the Principal Paying Agent or the Bond Trustee.

(vi) Notification of redemption or payment

The Issuer shall, not less than the number of days specified in the relevant Condition, prior to the redemption or payment date in respect of any Bond, give to the Bond Trustee notice in writing of the amount of such redemption or payment pursuant to the Conditions.

(vii) Redemption

The Issuer shall, if it gives notice that it intends to redeem the Bonds pursuant to Condition 8 (*Redemption, Purchase and Cancellation*) prior to giving such notice to the Bondholders, provide such information to the Bond Trustee as the Bond Trustee requires in order to satisfy itself of the matters referred to in that Condition, including:

- (A) written notice to the Bond Trustee of the relevant Tranche or Tranches of Bonds which it intends to redeem and the amount of such redemption or repayment; and
- (B) a certification signed by an Authorised Signatory of the Issuer certifying that it will have the necessary funds on the date on which redemption is to occur to discharge all its liabilities due on such date.

(viii) Tax withholding

The Issuer shall promptly give notice to the Bond Trustee, Security Group Agent and the Security Trustee if it is required by law to effect a deduction or withholding for or on account of Tax in respect of any payment due in respect of any Bonds.

(ix) Obligations of agents

The Issuer shall use all reasonable endeavours to procure that the Agents observe and comply with all their obligations, under the Agency Agreement and, if any Registered Bonds are outstanding, to procure that the Registrar maintains the Register and to notify the Bond Trustee immediately if it becomes aware of any material breach or failure by an Agent in relation to the Bonds.

(x) Change of agents

The Issuer shall give not less than 30 days' prior notice to the Bondholders in accordance with Condition 18 (*Notices*) of any future appointment or any resignation or removal of any Agent or of any

change by any Agent of its specified office save that, in the case of automatic removal of an Agent by virtue of insolvency, the Issuer shall give notice to the Bondholders as soon as reasonably practicable thereafter.

(xi) Investment Company Act

The Issuer will, for so long as any Bonds are outstanding, take, or cause to be taken, such actions as are required in order for the Issuer to qualify for, and maintain such qualification for, exemption from registration as an "investment company" under the Investment Company Act.

(xii) U.S. Activities

The Issuer shall not engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business with the United States as determined under United States income tax principles.

(x) Tax Covenants

(i) EIL and ERFL Holdings shall procure that the PPS Shares issued by ERFL Holdings as at the Signing Date (the "**Relevant PPS Shares**") at all times remain in issue and continue to represent such proportion of ERFL Holdings' ordinary share capital which is held by such person as ensures that ERFL Holdings remains at all times the only "principal company" of ERFL GB for the purposes of Part 9 of the Corporation Tax Act 2010 (the "**Intended Effect**") unless EIL or ERFL Holdings demonstrates to the satisfaction of the Security Trustee (including providing any necessary supporting legal and/or tax opinions addressed to and satisfactory (in form and substance) to the Security Trustee (acting reasonably)) that it would not be materially prejudicial to the interests of the Secured Creditors:

- (a) for the Relevant PPS Shares to no longer remain in issue (for example if they are no longer effective in achieving the Intended Effect following a change in law); or
- (b) if the Relevant PPS Shares are replaced with other shares issued by ERFL Holdings, another Obligor, EIL or any Affiliate of EIL (the "**Replacement Shares**") such that the Intended Effect continues to be achieved,

and provided that in the case mentioned in paragraph (b) above, the Relevant PPS Shares are replaced in such manner, and this paragraph (y)(ii) will have effect as if the references to the Relevant PPS Shares includes references to the Replacement Shares, and making any necessary modifications.

- (ii) No Obligor shall:
 - (a) surrender or make available to another person (other than another Obligor), or accept an allocation or reallocation to it from another person (other than another Obligor), of any Group Relief (other than an allocation under Section 179A of the Taxation of Chargeable Gains Act 1992 in relation to any allowable loss arising as a result of the issue of the Relevant PPS Shares, entry into the Acquisition Agreement or Completion) other than for full consideration to be paid no later than the time when the Group Relief is surrendered, allocated or made available (as applicable); or
 - (b) make any payment for or in respect of a surrender to it or allocation or reallocation by it of Group Relief in excess of the amount of Tax actually saved by that Obligor as a result of the surrender, allocation or reallocation, any payment to be made no earlier than the time the Tax saved by that Obligor would have been required to be paid but for that surrender or allocation or making available.
- (iii) Other than a Permitted Tax Group, no Obligor shall (whether on its own behalf or on behalf of or as agent for another person) enter into to any arrangement for one member of such arrangement to discharge any liability of other members to pay Tax (including, for the avoidance of doubt, any arrangement of the type referred to in section 59F of the Taxes Management Act 1970).
- (iv) Other than a Permitted Tax Group, no Obligor shall become a member of a VAT Group.
- (v) No Obligor shall take any steps, and each Obligor shall procure that no Affiliate of an Obligor takes any steps, which would, or might reasonably be expected to, cause any Obligor to become:
 - (a) subject to a charge to Tax arising as a result of a person ceasing to be a member of a group or association for any Tax purpose (including under section 179 of the Taxation of Chargeable Gains Act 1992, sections 344 to 346, Part 9, sections 630 to 632 or section 780 of the Corporation Tax Act 2009; section 79 or 80 of the Stamp Duty Consolidation Act 1999 of Ireland or Part 20 of the Taxes Consolidation Act 1997 of Ireland) other than entry into the Acquisition Agreement and the performance of any obligations thereunder (including Completion); or
 - (b) liable to pay, or make reimbursement or indemnity in respect of, any Tax (for which a person other than an Obligor is primarily liable) in consequence of the failure by any other person to discharge that Tax within any specified period or otherwise.

- (vi) No English Obligor will hold any "interest" (within the meaning of section 749B of the Income and Corporation Taxes Act 1988) in any "controlled foreign company" (within the meaning of section 747(2) of that Act).
- (vii) The Issuer and the Irish Obligors shall co-operate and use reasonable endeavours to ensure that payments may be made by the Irish Obligors to the Issuer under any Intra-Security Group Loan Agreement without withholding or deduction for or on account of any Irish tax.
- (viii) Each Obligor shall file all Tax returns and pay all Taxes due and payable by it prior to the accrual of any fine or penalty for late filing or payment, unless (and only to the extent that):
 - (a) payment of those Taxes is being disputed in good faith and through appropriate means; and
 - (b) adequate reserves are being maintained for those Taxes (in accordance with, and to the extent required by, the Applicable Accounting Principles) including the costs required to dispute them.
- (ix)
 - (a) Subject to sub-paragraph (b) below, each Obligor will use reasonable endeavours not to become resident in any tax jurisdiction other than the jurisdiction of its incorporation.
 - (b) An Obligor may change its tax residence provided that the Security Trustee has received evidence satisfactory to it (including legal and tax opinions and accounting advice) (acting reasonably) that such change in tax residence would not be materially prejudicial to the interests of the Secured Creditors.
- (x) The Obligors will not, and will not permit any of their Subsidiaries to
 - (a) become a Blocked Person, or
 - (b) have any investment in or engage in any dealing or transaction with any person if such investment, dealing or transaction (i) would cause the purchase, holding or receipt of any payment or exercise of any rights in respect of any Relevant Securities by the holder thereof to be in violation of, or otherwise would subject any holder to sanctions under, any U.S. Economic Sanctions or (ii) is prohibited by or subject to sanctions under any United Kingdom, United Nations or European Union economic sanctions or any other law or regulation applicable to any Obligor or any of their Subsidiaries.

In addition, the Common Terms Agreement includes certain other customary covenants including covenants relating to the maintenance of licences and consents, taking actions necessary to protect or maintain any Security Interests conferred on the Secured Creditors, compliance with environmental laws and regulations and the requirement to maintain and fund pension schemes.

Additional Debt Incurrence Tests

Schedule 12 of the Common Terms Agreement sets out certain conditions which the Obligors must comply with if they wish to incur any Capital Expenditure Indebtedness, Working Capital Indebtedness, Refinancing Indebtedness or Other Indebtedness (the "**Additional Debt Incurrence Tests**"). These are described below.

(a) *Additional Debt*

Subject to compliance with the additional conditions set out in paragraphs (a), (b), (c) and (d) below in respect of Capital Expenditure Indebtedness, Working Capital Indebtedness, Other Indebtedness and Refinancing Indebtedness (as applicable), the following conditions must each be met for any Additional Debt to comply with the Additional Debt Incurrence Tests:

- (i) at the time of the incurrence of the Additional Debt no Credit Rating Downgrade or Trigger Event is continuing or could reasonably be expected to arise as an immediate result of the incurrence of such Additional Debt except that Refinancing Indebtedness may be incurred whilst a Trigger Event or Credit Rating Downgrade is continuing;
- (ii) the Additional Debt is made available pursuant to an Authorised Credit Facility, and the provider of such Additional Debt (or a trustee or representative on their behalf and excluding any lessor falling within the definition of Permitted Finance Lease) has, to the extent that it is not already a party thereof, acceded to the STID and the Common Terms Agreement as a Secured Creditor and has appointed a Secured Creditor Representative;
- (iii) the Additional Debt is incurred for one or more of the following purposes:
 - (a) Capital Expenditure Indebtedness;
 - (b) Working Capital Indebtedness;
 - (c) Other Indebtedness; or
 - (d) Refinancing Indebtedness;
- (iv) as a result of the incurrence of the Additional Debt no Authorised Credit Provider in respect of an Authorised Credit Facility entered into after the Closing Date will have better Entrenched Rights (taken as a whole) than those Authorised Credit Providers providing similar Financial Indebtedness of the same class (unless all such Authorised Credit Providers providing similar Financial Indebtedness of the same class are offered the same Entrenched Rights as the new Authorised Credit Provider), provided that an Authorised Credit Provider may have Entrenched Rights not granted to other Authorised Credit Providers providing similar Financial Indebtedness of the same class if this would not impact on the Security or such other Authorised Credit Providers' ability to control the enforcement process;

- (v) the Hedging Policy will be complied with in all respects within 30 days of the incurrence of such Additional Debt; and
 - (vi) the Additional Debt must rank *pari passu* in all respects with all other Senior Debt.
- (b) *Other Indebtedness*

Any Additional Debt which is Other Indebtedness (other than in respect of Finance Leases) shall be applied by the Obligors in the discretion of the Obligors.
- (c) *General*

For the avoidance of doubt, the Additional Debt Incurrence Tests set out above only apply to the incurrence of Permitted Additional Debt and do not apply to Ordinary Course of Business Indebtedness (including, without limitation, Subordinated Debt and Subordinated Intragroup Liabilities).

Disposals, Acquisition Claim Proceeds and Insurance Proceeds

Schedule 13 of the Common Terms Agreement sets out certain conditions which the Obligors must comply with in relation to disposals and the treatment of Excess Net Disposal Proceeds, Excess Acquisition Claim Proceeds and Excess Insurance Proceeds. These are described below.

Disposals

No Obligor may, either in a single transaction or in a series of transactions and whether related or not, dispose of all or any part of its undertaking, revenues, business or assets other than:

- (a) a Permitted Disposal;
- (b) pursuant to the creation of a Permitted Security Interest; or
- (c) with the prior written consent of the Security Trustee,

and provided that no such disposal would directly cause a Credit Rating Downgrade, Trigger Event or Default.

Application of Excess Net Disposal Proceeds, Excess Acquisition Claim Proceeds and Excess Insurance Proceeds

In respect of Excess Net Disposal Proceeds, Excess Insurance Proceeds and/or Excess Acquisition Claim Proceeds, the Obligors must:

- (a) promptly credit upon receipt:
 - (i) the Disposal Proceeds Account with any Excess Net Disposal Proceeds;

- (ii) the Acquisition Claim Account with any Excess Acquisition Claim Proceeds; and
 - (iii) the Insurance Proceeds Account with any Excess Insurance Proceeds;
- (b) only apply amounts standing to the credit of the Acquisition Claim Account and Insurance Proceeds Account to either:
 - (i) Reinvest; or
 - (ii) on or prior to the Reinvestment Cut-Off Date, *pro rata* (according to the respective principal amounts outstanding of (i) the Bonds, from time to time (less amounts already standing to the credit of the Bond Defeasance Account) and (ii) the Relevant Senior Debt):
 - (A) in credit to Proceeds Amounts Ledger of the Bond Defeasance Account in respect of each Tranche of Bonds (such amounts to be then applied in accordance with the section entitled "*Withdrawals from the Proceeds Amounts Ledger of the Bond Defeasance Account*" below); and
 - (B) prepay (together with any Repayment Gains) any Relevant Senior Debt in such proportions as between the Relevant Senior Debt as the Obligors may decide in their discretion (subject always to the terms of the Finance Documents) (after deducting and paying any related Repayment Costs, falling within limb (b) of the definition of that term, if any) provided that any revolving facilities must be cancelled to the extent prepaid;
- (c) only apply amounts standing to the credit of the Disposal Proceeds Account, to either:
 - (i) Reinvest; or
 - (ii) on or prior to the Reinvestment Cut-Off Date for such amounts in the following order of priority:
 - (A) up to an amount equal to £150 million (RPI Indexed), in any Financial Year prepay (together with any Repayment Gains) Relevant Senior Debt in such proportions as between the Relevant Senior Debt as the Obligors may decide in their discretion (subject always to the terms of the Finance Documents) (in each case after deducting and paying any related Repayment Costs, falling within limb (b) of the definition of that term, if any) provided that any revolving facilities must be cancelled to the extent prepaid;
 - (B) thereafter *pro rata* (according to the respective principal amounts outstanding of (i) each Tranche of Bonds (less amounts already standing to the credit of the Bond Defeasance Account) and (ii) the Relevant Senior Debt):

1. credit the Proceeds Amounts Ledger of the Bond Defeasance Account in respect of each Tranche of Bonds (such amounts to be then applied) in accordance with paragraph (b) in the section entitled *Withdrawals from the Proceeds Amounts Ledger of the Bond Defeasance Account* below); and
2. prepay (together with any Repayment Gains) any Relevant Senior Debt in such proportions as between the Relevant Senior Debt as the Obligors may decide in their discretion (subject always to the terms of the Finance Documents) (in each case after deducting and paying any related Repayment Costs, falling within limb (b) of the definition of that term, if any) provided that any revolving facilities must be cancelled to the extent prepaid,

provided that, in the case of paragraph (ii) above, if there is no Relevant Senior Debt then outstanding, such Excess Net Disposal Proceeds shall be retained in the Disposal Proceeds Account and may be applied by the Obligors from time to time at their discretion to fund Capital Expenditure and/or repay or prepay any Authorised Credit Facility and/or make market purchases of debt.

Reinvestment

In respect of any Excess Net Disposal Proceeds, Excess Insurance Proceeds and/or Excess Acquisition Claim Proceeds which the Obligors have elected to, or are obliged to, Reinvest the Obligors must ensure that such Excess Net Disposal Proceeds, Excess Insurance Proceeds and/or Excess Acquisition Claim Proceeds (as the case may be) have:

- (a) within 12 months of receipt been contractually committed to be applied towards the purchase of other assets for use in the Permitted Business and in compliance with the provisions of the Common Terms Agreement regulating acquisitions, investments and joint ventures by the Obligors and the general covenants described above; and
- (b) such amounts are actually so applied within 24 months of receipt or applied in prepayment as described above (the final day of such period being the "**Reinvestment Cut-Off Date**").

Bond Defeasance Account

Schedule 14 of the Common Terms Agreement describes various rules in relation to when amounts must be credited or withdrawn from the Bond Defeasance Account. These are described below.

Credits to the Bond Defeasance Account

Amounts will be credited to the Bond Defeasance Account as follows:

- (a) any amounts that are required to be credited to the Bond Defeasance Account as a consequence of a Trigger Event, will be recorded to a ledger entitled "**Mandatory Prepayment Amounts**"; and
- (b) any Excess Disposal Proceeds, Excess Insurance Proceeds or Excess Acquisition Proceeds that are required to be credited to the Bond Defeasance Account, will be recorded to a ledger entitled "**Proceeds Amounts**".

Withdrawals from the Mandatory Prepayment Amounts Ledger of the Bond Defeasance Account during the occurrence of a Trigger Event

If a Trigger Event has occurred and is continuing (as evidenced, in respect of a Financial Covenant Trigger Event only, by the most recently delivered Compliance Certificate) the Obligors may at any time in their absolute discretion withdraw amounts standing to the credit of the Mandatory Prepayment Amounts Ledger of the Bond Defeasance Account to:

- (a) make payments in respect of the Bonds (together with any related Repayment Costs falling within limb (a) of the definition of that term); and/or
- (b) make market purchases of Bonds for a purchase price not exceeding the aggregate of (i) par and (ii) any premium which would be payable were the Issuer to redeem such Bonds rather than such Bonds being purchased.

Withdrawals from the Mandatory Prepayment Amounts Ledger of the Bond Defeasance Account following the Lock-Up Remedy Date

If, following a credit to the Mandatory Prepayment Amounts Ledger, the Compliance Certificate delivered in relation to the Calculation Date following such credit to the Mandatory Prepayment Amounts Ledger shows that no Trigger Event is continuing or (in respect of a Trigger Event which is not a Financial Covenant Trigger Event), that such Trigger Event has been remedied in accordance with the Common Terms Agreement) and that should the Lock-Up Amounts be released from the Lock-Up Account after the cure of the Trigger Event and applied in accordance with the Finance Documents, no Trigger Event would occur, then amounts standing to the credit of the Mandatory Prepayment Amounts Ledger shall be applied by the Obligors:

- (a) for so long as any Relevant Senior Debt is outstanding, in prepayment (together with any Repayment Gains) of any Relevant Senior Debt (in such proportions as the Obligors may decide in their discretion, subject always to the terms of the Finance Documents) (in each case after deducting and paying any Repayment Costs falling within limb (b) of the definition of that term, if any) provided that any revolving facilities must be cancelled to the extent prepaid, or

- (b) if no Relevant Senior Debt is outstanding, then in the discretion of the Obligors, including in the making of Restricted Payments, subject always to the provisions of the Finance Documents.

Withdrawals from the Proceeds Amounts Ledger of the Bond Defeasance Account

The Obligors shall not withdraw any amounts standing to the credit of the Proceeds Amounts Ledger of the Bond Defeasance Account, except to:

- (a) if the amount standing to the credit of the Proceeds Amounts Ledger of the Bond Defeasance Account is less than or equal to £100,000,000 (RPI Indexed):
 - (i) make market purchases of any Bonds for a purchase price not exceeding the aggregate of (i) par and (ii) any premium which would be payable were the Issuer to redeem such Bonds rather than such Bonds being purchased; and/or
 - (ii) redeeming (after deducting and paying any related Repayment Costs falling within limb (a) of the definition of that term) any Bonds issued by the Issuer from time to time; and/or
 - (iii) fund Capital Expenditure; and/or
 - (iv) repay or prepay (together with any related Repayment Gains and after deducting and paying any related Repayment Costs falling within limb (b) of the definition of that term) any committed capex facility that is available to fund Capital Expenditure from time to time provided that any revolving facilities must be cancelled to the extent prepaid; or
- (b) if the amount standing to the credit of the Proceeds Amounts Ledger of the Bond Defeasance Account is greater than £100,000,000 (RPI Indexed):
 - (i) make market purchases of any Bonds for a purchase price not exceeding the aggregate of (i) par and (ii) any premium which would be payable were the Issuer to redeem such Bonds rather than such Bonds being purchased; and/or
 - (ii) repay or prepay (after deducting and paying any related Repayment Costs falling within limb (a) of the definition of that term) any Bonds.

Event of Default and Enforcement

- (a) Notwithstanding the paragraphs above, the Obligors shall not withdraw any amounts standing to the credit of the Proceeds Amounts Ledger or the Mandatory Prepayment Amounts Ledger of the Bond Defeasance Account for so long as an Event of Default is continuing.
- (b) Following the service of an Enforcement Notice, amounts standing to the credit of the Proceeds Amounts Ledger or the Mandatory Prepayment Amounts Ledger of the Bond Defeasance Account shall be applied (on a *pro*

rata and pari passu basis as between themselves) solely to amounts owed in respect of each Tranche of Bonds in accordance with the Post-Enforcement Priority of Payments as set out in the STID.

Trigger Events

The Common Terms Agreement sets out certain Trigger Events. The specific Trigger Events and the consequences which flow from the occurrence of those events are described below.

The occurrence of any of the following events will be a "**Trigger Event**":

(a) *Financial Covenant Trigger Events*

Any date when any of the following ratios are calculated in accordance with the Common Terms Agreement to breach the relevant level specified below (each a "**Financial Covenant Trigger Event Ratio Level**") as determined as at the most recently occurring Calculation Date:

- (i) the NPV Test as at any Calculation Date is greater than 70 per cent.;
- (ii) the Leverage Test for any Relevant Period or Relevant Forward Period is or is forecast to be greater than 7.00, except in relation to the first and second Calculation Dates, the Leverage Test for the related Relevant Period is greater than 7.25; or
- (iii) the Interest Cover Test for any Relevant Period or Relevant Forward Period is or is forecast to be less than 1.75.

(each a "**Financial Covenant Trigger Event**").

(b) *Default*

Without prejudice to the other remedies in respect thereof, the occurrence of a Default which is continuing.

(c) *Cashflow Shortfall*

On any Calculation Date the amount which is then projected and estimated to be the maximum probable financial liability of the Security Group to make payments (whether past due and unpaid, current and due or future) in respect of its Net Interest Payable, Capital Expenditure and Tax liabilities (taking into account any tax credits or rebates received or receivable by the Security Group) in the subsequent 12 month period starting on such Calculation Date exceeds the aggregate (without double counting) of the following amounts to the extent that such amounts are available for funding any such projected and estimated financial liabilities during such 12 month period:

- (i) all amounts available to be drawn under the Authorised Credit Facilities;

- (ii) any amount then standing to the credit of any accounts held by the Security Group; and
- (iii) Consolidated EBITDA,

ignoring for these purposes all Financial Indebtedness which falls due for scheduled repayment during such 12 month period.

Trigger Event Consequences

Following the occurrence of a Trigger Event and at any time until such Trigger Event has been waived by the Security Trustee or remedied in accordance with the Trigger Event Remedies (see "*Trigger Events Remedies*" below) the following consequences ("**Trigger Event Consequences**") will apply:

(a) *No Restricted Payments*

No Obligor may make any Restricted Payments.

(b) *Lock-up and Mandatory Prepayments*

- (i) Application of Excess Cashflow where a Trigger Event has occurred

If, on any date (a "**Trigger Date**"), a Trigger Event has occurred (as evidenced, in respect of a Financial Covenant Trigger Event only, by the most recently delivered Compliance Certificate) then the Obligors shall, promptly following (a) delivery of the relevant Compliance Certificate which confirms the occurrence of a Trigger Event in respect of such Calculation Date (and, in any event, within two Business Days following such delivery) or (as the case may be) (b) the occurrence of the next succeeding Calculation Date after the occurrence of the Trigger Date and if the Trigger Event is continuing credit the Lock-Up Account with an amount equal to the Excess Cashflow for the Semi-Annual Period ending on the Calculation Date falling immediately prior to that Trigger Date (after deducting amounts already applied in prepayment as described in item (r) under "*General Covenants*" above in such Semi-Annual Period and after deducting any Restricted Payments or payments falling within the exceptions to that definition in each case already made prior to the Trigger Date) and, the Obligors shall continue to so credit the Lock-Up Account in respect of each subsequent Semi-Annual Period within 2 Business Days of delivery of the relevant Compliance Certificate for so long as a Trigger Event is continuing (the aggregate of such amounts so credited being the "**Lock-Up Amounts**").

If during an Investigation Period all or part of the Excess Cashflow in respect of the relevant Semi-Annual Period is applied towards prepaying an Authorised Credit Facility which is permitted to have an excess cashflow sweep (where such cashflow sweep is permitted pursuant to the Common Terms Agreement) and such Investigation Period is brought to an end by the delivery of a re-stated Compliance

Certificate evidencing that a Trigger Event is continuing, any such amounts so prepaid shall not be required to be credited to the Lock-Up Account.

(ii) Application of Lock-Up Amounts whilst a Trigger Event is continuing

No amounts may be withdrawn from the Lock-Up Account except as described in paragraphs (iii), (iv), (v) and (vi) below.

(iii) Optional Prepayment

If an Obligor is not required to make a mandatory prepayment as described in (iv) below, the Obligors may apply amounts then standing to the credit of the Lock-Up Account *pro rata* (according to the respective principal amounts outstanding of (i) each Tranche of the Bonds (less amounts already standing to the credit of the Bond Defeasance Account) and (ii) the Relevant Senior Debt) in:

- (A) credit to the Mandatory Prepayment Amounts Ledger of the Bond Defeasance Account; and
- (B) prepayment (together with any Repayment Gains) of any Relevant Senior Debt in such proportions as between the Relevant Senior Debt as the Obligors may decide in their discretion (in each case after deducting and paying any related Repayment Costs falling within limb (b) of the definition of such term, if any) provided that any revolving facilities are cancelled to the extent they are required to be prepaid.

(iv) Mandatory Prepayment

If:

- (A) Relevant Senior Debt is outstanding; and
- (B) a Trigger Event occurs and is continuing on two or more consecutive Calculation Dates (as evidenced, in respect of a Financial Covenant Trigger Event only, by the two most recently delivered Compliance Certificate),

then, following the credit of the Excess Cashflow for each Semi-Annual Period in accordance with paragraph (b)(i) above, the Obligors shall immediately apply all amounts then standing to the credit of the Lock-Up Account *pro rata* (according to the respective principal amounts outstanding of (i) each Tranche of Bonds (less amounts already standing to the credit of the Bond Defeasance Account) and (ii) the Relevant Senior Debt) in:

- (A) credit to the Mandatory Prepayment Amounts Ledger of the Bond Defeasance Account; and

- (B) prepayment (together with any Repayments Gains) of Relevant Senior Debt in such proportions as between the Relevant Senior Debt as the Obligors may decide in their discretion (after deducting and paying any related Repayment Costs falling within limb (b) of the definition of such term, if any) provided that any revolving facilities are cancelled to the extent they are required to be prepaid.

If:

- (A) no Relevant Senior Debt is outstanding and has been cancelled in full; and
- (B) a Trigger Event occurs and is continuing on two or more consecutive Calculation Dates (as evidenced, in respect of a Financial Covenant Trigger Event only, by the two most recently delivered Compliance Certificates),

then, following the credit of the Excess Cashflow for each Semi-Annual Period as described in (b)(i) (*Application of Excess Cashflow where a Trigger Event has occurred*) above, the Obligors shall immediately apply all amounts then standing to the credit of the Lock-Up Account in credit to the Mandatory Prepayment Ledger of the Bond Defeasance Account.

- (v) Application of Lock-up Amounts following the Lock-Up Remedy Date

For so long as any Sweep Facilities are outstanding, after a Lock-Up Remedy Date, the Lock-Up Amounts standing to the credit of the Lock-Up Account shall be applied in the following order of priority:

- (A) *first*, towards prepayment of the Sweep Facilities in such proportions as between the Sweep Facilities as the Obligors may decide in their discretion, in an amount equal to the aggregate of each Required Amount (as defined above under "*Covenants - General - (r)*") on or before the next Relevant Payment Date (as each term is defined below);
- (B) *second*, in the release of any remaining amounts back to the Obligors (through the Security Group Agent) who may apply such amounts in their discretion.

If no Sweep Facilities are outstanding, after a Lock-Up Remedy Date, any amounts standing to the credit of the Lock-Up Account shall be immediately released back to the Obligors (through the Security Group Agent) who may apply such amounts in their discretion.

"Sweep Facilities" means any Authorised Credit Facilities, from time to time, which require Excess Cashflow to be applied towards their prepayment and, as part of their terms, are nominated as "Sweep Facilities" (excluding any working capital facilities).

- (vi) Withdrawals from the Lock-Up Account following a projected shortfall in cashflows

The Obligors may at any time withdraw amounts standing to the credit of the Lock-Up Account for the purpose of making payments or repayments of scheduled interest and principal in respect of Senior Debt or to make net payments under any Hedging Agreement if, in each case, the Security Group Agent provides a certificate (acting in good faith and having regard to projected cashflows until the end of the first full Semi-Annual Period following the date of the proposed withdrawal) to the Security Trustee that the Obligors would not otherwise have sufficient cash available from other sources to make such payment.

- (vii) Withdrawals from the Bond Defeasance Account

The Obligors may only withdraw amounts standing to the credit of the Bond Defeasance Account for application in accordance with the provisions of the Common Terms Agreement.

(c) *Further Information and Remedial Plan*

- (i) So far as permitted by any applicable law, regulation, order or any binding confidentiality obligations, the Security Group must provide such information as to the relevant Trigger Event (including its causes and effects) as may be reasonably requested by the Security Trustee.
- (ii) The Security Group or such member or members thereof as the Security Trustee may request, shall provide to the Security Trustee its written proposals for the remedy of the Trigger Event within 10 Business Days, and shall in any event, if requested by the Security Trustee, meet with both the Security Trustee and the Secured Creditor Representatives of the Secured Creditors to discuss the ramifications of the Trigger Event and its remedy.

(d) *Consultation with Regulator*

The Security Trustee shall be entitled to be consulted with respect to, and upon the reasonable request of the Security Trustee and consent of the Regulator, to participate in, any discussions with any Regulator regarding the ramifications of the Trigger Event and its remedy.

Trigger Event Remedies

The Trigger Events are remedied either if they are waived by the Security Trustee, or if they are no longer continuing as evidenced by a certificate provided by the Security Group Agent to the Security Trustee signed by two directors of the Security Group Agent confirming that the Trigger Event has been remedied, together with such evidence in support of such certificate as the Security Trustee may reasonably require. A Financial Covenant Trigger Event will be remedied if a Compliance Certificate is delivered in relation to a Calculation Date following the Trigger Date arising as a

result of the Financial Covenant Trigger Event showing that there are no Financial Covenant Trigger Events outstanding.

Events of Default

The Common Terms Agreement contains a number of events of default (the "**Events of Default**") which will be Events of Default under each Finance Document, subject, in some cases, to agreed exceptions, materiality qualifications, reservations as to matters of law and grace periods. The Events of Default include:

- (a) An Obligor does not pay on the due date any amount payable by it under the Finance Documents in the manner required under such documents unless such failure to pay is caused by an administrative or technical error and such payment is made within 3 Business Days of the due date;
- (b)
 - (i) The NPV Test as stated in the Compliance Certificate produced in respect of any Calculation Date is greater than 80 per cent., subject to Cure Right;
 - (ii) The Leverage Test as stated in the Compliance Certificate produced in respect of the Relevant Period is greater than 8.00, subject to Cure Right; and/or
 - (iii) The Interest Cover Test as stated in the Compliance Certificate produced in respect of the Relevant Period is less than 1.50, subject to Cure Right,

(i) to (iii) each being a "**Financial Covenant Ratio Level**";
- (c) an Obligor does not comply with the terms of any covenant or undertaking set out in the Finance Documents (other than non-monetary performance obligations under a Finance Lease);
- (d) a representation made or repeated by an Obligor in the Common Terms Agreement or in any document delivered by or on behalf of any Obligor under any Finance Documents is incorrect or misleading in any material respect when made or deemed to be repeated;
- (e) Any of the following occurs in respect of one or more Obligors:
 - (i) any Financial Indebtedness (except for Subordinated Debt or Subordinated Intragroup Liabilities or Financial Indebtedness between Obligors) in an aggregate amount exceeding £10,000,000 (RPI indexed) or its equivalent is not paid when due after the expiry of any originally applicable grace period; or
 - (ii) any Financial Indebtedness (except for Subordinated Debt or Subordinated Intragroup Liabilities or Financial Indebtedness between Obligors) in an aggregate amount exceeding £10,000,000 (RPI indexed) or its equivalent:
 - (A) is declared to be or otherwise becomes due and payable prior to its specified maturity; or

(B) any commitment for such Financial Indebtedness is cancelled or suspended; or

(C) any creditor of any member of the Security Group becomes entitled to declare such Financial Indebtedness due and payable prior to its specified maturity or is otherwise placed on demand,

in each case, as a result of an event of default (howsoever described);

- (f) the insolvency of one or more Obligor;
- (g) the winding-up, dissolution, administration or other analogous proceedings being entered in respect of one or more Obligor;
- (h) it becomes unlawful for any Obligor to perform its obligations under the Finance Documents or any of the obligations of an Obligor under any Finance Documents are not or cease to be legal, valid, binding or enforceable and the cessation thereof has a Material Adverse Effect on the interests of the Secured Creditors under the Finance Documents;
- (i) the Security created by a Security Document entered into by any Obligor ceases to be in full force and effect or does not create the security interests it purports to create in each case in a manner that has a Material Adverse Effect;
- (j) the authority or ability of the relevant member of the Security Group to conduct its business is wholly or substantially curtailed by any seizure, expropriation, nationalisation, compulsory acquisition, intervention, restriction or other action by or on behalf of any governmental, regulatory or other authority or other person;
- (k) an Obligor suspends or ceases to carry on all or a substantial part of its business which is reasonably likely to result in a Material Adverse Effect or changes the nature of its business (other than as contemplated within the definition of Permitted Business) in any material respect from that undertaken as at the date of signing, except:
 - (i) as permitted by the Security Trustee acting on instructions received in accordance with the STID or (without obligation) in its absolute discretion; or
 - (ii) as a result of a Permitted Disposal;
- (l) any litigation, arbitration, administration, or other proceedings occurs concerning or arising in consequence of the Finance Documents or the Security Group's business which has or is reasonably likely to have a Material Adverse Effect but excluding (in any case) any litigation, arbitration, administration or other proceedings related to or arising from any litigation, arbitration, administration, proceeding, investigation or inquiry which has been started prior to the Closing Date and have been set out in the Disclosure Letter;

- (m) any attachment, sequestration, distress, execution, compulsory acquisition or analogous event affects any asset or assets of any member of the Security Group, unless the assets involved are valued at less than £10,000,000 (RPI indexed) or the action is being contested in good faith and is discharged within 30 days;
- (n) except as expressly permitted under the Finance Documents, EIL ceases to own directly or indirectly 100 per cent. of the shares in the members of the Security Group or any intermediary holding company below EIL ceases to hold 100 per cent. of the shares in their direct Subsidiaries (other than in respect of the PPS Shares);
- (o) any Obligor does not comply with any material provision of the STID; and
- (p) an Obligor rescinds or repudiates a Finance Document or any Security or any party to the Acquisition Documents rescinds or repudiates any of those agreements or instruments in whole or in part where to do so has a Material Adverse Effect.

Upon becoming aware of any Event of Default, the Security Trustee will be entitled, while it is still continuing, subject to the provisions of the STID by notice to the Obligor (an "**Enforcement Notice**") to enforce any guarantee or security for the Obligors' obligations under the Security Documents and may, subject to the provisions of the relevant Authorised Credit Facility and subject to the provisions of the STID, declare all amounts outstanding under the Finance Documents to be immediately due and payable or to be payable on demand of the Security Trustee (whereupon the same shall become so due and payable or (as the case may be) payable on such demand provided that only the Bond Trustee may declare all amounts outstanding under the Bonds to be immediately due and payable (*See also "Risk Factor - The Security Trustee must comply with certain obligations during an enforcement process"*)).

Cure Rights

Schedule 5 of the Common Terms Agreement sets out certain cure rights in respect of Defaults arising as a result of breaches of financial covenants. These are described below.

- (a) No Default arising from a breach of a Financial Covenant Ratio Level (see paragraph (b) of "*Event of Default*" above) shall occur prior to or within 15 Business Days of the delivery of the relevant Compliance Certificate evidencing a breach of a Financial Covenant Ratio Level if:
 - (i) the Obligors have procured that Additional Contributions are made;
 - (ii) the proceeds of such Additional Contributions are applied in:
 - (A) making payments in respect of each Tranche of Bonds (together with any related Repayment Costs falling within limb (a) of the definition of that term);

- (B) making market purchases of Bonds for a purchase price not exceeding the aggregate of (i) par and (ii) any premium which would be payable were the Issuer to redeem such Bonds rather than such Bonds being purchased; and/or
- (C) prepayment (together with any Repayment Gains) in such proportions between the Relevant Senior Debt as the Obligors may decide in their discretion (subject always to the terms of the Finance Documents) (after deducting any related Repayment Costs falling within limb (b) of the definition of that term) provided that any revolving facilities must be cancelled to the extent prepaid),

(as the Obligors may decide in their discretion), and

- (iii) the Obligors shall have delivered to the Security Trustee a Compliance Certificate indicating, after taking into account the Additional Contribution, that the relevant Financial Covenant Ratio Level is no longer breached,

the mechanism described in paragraphs (i) to (iii) above being a "**Cure Right**".

- (b) Following the exercise of a Cure Right, no breach of a Financial Covenant Ratio Level shall be deemed to have occurred.
- (c) For the purposes of recalculating the Financial Covenant Ratio Levels:
 - (i) in respect of the NPV Test and the Leverage Test, the Additional Contribution will be treated as reducing Consolidated Net Debt on a historical basis; and
 - (ii) in respect of the Interest Cover Test, the Additional Contribution will be treated as reducing Consolidated Net Debt on an historical basis, (as at the beginning of the Relevant Period) with a consequent deemed reduction in the interest payable in respect of such Consolidated Net Debt.
- (d) For the purposes of calculating the Interest Cover Test on the Calculation Date immediately following the Interest Cover Test referred to in (c)(ii) above, the interest payable for the first six months of the Relevant Period shall be equal to the interest deemed to have been payable during the last six months of Relevant Period in respect of the previous Interest Cover Test as calculated according to the description above.
- (e) A Cure Right may not be exercised in respect of any two consecutive Calculation Dates or more than twice in any six year period.

Hedging Policy

The Obligors are subject to a Hedging Policy which is set out at Schedule 6 of the Common Terms Agreement. The Obligors (other than EIL and FinCo Parent) may

enter into Hedging Agreements (including interest rate transactions) in conformity with the Hedging Policy. The Obligors (other than the Issuer, EIL and FinCo Parent), may enter into Operational Hedging Agreements. The hedging counterparties in respect of such arrangements (to the extent they have acceded to the STID as such) will be Secured Creditors and will rank *pari passu* with the claims of the Bondholders under each Tranche of the Bonds.

The Hedging Policy requires that if, for any reason on any Calculation Date, the Security Group is Underhedged or it is projected that the Security Group will be Underhedged on a look forward basis, it will be required to increase the level of its hedging until it is no longer Underhedged. For these purposes, "**Underhedged**" means that, at the relevant time, less than 80% of the aggregate outstanding principal amount of Senior Debt incurred by the Security Group at such time bears a fixed rate of interest (either directly or through hedging).

If, for any reason on any Calculation Date, the Security Group is Overhedged, it is required to decrease the level of its hedging until it is no longer Overhedged (which may be achieved by incurring additional Senior Debt). For these purposes:

"**Overhedged**" means that, on the relevant date, the Hedged Principal Amount exceeds the Overhedging Limit.

"**Hedged Principal Amount**" means the sum of (a) the aggregate outstanding principal amount of Senior Debt incurred by the Security Group at such time that bears a fixed rate of interest; and (b) the aggregate notional amount of Treasury Transactions that, as at the relevant date, convert the Security Group's floating rate interest costs in respect of Senior Debt to fixed rate; less (c) the aggregate notional amount of any reverse swaps or Treasury Transactions having a similar effect entered into by any member of the Security Group.

"**Overhedging Limit**" means 110% of the aggregate outstanding principal amount of Senior Debt.

The Hedging Policy permits the Security Group to enter into Operational Hedging Agreements to hedge its forecast operating revenues or operating or capital expenditure or for capital expenditure in a different currency arising in the ordinary course of business. The Hedging Policy prohibits the Security Group to bear currency risk in respect of any foreign currency denominated debt instruments (excluding any fees payable in respect of any foreign currency denominated Authorised Credit Facility).

The Hedging Policy also contains certain provisions in relation to the events of default and termination events which may be contained in the Hedging Agreements.

The Common Terms Agreement is governed by English law.

2. SECURITY TRUST AND INTERCREDITOR DEED

General

The intercreditor arrangements among the Secured Creditors of the Security Group (the "**Intercreditor Arrangements**") are contained in the STID. The Intercreditor

Arrangements bind each of the Secured Creditors and each of the Obligors. To the extent that in due course there are any Subordinated Debt Creditors they will be Secured Creditors but their claims in respect of any Financial Indebtedness will be subordinated and postponed pursuant to the STID. No Subordinated Intragroup Creditor is a Secured Creditor and any claims of theirs against the Security Group are further subordinated and postponed pursuant to the STID. The following section describes only the Intercreditor Arrangements as among the Secured Creditors.

Unsecured creditors other than Subordinated Intragroup and 365Co Creditors are not and will not become parties to the Intercreditor Arrangements and will have unfettered, independent rights of action in respect of their debts. 365Co is only a party to the STID to give certain undertakings limiting its rights of action against the Obligors. The aggregate amount of unsecured Financial Indebtedness is restricted under the Common Terms Agreement.

The purpose of the Intercreditor Arrangements is to regulate, among other things: (i) the claims of the Secured Creditors; (ii) the exercise, acceleration and enforcement of rights by the Secured Creditors; (iii) the rights of the Secured Creditors to instruct the Security Trustee; and (iv) the giving of consents and waivers and the making of modifications to the Common Terms Agreement, the Security Documents, the Account Bank Agreement, the CP Agreement and the Master Definitions Agreement (the "**Common Documents**"), in particular, the basis on which votes of the Secured Creditors will be counted for the purpose of determining whether the Security Trustee may provide such consent or waiver or approve such modification.

The Intercreditor Arrangements provide for the ranking in point of payment of the claims of the Secured Creditors, after delivery of an Enforcement Notice as described in "*Post-Enforcement Priorities of Payment*" below and for the subordination and postponement of all claims in respect of Financial Indebtedness of any Subordinated Intragroup Creditor.

The Secured Creditors will be bound by, and have the benefit of, the STID.

Each Secured Creditor appoints a Secured Creditor Representative to act as its representative in the exercise of all rights of the Secured Creditors represented by such Secured Creditor Representative under the Finance Documents. The Secured Creditor Representative for the AC Facility Providers will be the ACF Facility Agent and, for the Bondholders, the Bond Trustee.

The Pension Trustee is party to the STID and a Secured Creditor although the effectiveness of its rights and obligations are conditional on delivery of a certificate signed by it and HSBC Bank plc. The obligations of the Pension Trustee under the STID are also subject to certain carve-outs which are incorporated into its terms. For example, the Pension Trustee is entitled to independently enforce its right under the Pension Documents and as a matter of law but shall have no right to independently enforce or instruct the Security Trustee to enforce the Security granted pursuant to the Security Documents.

Undertakings of Secured Creditors

Pursuant to the terms of the STID, each Secured Creditor (other than the Security Trustee and the Pension Trustee) agrees that it will not:

- (a) permit or require any Obligor to discharge any of the Secured Liabilities owed to it, except to the extent and in the manner permitted under the Common Documents and the relevant Finance Documents (to the extent that the provisions of such Finance Documents are consistent with the relevant provisions of the Common Documents);
- (b) accelerate against any Obligor, or permit or require any Obligor to accelerate, cancel, pay, prepay, repay, redeem, purchase, terminate early or voluntarily terminate or otherwise acquire any of the Secured Liabilities owed by such Obligor, except:
 - (i) to the extent and in the manner provided for or permitted by the Common Documents and as further specified in the Finance Documents to the extent the provisions of such Finance Documents are consistent with the relevant provisions of the Common Documents; and
 - (ii) the mandatory prepayment of an Authorised Credit Facility in the event that it becomes unlawful for an Authorised Credit Provider to perform any of its obligations as contemplated by the relevant Authorised Credit Facility or to fund or maintain any Authorised Credit Facility;
- (c) take, accept or receive the benefit of any Security Interest, guarantee, indemnity or other assurance against financial loss from any Obligor in respect of any of the Secured Liabilities owed to it except pursuant to the Security created under the Security Documents or pursuant to or as permitted by the Finance Documents (to the extent that the provisions of such Finance Documents are consistent with the relevant provisions of the Common Documents);
- (d) take, receive or recover from any of the Obligors by set-off, any right of combination of accounts, proceedings of any kind or in any other manner whatsoever (save where permitted pursuant to paragraphs (a) to (c) above) the whole or any part of the Secured Liabilities owed to it, except (i) in respect of the Account Bank, to the extent provided for or permitted under the Account Bank Agreement or (ii) to the extent provided for or permitted under the provisions of the Common Documents and/or any Finance Documents (to the extent provided for or permitted by the Common Documents); or
- (e) take any action to enforce the Security except in accordance with the provisions of Clause 18 of the STID and the other Security Documents.

Undertakings of Obligors

Pursuant to the terms of the STID, (subject to certain exceptions in relation to Pension Liabilities, Hedging Agreements and Finance Leases) each Obligor undertakes that it will not:

- (a) discharge any of the Secured Liabilities owed by it, save to the extent such discharge is permitted under the STID;
- (b) accelerate, cancel, pay, prepay, repay, redeem, purchase, terminate early or voluntarily terminate or otherwise acquire any of the Secured Liabilities owed by it, save to the extent such action is permitted by the Finance Documents or would fall within the exceptions set out in paragraph (b) above (*Undertakings of the Secured Creditors*);
- (c) create or permit to subsist any Security Interest (except a Permitted Security Interest), guarantee, indemnity or other assurance against financial loss in respect of any of the Secured Liabilities owed by it except pursuant to the Security created under the Security Documents or pursuant to or as permitted by the Finance Documents (to the extent that the provisions of such Finance Documents are consistent with the relevant provisions of the Common Documents); or
- (d) discharge any of the Secured Liabilities owed by it (in whole or in part) by set-off, any right of combination of accounts, proceedings of any kind or in any other manner whatsoever, save where permitted by the matters described in paragraphs (a) – (c) above or to the extent such discharge would fall within the exceptions set out in paragraph (d) of the section "*Undertakings of Secured Creditors*" described above.

Undertakings of Subordinated Intragroup Creditors

Pursuant to the STID, each Subordinated Intragroup Creditor undertakes that it will not, until the Senior Discharge Date:

- (a) take or join any person in taking any steps whatsoever (including exercising any right of set-off) against any Obligor for the purposes of obtaining payment of any amount due whatsoever from such Obligor to such Subordinated Intragroup Creditor, **provided that** nothing shall prevent such Subordinated Intragroup Creditor from:
 - (i) (provided that a Default is not outstanding) taking any steps to obtain payment to the extent such steps will not cause an Insolvency Event to occur in respect of the relevant Obligor or result in a Default occurring; or
 - (ii) proving for the full amount owed to it by any Obligor in the insolvency of such Obligor;
- (b) initiate or join any person in initiating howsoever an Insolvency Event in relation to any Obligor; or

- (c) be entitled to take any steps or proceedings whatsoever which would result in any of the provisions setting out the Post-Enforcement Priority of Payments or the undertakings of the Subordinated Intragroup Creditors not being observed.

Undertakings of Subordinated Debt Creditors

Pursuant to the STID, each Subordinated Debt Creditor undertakes that (subject to certain limited permitted exceptions) it will not, until the Senior Discharge Date take or join any person in taking any steps whatsoever against (including, but not limited to making any claim or demand under any Subordinated Debt Guarantee) any Obligor for the purposes of obtaining payment of any amount due whatsoever from such Obligor to such Subordinated Debt Creditor, initiate or join any person in initiating howsoever an Insolvency Event in relation to any Obligor or take any steps or proceedings whatsoever which would result in any of the Post-Enforcement Priority of Payment provisions (described below) or other undertakings of the Subordinated Debt Creditors not being observed.

Ranking of Secured Liabilities

The underlying principle of the Intercreditor Arrangements is that, following the delivery of an Enforcement Notice, the Senior Debt ranks in point of payment prior to the Subordinated Debt. Further, the Subordinated Intragroup Debt is, subject to the terms of the Common Terms Agreement and the STID, subordinated to the Senior Debt and the Subordinated Debt.

Acceleration and Enforcement

- (a) The Security Documents will provide that the Security will become enforceable following the delivery of an Enforcement Notice.
- (b) When the Security Trustee has notice of the occurrence of an Event of Default which is subsisting under the Common Terms Agreement it shall promptly request by notice (an "**Enforcement Instruction Notice**") an instruction from the Qualifying Secured Creditors (through their Secured Creditor Representatives) as to whether the Security Trustee should deliver an Enforcement Notice to enforce all or any part of the Security or take any other kind of Enforcement Action. The period of time within which the instruction is to be provided to the Security Trustee shall be 20 Business Days from the date of delivery of the Enforcement Instruction Notice. At any time following the delivery of an Enforcement Notice, the Security Trustee may and, following receipt of an Instruction Notice by the Security Trustee (as described in (*Qualifying Secured Creditor Instructions*) below) shall promptly request an instruction (by a Further Enforcement Instruction Notice) from the Qualifying Secured Creditors (through their Secured Creditor Representatives) as to whether the Security Trustee should take any further Enforcement Action.
- (c) Following delivery of an Enforcement Notice, all monies standing to the credit of all Obligor Accounts shall only be withdrawn with the prior written consent of the Security Trustee or a Receiver.

- (d) With respect to a Enforcement Instruction Notice and a Further Enforcement Instruction Notice, the Security Trustee may be instructed to act in accordance with the instructions of the Qualifying Secured Creditors (i.e. instruction to take Enforcement Action) in the same way as in respect of a STID Proposal as described below, except the Decision Periods, Quorum Requirements and voting thresholds are as set out in the table in "6. Voting Under The Intercreditor Arrangements - Voting Thresholds, Quorum Requirements and Decision Periods for STID Proposals" below.

The Bond Trustee shall be entitled to declare all amounts to be immediately due and payable under the Bonds following the delivery of an Enforcement Notice by the Security Trustee.

(See also "*Risk Factors - The Security Trustee must comply with certain obligations during an enforcement process*".)

Reserved Matters

Reserved Matters are matters in respect of which a Secured Creditor will be free to exercise its discretion in accordance with its rights under the Finance Document or Protection Document to which it is a party (which are not Common Documents). Generally, a Secured Creditor may agree to any modifications to and give consent or grant waiver in respect of in respect of the Finance Documents to which it is a party (which are not Common Documents) without the consent of the Security Trustee provided that the modification, consent or waiver does not conflict with any provisions of the Common Documents in which case the terms of the Common Documents would prevail.

Post Enforcement Priority of Payments

Under the STID, each Secured Creditor agrees that, following the delivery of an Enforcement Notice by the Security Trustee, each Secured Creditor's claims shall rank according to the Post-Enforcement Priority of Payments and obligations appearing in any one item in any Post-Enforcement Priority of Payments are to rank *pari passu* and *pro rata* with each other and further agrees that if there are insufficient funds to discharge in full amounts due and payable in respect of an item and any other item(s) ranking *pari passu* with such item in the Post-Enforcement Priority of Payments, all items which rank *pari passu* with each other shall be discharged to the extent there are sufficient funds to do so and on a *pro rata* basis, according to the respective amounts thereof. All monies received or recovered by the Security Trustee or any Receiver in respect of the Security and the Guarantee, shall be applied by or on behalf of the Security Trustee or, as the case may be, any Receiver, in or towards satisfaction of any amounts due according to the Post-Enforcement Priority of Payments. Upon the delivery of an Enforcement Notice, amounts credited to the Bond Defeasance Account will be applied by or on behalf of the Security Trustee (or any Receiver appointed by it) as soon as practicable in the permanent repayment of the Bonds (on a *pro rata* and *pari passu* basis) and will be treated as extinguishing *pro tanto* the principal amount of the Bonds for the purpose of applying the Post-Enforcement Priority of Payments after having given effect to any debits and credits required to be made to any ledgers in accordance with Schedule 14 (*Bond Defeasance Account*) to the Common Terms Agreement (described above under "*Common Terms Agreement* -

Bond Defeasance Account") upon the delivery of an Enforcement Notice and after deduction of the Bond Trustee, the Security Trustee and Receiver's Liabilities.

The "**Post-Enforcement Priority of Payments**" is as set out below:

1. *first, pro rata* according to the respective amounts thereof, in or towards satisfaction of the amounts payable in respect of:
 - (i) the fees, costs, charges, liabilities, expenses and other remuneration and indemnity payments (if any) and any other amounts payable to the Security Trustee or any Receiver; and
 - (ii) the fees, costs, charges, liabilities, expenses and other remuneration and indemnity payments (if any) and any other amounts payable to the Bond Trustee;
2. *second, pro rata* according to the respective amounts thereof, in or towards satisfaction of the amounts payable in respect of:
 - (i) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Agents incurred under the Agency Agreement or a Calculation Agency Agreement; and
 - (ii) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Account Bank incurred under the Account Bank Agreement;
3. *third, pro rata* according to the respective amounts thereof, in or towards satisfaction of the amounts payable in respect of the fees, other remuneration, indemnity payments, costs, charges and expenses of each facility agent under any relevant Authorised Credit Facility;
4. *fourth, pro rata* according to the respective amounts thereof, in or towards satisfaction of the amounts payable in respect of:
 - (i) interest, underwriting and commitment commissions due or overdue in respect of the Bonds;
 - (ii) interest, underwriting and commitment commissions due or overdue in respect of Senior Debt under any Authorised Credit Facility (other than in respect of a Finance Lease, the Bonds, the Hedging Agreements and/or the Operational Hedging Agreements);
 - (iii) amounts due to a Finance Lessor in respect of any fixed interest funding obtained or assumed to be obtained by the Finance Lessor under the terms of a Finance Lease;
 - (iv) scheduled amounts payable to each Hedge Counterparty under any Hedging Agreement; and
 - (v) scheduled amounts payable to each Operational Hedge Counterparty under any Operational Hedging Agreement;

5. *fifth, pro rata* according to the respective amounts thereof, in or towards satisfaction of the amounts payable in respect of:
- (i) all amounts of principal due or overdue in respect of the Bonds;
 - (ii) all amounts of principal due or overdue in respect of Senior Debt outstanding under any Authorised Credit Facility (other than in respect of a Finance Lease, the Bonds, the Hedging Agreements and/or the Operational Hedging Agreements);
 - (iii) all amounts of principal due or overdue in respect of Finance Leases (including any rental and capital sums) which do not fall within paragraph 4(iii) above and do not fall due as a result of the operation of any indemnity or fee reimbursement provisions of a Finance Lease;
 - (iv) unscheduled or termination amounts payable to each Hedge Counterparty under any Hedging Agreement;
 - (v) unscheduled or termination amounts payable to each Operational Hedge Counterparty under any Operational Hedging Agreement; and
 - (vi) amounts due to the Pension Trustee in respect of any Pension Liabilities up to the Maximum Pension Liability Amount;
6. *sixth, pro rata* according to the respective amounts thereof, in or towards satisfaction of the amounts payable in respect of:
- (i) all amounts due, overdue or payable in respect of the Bonds which do not fall within paragraphs 4(i) or 5(i) above;
 - (ii) all amounts due, overdue or payable in respect of Senior Debt outstanding under any Authorised Credit Facility (other than in respect of a Finance Lease, the Bonds, the Hedging Agreements and/or the Operational Hedging Agreements) which do not fall within paragraphs 4(ii) or 5(ii) above;
 - (iii) all amounts due, overdue or payable in respect of Finance Leases which do not fall within paragraphs 4(iii) or 5(iii) above;
 - (iv) all amounts payable to each Hedge Counterparty under any Hedging Agreement which do not fall within paragraphs 4(iv) or 5(iv) above; and
 - (v) all amounts payable to each Operational Hedge Counterparty under any Operational Hedging Agreement which do not fall within paragraphs 4(v) or 5(v) above.
7. *seventh*, following the Senior Discharge Date only, all amounts of interest, principal and other amounts due or overdue in respect of Subordinated Debt; and

8. *eighth*, following the Senior Discharge Date only and the discharge of the Subordinated Debt, to the Obligors absolutely.

The STID is governed by English law.

3. VOTING UNDER THE INTERCREDITOR ARRANGEMENTS

Voting procedures

The STID sets out the procedure for requesting any consent, modification or waiver under any Common Documents (including any release of security not contemplated by the Common Documents).

The Security Group Agent shall provide copies of the STID Proposal to the Secured Creditor Representative of each Secured Creditor.

Categorisation of Voting Matters

A vote may only be proposed to Secured Creditors by the Security Group Agent in relation to any proposed modification, giving any consent or granting any waiver under or in respect of a Common Document, if presented in the form prescribed in the STID ("**STID Proposal**"). The Security Group Agent shall be initially responsible, in submitting a STID Proposal, for determining the voting category for such proposal. The Security Group Agent shall in or as part of the STID Proposal, among other things, certify whether such STID Proposal is a Discretion Matter, an Ordinary Voting Matter or an Extraordinary Voting Matter, and whether or not the STID Proposal gives rise to an Entrenched Right, and if it does, in whose favour (in the reasonable opinion of the Security Group Agent) the STID Proposal gives rise to an Entrenched Right or who are affected by such Entrenched Right. The STID Proposal will also specify the period of time within which the approval of the Security Trustee is sought (referred to as the "**Decision Period**").

The determination made by the Security Group Agent of the voting category shall be binding on the Secured Creditors unless the Security Trustee on the instruction of Qualifying Secured Creditors (acting through its Secured Creditor Representatives) representing at least 10 per cent. of the Outstanding Principal Amount of the Qualifying Secured Debt, (the "**Determination Dissenting Creditors**") informs the Security Group Agent in writing within 7 Business Days of receipt of the STID Proposal that the Determination Dissenting Creditors disagree with the determination of voting category made in the STID Proposal.

The determination made by the Security Group Agent of whether or not a STID Proposal gives rise to an Entrenched Right may also be disputed by a Secured Creditor (each, an "**Entrenched Right Dissenting Creditor**"), if the Entrenched Right Dissenting Creditor informs the Security Group Agent in writing within 7 Business Days via the Security Trustee of receipt of the STID Proposal that it disagrees with the determination of whether such STID Proposal gives rise to an Entrenched Right.

If the Determination Dissenting Creditors or the Entrenched Right Dissenting Creditors, as the case may be, and the Security Group Agent are not able to agree on

the voting category or as to whether or not a STID Proposal gives rise to an Entrenched Right within 5 Business Days of receipt of notice of such disagreement, they must instruct an expert(s) agreed upon by each Determination Dissenting Creditor or Entrenched Right Dissenting Creditor, as the case may be, and the Security Group Agent to resolve the dispute (or if such agreement cannot be reached, appointed by the President of the Law Society of England and Wales for the time being).

Discretion Matters

A Discretion Matter is a matter in which the Security Trustee may exercise its discretion to approve any request made in a STID Proposal without any requirement to seek the approval of any Secured Creditor. Any exercise of discretion by the Security Trustee in respect of a Discretion Matter shall be binding on all of the Secured Creditors.

Extraordinary Voting Matters

"Extraordinary Voting Matters" are matters which:

- (a) would release any of the Security (unless equivalent replacement security is taken at the same time) unless such release is permitted in accordance with the terms of the Common Documents;
- (b) would change:
 - (i) any material definitions which relate to the key structural principles on which the voting mechanics of the Extraordinary Voting Matters have been founded; or
 - (ii) any of the matters constituting Extraordinary Voting Matters;
- (c) would change any Event of Default or any Trigger Event in each case in relation to non-payment, the making of Restricted Payments (including the definition of Restricted Payments), the Financial Ratios (including the manner of their calculation or application) or Credit Rating Downgrade;
- (d) would relate to the waiver of any Default or Trigger Event in each case in respect of non-payment, the making of Restricted Payments (including the definition of Restricted Payments), the Financial Ratios (including the manner of their calculation or application) or Credit Rating Downgrade;
- (e) would change in any adverse respect any restriction on any disposal of any Obligor or of any Railway Assets of an Obligor, or relate to a consent in respect of any such disposal;
- (f) would change in any adverse respect any mandatory prepayment provisions set out in any Common Document, including, without limitation, the amount to be prepaid or the time by which such amount is to be applied in prepayment;

- (g) would change or have the effect of changing the provisions relating to, or relate to the waiver of, the incurrence of any additional debt by the Security Group;
- (h) would change or have the effect of changing the provisions relating to, or relate to the waiver of, acquisitions by the Security Group;
- (i) would materially change or have the effect of materially changing the definition of Permitted Business; or
- (j) would relate to the removal of the Security Trustee in accordance with the STID.

Ordinary Voting Matters

"Ordinary Voting Matters" means matters which are not Discretion Matters or Extraordinary Voting Matters.

Entrenched Rights

Where a STID Proposal gives rise to an Entrenched Right, the proposed resolution(s) may not be passed without the approval of each Secured Creditor (other than individual Bondholders who shall not be entitled to assert Entrenched Rights other than through the Bond Trustee) whose Entrenched Rights under any Common Documents are affected by the applicable STID Proposal (such Secured Creditors, the **"Affected Secured Creditors"**).

Where the Secured Creditor Representative on behalf of the relevant Affected Secured Creditor(s) has not given the confirmation described above by the end of the applicable Decision Period, the Security Trustee shall immediately upon the expiry of such Decision Period send a voting request reminder (a **"STID Voting Request Reminder"**) to the relevant Affected Secured Creditor(s) (through its or their Secured Creditor Representative) requesting such Affected Secured Creditor(s) acting through its or their Secured Creditor Representative to confirm whether or not it wishes to consent to the relevant STID Proposal that gives rise to the Entrenched Right within 5 Business Days of the expiry of the original Decision Period (the **"Extended Decision Period"**). Where the relevant Secured Creditor Representative fails to respond to such reminder within the Extended Decision Period, it shall be deemed to have consented to the relevant STID Proposal.

Direction Notice

In respect of any matter which is not subject to a STID Proposal, an Enforcement Instruction Notice, a Further Enforcement Instruction Notice or an Instruction Notice, the Security Trustee may by notice (**"Direction Notice"**) request the instruction or consent of the Qualifying Secured Creditors as to whether the Security Trustee should agree to a consent, waiver or modification or exercise of a right or direction pursuant to the Finance Documents and the manner in which it should do so.

Voting Thresholds, Quorum Requirements and Decision Periods for STID Proposals

For each of STID Proposal described above, the Quorum Requirement, voting threshold and Decision Period are set out in the table below:

	Voting Threshold¹	Quorum Requirement²	Decision Period
Ordinary Voting Matter	More than 50%	20% (or at least 10% if STID Proposal is reinstigated following the expiry of the Decision Period)	Not less than 15 Business Days
Extraordinary Voting Matter	66.67%	20% (or at least 10% if STID Proposal is reinstigated following the expiry of the Decision Period)	Not less than 15 Business Days
Entrenched Right of Secured Creditor other than Bondholders or Pension Trustee	(Depends on relevant Authorised Credit Facility)	(Depends on relevant Authorised Credit Facility)	Not less than 15 Business Days (plus 5 Business Days where an Extended Decision Period applies)
Entrenched Right of Bondholders and/or Pension Trustee	(Requires an Extraordinary Resolution of the affected Tranche of Bondholders i.e. three quarters of those present must vote in favour) (not applicable for Pension Trustee)	50% of Bondholders of the relevant Tranche(s) (or one or more Bondholder holding any amount of Bonds at an adjourned meeting) (not applicable for Pension Trustee)	Not less than 45 days (plus 5 Business Days where an Extended Decision Period applies)

¹ Expressed as a percentage of the Voted Qualifying Secured Debt.

² Quorum Requirement in relation to the STID means one or more Qualifying Secured Creditors representing the stated percentage of the Outstanding Principal Amount of the Qualifying Secured Debt. The quorum for Ordinary Voting Matters and Extraordinary Voting Matters drops to 10% if a quorum is not achieved.

Enforcement Instruction Notice /Further Enforcement Instruction Notice - prior to 6 months from the date of the Event of Default	At least 66.67%	At least 40%	20 Business Days
Enforcement Instruction Notice /Further Enforcement Instruction Notice - on or after 6 months but prior to 12 months from the date of the Event of Default	50%	At least 33.33%	20 Business Days
Enforcement Instruction/Further Enforcement Instruction - on or after 12 months from the date of the Event of Default	20%	At least 10%	20 Business Days
Direction Notice	50% and 1 vote	One or more Qualifying Secured Creditor	Not less than 20 Business Days
Instruction Notice	10% of Qualifying Secured Creditors (including for Further Enforcement Instruction Notice request)	N/A	N/A

The votes of each Secured Creditor that participates in vote in a respect of a STID Proposal, will be cast by its Secured Creditor Representative subject to the mechanics specified in the STID and the relevant Authorised Credit Facility (including the terms of the Bonds). Each category of Secured Creditors will be allocated a number of votes which is proportionate to the outstanding principal amount of the debt owed to them by the Obligors and undrawn commitments where applicable.

Subject to the following paragraph, the Bond Trustee will, in respect of a STID Matter which is voted on by Bondholders (and subject to the Bond Trustee calling a Bondholders Meeting in respect of an Entrenched Right in accordance with the STID), vote in an amount equal to the aggregate of the Outstanding Principal Amount of each Bond which voted for the relevant Proposal through the STID Direct Voting Mechanic, for such Proposal; and in an amount equal to the aggregate of the Outstanding Principal Amount of each Bond which voted against the relevant Proposal through the STID Direct Voting Mechanic, against such Proposal.

The above paragraph shall not apply if either (a) or (b) below apply:

- (a) if, in respect of a Tranche of Bonds and a Proposal:

- (i) 25 per cent. or more of the Outstanding Principal Amount of such Tranche of Bonds voted directly through the STID Direct Voting Mechanic; and
- (ii) 75 per cent. or more of the Outstanding Principal Amount of the Bonds which so voted, voted the same way,

then the entire Outstanding Principal Amount of such Tranche of Bonds will count as having voted in such way in respect of both Quorum Requirements and majority;

(b) if, in respect of a Tranche of Bonds and a Proposal:

- (i) 25 per cent. or more of the Outstanding Principal Amount of such Tranche of Bonds voted directly through the STID Direct Voting Mechanic; but
- (ii) less than 75 per cent. of the Outstanding Principal Amount of the Bonds which so voted, voted the same way,

then the entire Outstanding Principal Amount of such Tranche of Bonds will count for the purposes of Quorum Requirements (but in relation to the actual voting, only the amount of Bonds which actually voted will be taken into account, on a pound for pound basis either for or against the Proposal according to how they voted);

In respect of a Tranche of Bonds and a STID Matter where a Bondholders Meeting has been called (in respect of an Entrenched Right in accordance with the STID), then the entire Outstanding Principal Amount of such Tranche of Bonds will count either for or against the applicable Proposal according to the outcome of such Bondholders Meeting.

In connection with any instructions or direction given to the Security Trustee (whether given through the Bond Trustee or otherwise) to act or not act in relation to a particular matter, the Bondholders, if they are the instructing Secured Creditors shall indemnify the Security Trustee on a joint and several basis against any losses arising from it acting in accordance with any such instructions or directions unless the Security Trustee and/or the Bond Trustee agrees otherwise. Such indemnity shall only apply if the Obligors did not, within 3 Business Days of first demand, indemnify the Security Trustee under the indemnity given by the Obligors under the STID.

The Security Trustee shall not be obliged to agree to any amendment to, or grant any consent or waiver or make any determination under or in relation to, any Finance Document or Protection Document which, in the sole opinion of the Security Trustee, would have the effect of (a) exposing the Security Trustee to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (b) increasing the obligations or duties, or decreasing the protections, of the Security Trustee in the Finance Documents and/or the Protection Documents.

4. SECURITY AGREEMENTS

English Law Security Agreement

Each Obligor (other than ERFL 2) entered into an English law security agreement (the "**English Law Security Agreement**") with the Security Trustee on 4 November 2010. ERFL2 acceded to the English Law Security Agreement as a chargor on 13 March 2012. Under the English Law Security Agreement, each Obligor guarantees the obligations of each other Obligor under the Finance Documents, in each case to the Security Trustee for itself and as security trustee for the Secured Creditors. Each Obligor secures its property, assets and undertakings to the Security Trustee for itself and as trustee for the Secured Creditors in respect of the Secured Liabilities. Except as set out below, the English Law Security Agreement is subject to the STID.

The security constituted by the English Law Security Agreement includes:

(i) Fixed Charges

Each Chargor, with full title guarantee (except as otherwise disclosed (specifically that assets acquired on privatisation have only such title as was received under the government transfer scheme) and subject to any Permitted Security Interest) and as security for the payment of all Secured Liabilities (whether of that or any other Chargor), charges in favour of the Security Trustee for the benefit of itself and each of the Secured Creditors:

- (A) by way of first fixed equitable charge, all Chargeable Real Property acquired by it in the future; and
- (B) by way of first fixed charge, all its present and future:
 - (I) Security Shares and Dividends;
 - (II) Book Debts;
 - (III) Security Group Accounts;
 - (IV) Investments and Dividends;
 - (V) Authorisations;
 - (VI) uncalled capital and goodwill;
 - (VII) beneficial interests in any pension fund;
 - (VIII) Rolling Stock owned by it now or in the future and its interest in any Rolling Stock in its possession now or in the future and the benefit of all plant and machinery, office and other equipment and the benefit of all contracts, licences and warranties relating to the Rolling Stock;

- (IX) to the extent not effectively assigned as described in Clause (iii)(A) (*Assignment*) below, all of its rights and benefits in respect of the Assigned Contracts; and
- (X) to the extent not effectively assigned as described in Clause (iii)(B) (*Assignment*) below, all of its rights and benefits in respect of the Security Group Insurances and all related proceeds, claims of any kind, returns of premium and other benefits.

(ii) Floating Charge

Each Chargor with full title guarantee (except as otherwise disclosed and subject to any Permitted Security Interest) and as security for the payment of all the Secured Liabilities (whether of that or any other Chargor), charges in favour of the Security Trustee by way of first floating charge its undertaking and, without limitation, all its assets, both present and future (including assets expressed to be subject to fixed charges as described in (*Fixed Charges*) above).

(iii) Assignment

Each Chargor, with full title guarantee (except as otherwise disclosed and subject to any Permitted Security Interest) and as security for the payment of all of the Secured Liabilities (whether of that or any other Chargor), assigns absolutely to the Security Trustee (for itself and on behalf of the Secured Creditors):

- (A) all its present and future right, title and interest in and to each Assigned Contract, including all moneys payable to the Chargor, and any claims, awards and judgments in favour of, receivable or received by the Chargor, under or in connection with the Assigned Contracts, subject to any Permitted Security Interest; and
- (B) all amounts payable to it under or in connection with each of the Security Group Insurances and all of its rights in connection with those amounts.

For the purposes of the above, it has been disclosed that the Chargors only have such title to assets acquired on privatisation as was received under the government transfer scheme in relation to such assets during the privatisation process.

The English Law Security Agreement also contains a guarantee and indemnity pursuant to which each of the Chargors irrevocably and unconditionally:

- (a) guarantees to the Security Trustee (for itself and on behalf of the Secured Creditors) punctual performance by each of the other Chargors of any of the Secured Liabilities;
- (b) undertakes with the Security Trustee (for itself and on behalf of the Secured Creditors) that whenever any Chargor does not pay any amount when due

under or in connection with any of the Secured Liabilities, any Chargor shall immediately on demand pay that amount as if it was the principal obligor; and

- (c) agrees with the Security Trustee (for itself and on behalf of the Secured Creditors) that if any obligation guaranteed by it under the English Law Security Agreement is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify the Security Trustee (for itself and on behalf of the Secured Creditors) immediately on demand against any cost, loss or liability it incurs as a result of the relevant Chargor not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under any Finance Document or, as the case may be, under or in connection with any Pension Document on the date when it would have been due. The amount payable by a Chargor under this indemnity will not exceed the amount it would have had to pay under the English Law Security Agreement if the amount claimed had been recoverable on the basis of a guarantee.

The English Law Security Agreement requires each relevant Chargor to provide assistance in satisfying certain additional security requirements (most of which consist of the execution of documents with the Security Trustee) which may be reasonably requested by the Security Trustee. Such additional security requirements include certain actions which may be required to be satisfied to ensure the validity and enforceability of Security Interests over Operating Leases, Shadow Leases, Material Supply Contracts and Rolling Stock Section 54 Undertakings and/or to avoid a breach of such agreements and include the execution of confidentiality undertakings, quiet enjoyment undertakings and deeds of accession in relation to Direct Agreements. Future assets of the Chargors may be excluded from the Security (for example, due to consent being required for the creation of security and not having been obtained or the Security Trustee being unable to execute the required documents) until the relevant additional security requirements are satisfied.

Irish Law Security Agreement

Each Irish Obligor entered into an Irish law governed security agreement (the "**Irish Law Security Agreement**") with the Security Trustee on 4 November 2010. Under the Irish Law Security Agreement, each Irish Obligor secured (subject to any Permitted Security Interest or as otherwise disclosed) bank accounts held with banks in Ireland and book debts owed by Irish domiciled or resident debtors to the Security Trustee for itself and as trustee for the Secured Creditors in respect of the Secured Liabilities. In addition, EIL secured the shares it owns in ERFL Holdings, in each case to the Security Trustee for itself and as trustee for the Secured Creditors in respect of the Secured Liabilities. The Irish Law Security Agreement is subject to the STID.

2012 Irish Law Security Agreements

ERFL Holdings entered into an Irish law governed security agreement (the "**ERFL Holdings Irish Law Security Agreement**") with the Security Trustee on 13 March 2012. Under the ERFL Holdings Irish Law Security Agreement, ERFL Holdings secured (subject to any Permitted Security Interest or as otherwise disclosed) the shares it owns in ERFL 2 to the Security Trustee for itself and as trustee for the

Secured Creditors in respect of the Secured Liabilities. The ERFL Holdings Irish Law Security Agreement is subject to the STID.

ERFL 2 entered into an Irish law governed security agreement (the "**ERFL2 Irish Law Security Agreement**") with the Security Trustee on 16 March 2012. Under the ERFL2 Irish Law Security Agreement, ERFL2 secured (subject to any Permitted Security Interest or as otherwise disclosed) bank accounts held with banks in Ireland and book debts owed by Irish domiciled or resident debtors to ERFL2, to the Security Trustee for itself and as trustee for the Secured Creditors in respect of the Secured Liabilities. In addition, ERFL2 secured the shares it owns in ERFL to the Security Trustee for itself and as trustee for the Secured Creditors in respect of the Secured Liabilities. The ERFL2 Irish Law Security Agreement is subject to the STID.

The ERFL Holdings Irish Law Security Agreement and the ERFL2 Irish Law Security Agreement shall together be referred to as the "**2012 Irish Law Security Agreements**").

Scottish Law Security Agreement

380Co entered into a Scottish law governed security agreement (the "**Scottish Law Security Agreement**") with the Security Trustee on 4 November 2010. Under the Scottish Law Security Agreement, 380Co secured one Scottish law governed lease and its accompanying Section 54 Undertaking and manufacture and supply agreement (in respect of Class 380 Rolling Stock) to the Security Trustee for itself and as trustee for the Secured Creditors in respect of the Secured Liabilities. The security created pursuant to the Scottish Law Security Agreement is conditional upon and will not be deemed to have been completed and in force until certain additional security requirements have been fulfilled. The additional security requirements may consist of the giving of confidentiality undertakings or quiet enjoyment undertakings by the Security Trustee or the obtaining of consent from third parties for the creation of such security, in each case in respect of the relevant lease, manufacture and supply agreement and Section 54 Undertakings which are the subject of the security. The Scottish Law Security Agreement is subject to the STID.

5. ACCOUNT BANK AGREEMENT AND BANK ACCOUNTS

Accounts

The Security Group Agent has opened certain bank accounts (including the Acquisition Claim Account, Bond Defeasance Account, Disposal Proceeds Account, Insurance Proceeds Account and the Lock-Up Account) pursuant to the Account Bank Agreement.

Authorised Investments

The Common Terms Agreement allows the Security Group to invest in Authorised Investments and/or Cash Equivalent Investments.

6. AUTHORISED CREDIT FACILITY AGREEMENT

The Issuer entered into the Initial Facility Agreement with the Initial Facility Providers on 4 November 2010. On 1 November 2013, the Issuer entered into a new

authorised credit facility agreement with, *inter alios*, the AC Facility Providers (the "**ACF Agreement**") under which the AC Facility Providers made available to the Issuer the following facilities:

- (a) a £100,000,000 term loan facility ("**Facility A**") to fund the refinancing of the Initial Facilities, interest on amounts repaid and/or costs and expenses incurred in connection with that refinancing; and
- (b) a £500,000,000 revolving credit facility ("**Facility B**") to fund the general corporate purpose of the Security Group.

Facility A was drawn down in full on 5 November 2013 ("**AC Facility Closing Date**"), the proceeds of which were used to prepay all outstanding amounts under the Initial Facility Agreement together with all accrued interest (and any other accrued amounts) on the AC Facility Closing Date. The Issuer must repay the Facility A Loan in full on the fifth anniversary of the AC Facility Closing Date.

Facility B is available to be drawn during the availability period for Facility B which is, subject to paragraphs (A) and (D) (inclusive) below, the period from and including the AC Facility Closing Date to and including the date falling one month before the Termination Date for the Facility B Lender. The availability period for Facility B may be extended as follows:

- (A) In the period commencing 90 days prior to the first anniversary of the AC Facility Closing Date and ending on the first anniversary of the AC Facility Closing Date, the Issuer may request that the Termination Date for all the Lenders in respect of Facility B be extended to the date falling twelve months after the original Termination Date for Facility B (the "**First Extended Termination Date**") by giving notice (an "**Extension Notice**") to the ACF Facility Agent.
- (B) If a Lender agrees to the request in paragraph (A) above before the date falling 30 days after the date of the Extension Notice, its Termination Date in respect of Facility B will be the First Extended Termination Date. However, save for any Original Non-Extending Lender which agrees to a Further Extended Termination Date as provided for in paragraph (C)(ii) below, the Commitment of each Lender which did not agree to the request will be automatically cancelled and its Facility B Loans repaid to it, in each case on its original Termination Date.
- (C) In the period commencing 90 days prior to the second anniversary of the AC Facility Closing Date and ending on the second anniversary of the AC Facility Closing Date, the Issuer may request any Lender to (i) (in the case of any Lender which agreed to a First Extended Termination Date (each an "**Original Extending Lender**") further extend the original Termination Date for Facility B to the date falling twelve months after the First Extended Termination Date and (ii) (in the case of any Lender which did not previously agree to a First Extended Termination Date (each an "**Original Non-Extending Lender**") to extend the original Termination Date for Facility B to the date falling twenty-four months after the original Termination Date for Facility B (each of the extended dates in (i) and (ii) being the "**Further Extended Termination**

Date”) by giving notice (a “**Further Extension Notice**”) to the ACF Facility Agent.

- (D) If a Lender agrees to the request in paragraph (C) above before the date falling 30 after the date of the Further Extension Notice, its Termination Date in respect of Facility B will be the Further Extended Termination Date. However, the Commitment of each Lender which did not agree to the request will be automatically cancelled and its Facility B Loans repaid to it, in each case on (in respect of an Original Extending Lender) its Extended Termination Date and (in respect of an Original Non-Extending Lender) on its original Termination Date.

Voluntary Cancellation

The Issuer may, if it gives the ACF Facility Agent not less than five Business Days' (or such shorter period as the Majority Lenders in respect of Facility B may agree) prior notice, cancel the whole or any part of Facility B (but if in part, in a minimum amount of £2,000,000 and an integral multiple of £500,000).

Voluntary Prepayment

The Issuer may, if it gives the ACF Facility Agent not less than five Business Days' (or such shorter period as the Majority Lenders in respect of the applicable Loans may agree) prior notice, prepay the whole or any part of a Loan (but if in part, in a minimum amount of £2,000,000 and an integral multiple of £500,000). Any voluntary prepayment of a Facility B Loan may be re-borrowed on the terms of the ACF Agreement.

Clean Down

Commencing with the Financial Year ending 31 December 2014, the Issuer shall ensure that the aggregate amount of Working Capital Indebtedness under Facility B shall be reduced to zero for a period of at least one day in each of its Financial Years.

Mandatory Prepayment – illegality

If a Lender becomes aware that it is unlawful in any applicable jurisdiction for that Lender to perform its obligations under the ACF Facility Agreement or to fund or maintain its participation in any Loan it is required to notify the ACF Facility Agent thereof.

Upon such notification, the ACF Facility Agent shall notify the Issuer and the Issuer either cancel that Lender's commitment or replace that Lender, and shall (subject to the terms of the Common Terms Agreement and the STID), repay that Lender's participation in the Loans made to it on the last day of the Interest Period for the Loans occurring after the ACF Facility Agent has notified the Issuer or, if earlier, on the date specified by the Lender in the notice delivered to the ACF Facility Agent (being no earlier than the last day of any applicable grace period permitted by law) and that Lender's corresponding commitment shall be cancelled in the amount of the participations prepaid.

Change of control

Upon the occurrence of a change of control, the Issuer and the ACF Facility Agent shall consult each other on the consequences of such change of control during a 30 day consultation period (the “**Consultation Period**”). A Lender may, within 30 days after the expiry of the Consultation Period, require and notify the ACF Facility Agent to (subject to providing the Issuer with not less than 5 Business Days’ prior notice) cancel that Lender’s commitment and declare the participation of that Lender in all outstanding Loans, together with accrued interest and all other amounts accrued under the ACF Finance Documents, to be immediately due and payable.

For the purposes of the above:

a “**change of control**” occurs if any person or group of persons acting in concert (other than Investors (individually or in any combination)) gains control (directly or indirectly) of EIL;

“**acting in concert**” means acting together pursuant to an agreement or understanding (whether formal or informal);

“**control**” means beneficial ownership of at least 50.1 per cent. of the ordinary voting share capital of EIL; and

“**Investors**” means the Initial Investors or any funds controlled or managed (or, in the case of 3i, advised as to investments (where 3i is that fund’s principal adviser)) by any of them; and

“**3i**” means 3i Investments plc and/or any of its Affiliates.

Mandatory Prepayment - Other

The Issuer may be required or entitled to prepay one or more of the Facilities in certain circumstances as described above under “*Common Terms Agreement*”,

Representations, Warranties, Covenants and Events of Default

The Obligors will make the representations and warranties, covenants and undertakings on the terms set out in the Common Terms Agreement and the STID.

The Events of Default set out in the Common Terms Agreement shall apply to the ACF Agreement on the terms set out in the Common Terms Agreement and the STID.

7. US PRIVATE PLACEMENT NOTES

On 12 December 2012, the Issuer and other Obligors entered into a note purchase agreement (“**PP Note Purchase Agreement**”) with certain Institutional Accredited Investors listed therein (the “**PP Note Purchasers**”), pursuant to which the Issuer issued and sold (a) £50,000,000 fixed rate senior secured guaranteed notes due December 19, 2036 (the “**Series 2012-A Notes**”), and (b) £100,000,000 floating rate senior secured guaranteed notes due December 19, 2036 (the “**Series 2012-B Notes**”, and together with the Series 2012-A Notes, the “**2012 Notes**”) to the PP Note Purchasers.

The proceeds of the sale of the 2012 Notes were used to refinance a portion of the then existing Senior Debt of the Obligor.

On 19 December 2012, (a) each PP Note Purchaser acceded to the Common Terms Agreement and the STID, and became an Authorised Credit Provider, a Secured Creditor and a Finance Party thereunder, (b) the PP Note Purchase Agreement and the 2012 Notes collectively became an Authorised Credit Facility and Finance Documents under the Common Terms Agreement and the STID, (c) the Note Obligations owing to such PP Note Purchaser became Senior Debt and Secured Liabilities under the Common Terms Agreement and the STID, (d) each PP Note Purchaser became a party to and became bound by and began to benefit from the Common Documents, and (e) pursuant to a representative deed, SFM Trustees Limited was appointed by the PP Note Purchasers to become their Secured Creditor Representative.

Additional PP Notes

During the period beginning with the date of the PP Note Purchase Agreement and ending on the third anniversary thereof, the Issuer may, from time to time during such period, in its sole discretion, but subject to the terms of the PP Note Purchase Agreement, request to issue and sell to affiliate(s) of the PP Note Purchasers one or more additional series of their secured promissory notes under the provisions of the PP Note Purchase Agreement pursuant to a supplement (a “**PP Note Supplement**”), provided that the aggregate principal amount of all PP Notes of all series issued pursuant to all PP Note Supplements, in accordance with the PP Note Purchase Agreement shall not exceed £50,000,000. The 2012 Notes together with each additional series of notes issued pursuant to PP Note Supplements shall collectively be referred to as the “**PP Notes**”.

Repayments

Both the Series 2012-A Notes and the Series 2012-B Notes will amortise in accordance with the amortisation schedules set out in the PP Note Purchase Agreement. Payments are scheduled to be made semi-annually in arrear on 19 June and 19 December in each year, from 19 June 2029 to their final maturity date on 19 December 2036.

Prepayments

The Issuer may, at its option, prepay the 2012 Notes in full or in part (subject to a minimum prepayment amount of 5% of the outstanding principal) on giving the PP Note Purchasers at least 30 days’, and not more than 60 days’, notice. Voluntary prepayments include accrued interest plus a “Make-Whole Amount”, which is an amount to compensate PP Note Purchasers for (i) loss of return on the prepaid principal, based on their expected return less a notional reinvestment yield, or (ii) the cost of replacing any existing cross-currency swap agreement in full or in part as a result of such existing cross-currency swap agreement terminating for any reason other than a non-scheduled prepayment or a repayment prior to its scheduled maturity.

Where, as a result in a change in tax law or regulation (either in the United Kingdom or in another jurisdiction that becomes a jurisdiction that levies tax on the 2012 Notes)

(i) an Obligor is required to gross up payments or pay any additional amount to an PP Note Purchaser, the Issuer may prepay any affected 2012 Notes on giving the relevant PP Note Purchaser at least 30 days', and not more than 60 days', notice. Prepayments made for tax reasons include accrued interest and a "Modified Make-Whole Amount", which is calculated in the same manner as the "Make-Whole Amount" payable in respect of voluntary prepayments but with a higher notional reinvestment yield being deducted from the expected return. An affected PP Note Purchaser can reject prepayment in circumstances described above, in which case any rights to gross up or additional payments in respect of those circumstances are waived for the relevant 2012 Notes. The Issuer may not offer to prepay or prepay 2012 Notes pursuant hereto (a) if a Default or Trigger Event then exists, (b) if the requirement to make the related gross up payment can be avoided by the Issuer taking commercially reasonable measures available to it (and the Issuer has taken such measures), or (c) if the obligation to make such gross up payment directly results or resulted from actions taken by the Issuer or any Subsidiary (other than actions required to be taken under applicable law).

Where a Change of Control Prepayment Event has occurred, each PP Note Purchaser may opt to have its PP Notes prepaid. Prepayments made owing to a change of control include accrued interest (but no "Make-Whole Amount" or "Modified Make-Whole Amount"). In this context:

"Change of Control Prepayment Events" means, and shall be deemed to have occurred if there is a Change of Control which results in a ratings downgrade of a credit rating ascribed to the Bonds (or the PP Notes, where they are subject to a credit rating) by any one Rating Agency to below investment grade within 120 days of the occurrence of such Change of Control.

"Change of Control" means and shall be deemed to have occurred if:

- (i) any Person or any Persons acting in concert (as defined in the City Code on Takeovers and Mergers as in effect on 12 December 2012, *provided that*, for the avoidance of doubt, Control for the purposes of the definition shall have the meaning given to it herein); or
- (ii) any Person or Persons acting on behalf of any such Person(s) which did not (other than by virtue of acting in concert (as defined above) with one or more Persons) previously have Control of the Issuer,

acquire Control of the Company, provided that in this definition any reference to any Person not previously having Control of the Issuer shall not, in relation to any Initial Investor or Initial Investor Fund, include any Initial Investor Fund.

"Control" means (a) prior to a floatation or public offering of any member of the Security Group or any holding company of any member of the Security Group (**"Listing"**), the ownership of at least 50.1 per cent. of the ordinary voting share capital of EIL, and (b) on or after a Listing, the ownership of at least 30 per cent. of the ordinary voting share capital of EIL.

“Initial Investor Fund” means any fund controlled or managed (or, in the case of 3i Investments plc, advised as to investments (where 3i Investments plc is that fund’s principal adviser) by any Initial Investor.

Swap Break Costs

Where a prepayment is made in respect of 2012 Notes that are subject to cross currency hedging arrangements by any PP Note Purchaser, each such PP Note Purchaser is entitled to be reimbursed for hedging breakage losses, and any amount due to each such PP Note Purchaser is reduced by any hedging breakage gains, arising from the prepayment.

Events of Default and Trigger Events

If an Event of Default has occurred and is continuing or a Trigger Event has occurred and is continuing, the PP Note Purchasers (together with all other Finance Parties) shall be entitled to the rights and remedies and be entitled to act in accordance with the provisions set forth in the Common Terms Agreement and any other Finance Document.

Governing law

The PP Note Purchase Agreement and the PP Notes are governed by English law.

8. HEDGING AGREEMENTS

The Issuer has entered into various fixed/floating interest rate swap transactions with the Hedge Counterparties in conformity with the Hedging Policy (as described above under "*Common Terms Agreement -Hedging Policy*") to hedge its obligations to pay floating rates of interest under its floating rate indebtedness maturing in 2025.

The Hedging Agreements contain standard events of default (subject to certain amendments) in respect of the Hedge Counterparties but will apply a limited number of Events of Default from the Common Terms Agreement to the Issuer. The Hedge Counterparties executed the STID and the Common Terms Agreement on 4 November 2010.

The Hedging Agreements have been documented using the ISDA Master Agreement and are governed by English law.

9. BOND TRUST DEED

The Bond Trust Deed was executed by the Obligors, the Agents and the Bond Trustee on the Signing Date. It will constitute the Bonds, appoint the Bond Trustee as trustee on behalf of the Bondholders and regulate important matters such as voting of the Bondholders.

For a description of Bondholder voting mechanics see "*The Bonds-Terms and Condition of the Bonds - Condition 16 (Meetings of Bondholders, Modifications, Waiver and Substitution)*" below.

The Bond Trust Deed is governed by English law.

10. CONDITIONS PRECEDENT

The conditions precedent to the initial issue of Bonds are set out in a conditions precedent agreement dated the Signing Date (the "**CP Agreement**") between, among others, the Joint Lead Managers, the Obligors and the Issuer.

TERMS AND CONDITIONS OF THE BONDS

The following is the text of the terms and conditions which (save for the italicised paragraphs) will be incorporated by reference into each Global Bond representing Bonds in bearer form, Bonds in definitive form (if any) issued in exchange for the Global Bond(s) representing Bonds in bearer form, each Global Bond Certificate representing Bonds in registered form and each Individual Bond Certificate representing Bonds in registered form (only if such incorporation by reference is permitted by the rules of the relevant stock exchange and agreed by the Issuer). If such incorporation by reference is not so permitted and agreed, each Bond in bearer form and each Individual Bond Certificate representing Bonds in registered form will have endorsed thereon or attached thereto such text. Further information with respect to each Tranche (as defined below) of Bonds will be given in the relevant Final Terms which will provide for those aspects of these Conditions which are applicable to such Tranche (as defined below) of Bonds.

Eversholt Funding plc (the "**Issuer**") has established a bond programme (the "**Programme**") for the issuance of secured guaranteed bonds. The bonds will be designated as the "**Bonds**". Bonds issued under the Programme on a particular Issue Date comprise a Series (a "**Series**"), and each Series comprises a single class. The Bonds may comprise one or more tranches (each a "**Tranche**"). The Bonds are unconditionally jointly and severally guaranteed by the Guarantors.

Each Tranche may be denominated in different currencies or have different interest rates, maturity dates or other terms. Bonds of any Tranche may be zero coupon ("**Zero Coupon Bonds**"), fixed rate ("**Fixed Rate Bonds**"), floating rate ("**Floating Rate Bonds**") and index-linked ("**Indexed Bonds**") bonds depending on the method of calculating interest payable in respect of such Bonds and may be denominated in sterling, euro, U.S. dollars or in other currencies subject to compliance with applicable law.

The terms and conditions applicable to any particular Tranche of Bonds are these terms and conditions ("**Conditions**") which shall be read in conjunction with a set of final terms in relation to such Tranche ("**Final Terms**"). The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive) to the extent implemented in the relevant Member State of the European Economic Area and includes any relevant implementing measure in the relevant Member State and the "**2010 PD Amending Directive**" means Directive 2010/73/EU.

Interest bearing definitive Bonds have interest coupons ("**Coupons**") and, in the case of Bonds which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Bonds do not have receipts ("**Receipts**") for the payment of instalments of principal (other than the final instalment), Coupons or Talons attached on issue.

The Bonds will be subject to and have the benefit of a bond trust deed dated 4 November 2010 as supplemented on 14 November 2014 and as the same may be further amended, supplemented, restated and/or novated from time to time, (the

"Bond Trust Deed") between the Issuer and The Law Debenture Trust Corporation p.l.c. (the **"Bond Trustee"**, which expression includes the trustee or trustees for the time being of the Bond Trust Deed) as trustee for the holders for the time being of the Bonds (the **"Bondholders"**, which expression shall, in relation to any Bond represented by a Global Bond, be construed as provided below) , in accordance with the provisions of the Bond Trust Deed.

The Bonds have the benefit (to the extent applicable) of an agency agreement dated 4 November 2010 (as amended, supplemented and/or restated from time to time, the **"Agency Agreement"**) (to which, among others, the Issuer, the Bond Trustee, the Principal Paying Agent and the other Paying Agents (in the case of Bearer Bonds) or the Transfer Agents and the Registrar (in the case of Registered Bonds) are party). As used herein, each of **"Principal Paying Agent"**, **"Paying Agents"**, **"Agent Bank"**, **"Transfer Agent"** and/or **"Registrar"** means, in relation to the Bonds, the persons specified in the Agency Agreement as the Principal Paying Agent, Paying Agents, Agent Bank, Transfer Agents and/or Registrar, respectively, and, in each case, any successor to such person in such capacity. The Bonds may also have the benefit (to the extent applicable) of a calculation agency agreement (in the form or substantially in the form of schedule 2 to the Agency Agreement, the **"Calculation Agency Agreement"**) between, *inter alia*, the Issuer and any calculation agent appointed by the Issuer as calculation agent (the **"Calculation Agent"**).

The Issuer entered into a Dealership Agreement on 4 November 2010 (as amended on 14 November 2014) (the **"Dealership Agreement"**) with the dealers named therein (the **"Dealers"**) in respect of the Programme, pursuant to which any of the Dealers may enter into a subscription agreement (each a **"Subscription Agreement"**) in relation to each Tranche of Bonds issued by the Issuer, and pursuant to which the Dealers will agree to subscribe for the relevant Tranche of Bonds. In any Subscription Agreement relating to a Tranche of Bonds, any of the Dealers may agree to procure subscribers to subscribe for the relevant Tranche of Bonds.

The Issuer may enter into certain currency, inflation-linked and interest rate hedging agreements (together, the **"Hedging Agreements"**) with certain hedge counterparties (together, the **"Hedge Counterparties"**) in respect of certain Tranches of Bonds, pursuant to which the Issuer hedges certain of its currency and interest rate obligations.

In addition, the Issuer entered into a common terms agreement with, amongst others, the other Obligors and the Secured Creditors on 4 November 2010, and such agreement was further amended on 12 December 2012 and 16 May 2014 (the **"Common Terms Agreement"**) and a security trust and intercreditor deed between, amongst others, the other Obligors, the Security Trustee and the other Secured Creditors on 4 November 2010 and such deed was further amended on 12 December 2012 (the **"STID"**).

The Obligors entered into an English law security agreement on 4 November 2010 (the **"English Law Security Agreement"**) pursuant to which the Obligors made certain assignments by way of security and granted certain fixed and floating charge security, in each case to the Security Trustee for itself and the Secured Creditors in respect of the Secured Liabilities (including the Bonds).

Certain of the Irish Obligors entered into an Irish law security agreement on 4 November 2010 (the "**Irish Law Security Agreement**") pursuant to which the Irish Obligors granted certain fixed charge and mortgage security to the Security Trustee for itself and the Secured Creditors in respect of the Secured Liabilities (including the Bonds).

European Rail Finance Holdings Limited ("**ERFL Holdings**") entered into an Irish law governed security agreement (the "**ERFL Holdings Irish Law Security Agreement**") pursuant to which ERFL Holdings granted certain fixed charge and mortgage security to the Security Trustee for itself and the Secured Creditors in respect of the Secured Liabilities (including the Bonds).

European Rail Finance (2) Limited ("**ERFL 2**") entered into an Irish law security agreement on 16 March 2012 (the "**ERFL2 Irish Law Security Agreement**") pursuant to which ERFL 2 granted certain fixed charge and mortgage security to the Security Trustee for itself and the Secured Creditors in respect of the Secured Liabilities (including the Bonds). The ERFL Holdings Irish Law Security Agreement and the ERFL2 Irish Law Security Agreement shall together be referred to as the "**2012 Irish Law Security Agreements**".

Eversholt Rail (380) Limited entered into a Scottish law security agreement on 4 November 2010 (the "**Scottish Law Security Agreement**") pursuant to which Eversholt Rail (380) Limited made certain assignments by way of security, in each case to the Security Trustee for itself and the Secured Creditors in respect of the Secured Liabilities (including the Bonds).

The Common Documents, each Authorised Credit Facility, each Bond Transaction Document other than the Dealership Agreement and each Relevant Subscription Agreement, each agreement or other instrument between a Borrower and an Additional Secured Creditor or Additional Subordinated Debt Creditor (as the case may be), each Subordinated Debt Guarantee, the Account Bank Agreement and any fee letters ancillary thereto, any amendment and/or restatement agreement relating to any of the above documents, and any other document designated as such by the Security Trustee and the Security Group Agent are, in relation to the Bonds, together referred to as the "**Finance Documents**".

The Issuer and the Bond Trustee, among others, entered into a master definitions agreement dated 4 November 2010, which was further amended on 12 December 2012 and 16 May 2014 (the "**Master Definitions Agreement**"). Capitalised terms not defined in these Conditions have the meaning given to them in the Master Definitions Agreement.

Certain statements in these Conditions are summaries of the detailed provisions appearing on the face of the Bonds (which expression shall include the body thereof), in the relevant Final Terms or in the Bond Trust Deed, the STID, the Common Terms Agreement, the Irish Law Security Agreement, the 2012 Irish Law Security Agreements, the English Law Security Agreement and the Scottish Law Security Agreement. Copies of the Bond Trust Deed, the Scottish Law Security Agreement, the Irish Law Security Agreement, the 2012 Irish Law Security Agreements, the English Law Security Agreement, the STID, the Master Definitions Agreement and the Common Terms Agreement are available for inspection during normal business

hours at the specified offices of the Principal Paying Agent (in the case of bearer Bonds) or the specified offices of the Transfer Agents and the Registrar (in the case of registered Bonds). If the Bonds are to be admitted to trading on the regulated market of the London Stock Exchange the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service.

The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Bond Trust Deed, the English Law Security Agreement, the Scottish Law Security Agreement, the Irish Law Security Agreement, the 2012 Irish Law Security Agreements, the STID, the Common Terms Agreement and the other Finance Documents and the relevant Final Terms and to have notice of those provisions of the Agency Agreement applicable to them. In the event of any inconsistency between the terms and conditions set out herein and the terms set out in the STID, the English Law Security Agreement, the Scottish Law Security Agreement, the Irish Law Security Agreement, the 2012 Irish Law Security Agreements and the Common Terms Agreement, the terms of the STID, the English Law Security Agreement, the Scottish Law Security Agreement, the Irish Law Security Agreement, the 2012 Irish Law Security Agreements or the Common Terms Agreement (as the case may be) shall prevail.

Any reference in these conditions to a matter being "specified" means the same as may be specified in the relevant Final Terms.

In the Conditions, **euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

1. Form, Denomination and Title

(a) Form and Denomination

The Bonds are in bearer form ("**Bearer Bonds**") or in registered form ("**Registered Bonds**") as specified in the applicable Final Terms and serially numbered in the Specified Denomination(s) provided that in the case of any Bonds which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be EUR100,000 or not less than the equivalent of EUR100,000 in any other currency as at the date of issue of the relevant Bonds. Bonds may be issued in such denomination and higher integral multiples of a smaller amount if specified in the applicable Final Terms. Bonds of one Specified Denomination may not be exchanged for Bonds of another Specified Denomination and Registered Bonds may not be exchanged for Bearer Bonds. References in these Conditions to "**Bonds**" include Bearer Bonds and Registered Bonds and all Tranches and Series.

So long as the Bonds are represented by a temporary Global Bond or permanent Global Bond and the relevant clearing system(s) so permit, the Bonds shall be tradeable only in principal amounts of at least the Specified

Denomination (or if more than one Specified Denomination, the lowest Specified Denomination).

The Bonds may be a Fixed Rate Bond, a Floating Rate Bond, an Indexed Bond or a Zero Coupon Bond, or a combination of any of the foregoing, depending on the Interest Basis shown in the applicable Final Terms.

Interest-bearing Bearer Bonds are issued with Coupons (as defined below) (and, where appropriate, a Talon, (as defined below)) attached. After all the Coupons attached to, or issued in respect of, any Bearer Bond which was issued with a Talon have matured, a coupon sheet comprising further Coupons (other than Coupons which would be void) and (if necessary) one further Talon will be issued against presentation of the relevant Talon at the specified office of any Paying Agent. Any Bearer Bond the principal amount of which is redeemable in instalments may be issued with one or more Receipts (as defined below) (and, where appropriate, a Talon) attached thereto.

(b) Title

Title to Bearer Bonds, Coupons, Receipts and Talons (if any) passes by delivery. Title to Registered Bonds passes by registration in the register (the "**Register**"), which the Issuer shall procure to be kept by the Registrar.

In these Conditions, subject as provided below, each reference to "**Bondholder**" (in relation to a Bond, Coupon, Receipt or Talon), "**holder**" and "**Holder**" means (i) in relation to a Bearer Bond, the bearer of any Bearer Bond, Coupon, Receipt or Talon (as the case may be) and (ii) in relation to a Registered Bond, the person in whose name a Registered Bond is registered on the Register (or, in the case of a joint holding, the first named thereof), as the case may be. The expressions "**Bondholder**", "**holder**" and "**Holder**" include the holders of instalment receipts (the "**Receipts**") appertaining to the payment of principal by instalments (if any) attached to such Bonds in bearer form (the "**Receiptholders**"), the holders of the coupons (the "**Coupons**") (if any) appertaining to interest bearing Bonds in bearer form (the "**Couponholders**"), and the expression Couponholders or Receiptholders includes the holders of talons in relation to Coupons or Receipts as applicable, (the "**Talons**") (if any) for further coupons or receipts, as applicable attached to such Bonds (the "**Talontholders**").

The bearer of any Bearer Bond, Coupon, Receipt or Talon and the registered holder of any Registered Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the relevant Bond, or its theft or loss or any express or constructive notice of any claim by any other person of any interest therein other than, in the case of a Registered Bond, a duly executed transfer of such Bond in the form endorsed on the Global Bond Certificate or Individual Bond Certificate in respect thereof (as applicable)) and no person will be liable for so treating the holder.

Bonds which are represented by a Global Bond or Global Bond Certificate will be transferable only in accordance with the rules and procedures for the

time being of Euroclear and Clearstream, Luxembourg, as the case may be. References 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 specified in the applicable Final Terms or in a Drawdown Prospectus.

(c) Fungible Issues of Bonds comprising a Tranche

The Issuer may, from time to time, without the consent of the Bondholders, Receiptholders or Couponholders, create and issue further Bonds having the same terms and conditions as the Bonds of a Tranche in all respects (or in all respects except for the first payment of interest). Accordingly, a Tranche of Bonds may comprise a number of issues in addition to the initial Tranche of such Tranche. Such further issues of the same Tranche will be consolidated and form a single Tranche with the prior issues of that Tranche.

2. Exchanges of Bearer Bonds for Registered Bonds and Transfers of Registered Bonds

(a) Exchange of Bonds

Subject to Condition 2(e) (*Closed Periods*), Bearer Bonds may, if so specified in the relevant Final Terms, be exchanged at the expense of the transferor Bondholder for the same aggregate principal amount of Registered Bonds at the request in writing of the relevant Bondholder and upon surrender of the Bearer Bond to be exchanged together with all unmatured Coupons, Receipts and Talons (if any) relating to it at the specified office of the Registrar or any Transfer Agent or Paying Agent. Where, however, a Bearer Bond is surrendered for exchange after the Record Date (as defined below) for any payment of interest or Interest Amount (as defined below), the Coupon in respect of that payment of interest or Interest Amount need not be surrendered with it. Registered Bonds may not be exchanged for Bearer Bonds.

(b) Transfer of Registered Bonds

A Registered Bond may be transferred upon the surrender of the relevant Individual Bond Certificate, together with the form of transfer endorsed on it duly completed and executed, at the specified office of any Transfer Agent or the Registrar. However, a Registered Bond may not be transferred unless (i) the principal amount of Registered Bonds proposed to be transferred and (ii) the principal amount of the balance of Registered Bonds to be retained by the relevant transferor are, in each case, Specified Denominations. In the case of a transfer of part only of a holding of Registered Bonds represented by an Individual Bond Certificate, a new Individual Bond Certificate in respect of the balance not transferred will be issued to the transferor within three business days (in the place of the specified office of the Transfer Agent or the Registrar) of receipt of such form of transfer.

(c) Delivery of New Individual Bond Certificates

Each new Individual Bond Certificate to be issued upon exchange of Bearer Bonds or transfer of Registered Bonds will, within three business days (in the place of the specified office of the Transfer Agent or the Registrar) of receipt of such request for exchange or form of transfer, be available for delivery at the specified office of the Transfer Agent or the Registrar stipulated in the request for exchange or form of transfer, or be mailed at the risk of the Bondholder entitled to the Individual Bond Certificate to such address as may be specified in such request for exchange or form of transfer. For these purposes, a form of transfer or request for exchange received by the Registrar after the Record Date (as defined below) in respect of any payment due in respect of Registered Bonds shall be deemed not to be effectively received by the Registrar until the Business Day (as defined below) following the due date for such payment.

(d) Exchange at the Expense of Transferor Bondholder

Registration of Bonds on exchange or transfer will be effected at the expense of the transferor Bondholder by or on behalf of the Issuer, the Transfer Agent or the Registrar, and upon payment of (or the giving of such indemnity as the Transfer Agent or the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.

(e) Closed Periods

No transfer of a Registered Bond may be registered, nor may any exchange of a Bearer Bond for a Registered Bond occur during the period of 15 days ending on the due date for any payment of principal, interest, Interest Amount (as defined below) or Redemption Amount (as defined below) on that Bond.

(f) Regulations Concerning the Transfer of Registered Bonds

All transfers of Registered Bonds and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Principal Paying Agent, the Bond Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Bondholder who requests in writing a copy of such regulations.

3. Status of Bonds and Guarantee of Bonds

(a) Status of Bonds

The Bonds, Coupons, Talons and Receipts (if any) are direct and unconditional obligations of the Issuer, are secured in the manner described in Condition 4 (*Security, Priority and Relationship with Secured Creditors*) and rank *pari passu* without any preference among themselves.

(b) Guarantee of Bonds

The Guarantors (other than the Issuer) have, pursuant to the English Law Security Agreement, unconditionally and irrevocably and on a joint and several basis (i) guaranteed to the Security Trustee (for itself and on behalf of the Secured Creditors) the punctual performance by the Issuer of the Secured Liabilities (including the Bonds); (ii) undertaken with the Security Trustee (for itself and on behalf of the Secured Creditors) that whenever the Issuer does not pay any amount when due under or in connection with any of the Secured Liabilities (including the Bonds), they shall immediately on demand pay that amount as if they were the principal obligor; and (iii) agreed with the Security Trustee (for itself and on behalf of the Secured Creditors) that if any obligation guaranteed by it under the English Law Security Agreement is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify the Security Trustee (for itself and on behalf of the Secured Creditors) immediately on demand against any cost, loss or liability it incurs as a result of the Issuer not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under any Finance Document on the date when it would have been due. The amount payable by each relevant Guarantor under this indemnity will not exceed the amount it would have had to pay under the English Law Security Agreement if the amount claimed had been recoverable on the basis of a guarantee. The Guarantee of the Bonds ("**Guarantee of the Bonds**") constitutes direct, general and unconditional obligations of the relevant Guarantors which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantors and at least *pari passu* with all present and future senior secured obligations of the Guarantors pursuant to the terms of the STID save in each case for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(c) Bond Trustee and Security Trustee not responsible for monitoring compliance

Neither the Bond Trustee nor the Security Trustee shall be responsible for monitoring compliance by the Issuer with any of its obligations under the Finance Documents except by means of receipt of a Compliance Certificate by the Security Trustee from the Security Group Agent in accordance with the Common Terms Agreement which will state, among other things, that no Event of Default is outstanding. The Bond Trustee and the Security Trustee shall be entitled to rely on such certificates absolutely. Neither the Bond Trustee nor the Security Trustee is responsible for monitoring compliance by any of the parties with their respective obligations under the Finance Documents. Each of the Bond Trustee and the Security Trustee may call for and is at liberty to accept as sufficient evidence a certificate signed by any one director of any Obligor or any other party to any Finance Document to the effect that any particular dealing, transaction, step or thing is in the opinion of the person so certifying suitable or expedient or as to any other fact or matter upon which the Bond Trustee or the Security Trustee, as applicable may require to be satisfied. Neither the Bond Trustee nor the Security Trustee is in any way bound to call for further evidence or be responsible for any loss that may be occasioned by acting on any such certificate although the same may

contain some error or is not authentic. Each of the Bond Trustee and the Security Trustee is entitled to rely upon any certificate believed by it to be genuine and will not be liable for so acting.

4. Security, Priority and Relationship with Secured Creditors

(a) Security

As continuing security for the payment or discharge of the Secured Liabilities (including all monies payable in respect of the Bonds, Coupons and Receipts and otherwise under the Bond Trust Deed), the Guarantee of the Bonds under the English Law Security Agreement and any deed or other document executed in accordance with the Bond Trust Deed and expressed to be supplemental to the Bond Trust Deed (as applicable) (the "**Trust Documents**") (including the remuneration, expenses and other claims of the Bond Trustee, the Security Trustee and any Receiver appointed under the English Law Security Agreement)), the Issuer and the other Obligors have entered into the English Law Security Agreement and certain of the Obligors have entered into the Irish Law Security Agreement, certain of the Obligors have entered into the 2012 Irish Law Security Agreements and one Obligor has entered into the Scottish Law Security Agreement to create as far as permitted by and subject to compliance with any applicable law, the security (the "**Security**") in favour of the Security Trustee for itself and on trust for the other Secured Creditors as set out below.

English Law Security

For the purposes of the below, any capitalised terms used that are not defined in the Master Definitions Agreement shall have the meaning given to them in the English Law Security Agreement.

Pursuant to the English Law Security Agreement, each Chargor has granted as security for the payment of all the Secured Liabilities (whether of that or any other Chargor), in favour of the Security Trustee:

(i) Fixed Charges

- (A) First fixed equitable charge over all Chargeable Real Property acquired by it in the future.
- (B) First fixed charges over (*inter alia*) all its present and future:
 - (I) Security Shares and Dividends;
 - (II) Book Debts;
 - (III) Rolling Stock (including the Rolling Stock described in Schedule 5 (*Rolling Stock*) of the English Law Security Agreement) owned by it now or in the future and its interest in any Rolling Stock in its possession now or in the future and the benefit of all plant and machinery, office and other equipment and the benefit of all

contracts, licences and warranties relating to the Rolling Stock.

(ii) Floating Charge

A first floating charge over its undertaking and all its assets, both present and future.

(iii) Assignment

An assignment of all its present and future:

(A) right, title and interest in and to each Assigned Contract; and

(B) all amounts payable to it under or in connection with each of the Security Group Insurances and all rights in connection with these amounts.

Irish Law Security

1. For the purposes of the below, any capitalised terms shall have the meaning given to them in the Irish Law Security Agreement.

The security constituted by the Irish Law Security Agreement consists of:

- (i) first fixed charges over the Book Debts and the Security Group Accounts and all monies (including interest) from time to time standing to the credit thereof and the debts represented thereby; and
- (ii) first priority equitable mortgages and charges over the Secured Shares.

2. For the purposes of the below, any capitalised terms shall have the meaning given to them in the ERFL Holdings Irish Law Security Agreement.

The security constituted by the ERFL Holdings Irish Law Security Agreement consists of a first priority equitable mortgages and charges over the Secured Shares.

3. For the purposes of the below, any capitalised terms shall have the meaning given to them in the ERFL2 Irish Law Security Agreement.

The security constituted by the ERFL2 Irish Law Security Agreement consists of:

- (i) first fixed charges over the Book Debts and the Security Group Accounts and all monies (including interest) from time to time standing to the credit thereof and the debts represented thereby; and
- (ii) first priority equitable mortgages and charges over the Secured Shares.

Scottish Law Security

For the purposes of the below, any capitalised terms used that are not defined in the Master Definitions Agreement shall have the meaning given to them in the Scottish Law Security Agreement.

Pursuant to the Scottish Law Security Agreement, Eversholt Rail (380) Limited has assigned as security for the payment and discharge of all the Secured Liabilities in favour of the Security Trustee, Eversholt Rail (380) Limited's whole right, title and interest, present and future, in and to the Contracts including all moneys payable to Eversholt Rail (380) Limited, and any claims, awards and judgments in favour of, receivable or received by Eversholt Rail (380) Limited, under or in connection with the Contracts, subject to any Permitted Security Interest.

All Bonds issued by the Issuer under the Programme will share in the Security constituted by the English Law Security Agreement, the Irish Law Security Agreement, the 2012 Irish Law Security Agreements and the Scottish Law Security Agreement.

(b) Relationship among Bondholders and with other Secured Creditors

The Bondholders from time to time are Secured Creditors. The Bond Trustee is a Secured Creditor on its own behalf and on behalf of the Bondholders from time to time.

The Bond Trust Deed contains provisions detailing the Bond Trustee's obligations to consider the interests of Bondholders as regards all discretions of the Bond Trustee (except where expressly provided or otherwise referred to in Condition 18 (*Bond Trustee Protections*)). In addition, the STID contains provisions detailing the Security Trustee's obligations to consider the interests of the Secured Creditors (including the Bond Trustee on behalf of the Bondholders).

(c) Enforceable Security

The enforcement of the Security as set out in the English Law Security Agreement, the Irish Law Security Agreement, the 2012 Irish Law Security Agreements and the Scottish Law Security Agreement is subject to the terms of the STID.

Pursuant to the terms of the STID, only the Security Trustee is entitled to:

- (i) deliver an Enforcement Notice;
- (ii) take any action referred to in the definition of Enforcement Action against any Obligor (whether directly or through a Receiver); or
- (iii) take proceedings or exercise any rights, discretions or powers, or grant any consents or releases, in respect of the Security given under or pursuant to the Security Documents or otherwise have direct recourse to the Security;

No Bondholder, nor any person acting on behalf of a Bondholder (other than the Bond Trustee or Security Trustee or a Receiver), shall have any right to take or initiate any proceedings or steps against an Obligor to enforce rights under the Finance Documents including without limitation by way of attachment, execution or diligence.

No Secured Creditor (other than the Bond Trustee or Security Trustee or a Receiver appointed by the Security Trustee) shall have the right to take or join any person in taking steps against any Obligor for the purposes of obtaining payment of any amount due whatsoever from such Obligor to such Secured Creditor, including the appointment of a Receiver (including an administrative receiver), provided that nothing shall prevent a Secured Creditor from proving for the full amount owed to it by any Obligor in the insolvency of such Obligor.

No Bondholder, nor any person acting on behalf of a Bondholder (other than the Security Trustee or any Receiver appointed by the Security Trustee) shall initiate or join any person in initiating howsoever an Insolvency Event in relation to any Obligor; and it shall not be entitled to take any steps or proceedings which would result in any of the provisions of Clause 20 (*Post-Enforcement Priority of Payments*) of the STID or this Condition not being observed.

(d) Application After Enforcement

After enforcement of the Security all monies received or recovered by the Security Trustee (or the Receiver appointed by it) in respect of the Security and the Guarantee held by the Security Trustee shall be applied in accordance with the Post-Enforcement Priority of Payments (as set out in the STID). Upon the service of an Enforcement Notice, amounts credited to the Bond Defeasance Account will be applied in accordance with the STID by or on behalf of the Security Trustee (or any Receiver appointed by it) as soon as practicable in repayment of the Bonds (on a *pro rata* and *pari passu* basis) and will be treated as extinguishing *pro tanto* the principal amount of the Bonds for the purpose of applying the Post-Enforcement Priority of Payments.

(e) Bond Trustee and the Security Trustee not liable for security

Neither the Bond Trustee nor the Security Trustee will be liable for any failure to make the usual investigations or any investigations which might be made by a security holder in relation to the property which is the subject of the Security and shall not be bound to enquire into or be liable for any defect or failure in the right or title of an Obligor to the Security whether such defect or failure was known to the Bond Trustee or the Security Trustee, or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will they have any liability for the enforceability of the Security created under the English Law Security Agreement, the Irish Law Security Agreement or either of the 2012 Irish Law Security Agreements whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such Security or otherwise. The Security Trustee and the Bond Trustee shall have no responsibility for the value of any such Security.

(f) Bond Trustee and Security Trustee authorisations and directions

The Bond Trustee is authorised hereby on behalf of the Bondholders to execute the STID and the Common Terms Agreement (and the Bondholders are deemed, by acquiring an interest in the Bonds, to consent to such authorisation).

The Security Trustee is authorised hereby on behalf of the Bondholders to execute the English Law Security Agreement, the Scottish Law Security Agreement, the Irish Law Security Agreement and the 2012 Irish Law Security Agreements as Security Trustee for *inter alia* the Bondholders (and the Bondholders are deemed, by acquiring an interest in the Bonds, to consent to such authorisation).

The Bondholders hereby authorise and direct the Security Trustee to give the undertakings set out in Clause 23.12 (*Quiet Enjoyment and Related Undertakings*) of the STID on behalf of the Bondholders) (and the Bondholders are deemed, by acquiring an interest in the Bonds, to consent to such direction and to be bound by any such undertakings). Neither the Bond Trustee nor the Security Trustee shall be responsible or liable for monitoring compliance (other than in relation to itself) with any such undertaking or for any consequences of any failure so to comply.

5. Issuer Covenants

So long as any of the Bonds remain outstanding, the Issuer has agreed to comply with the covenants as set out in the Common Terms Agreement.

6. Interest and other Calculations

(a) Interest Rate and Accrual

Each Bond (unless specified in the relevant Final Terms to be a Zero Coupon Bond) bears interest on its Principal Amount Outstanding as defined below (or as otherwise specified in the relevant Final Terms) from and including the Interest Commencement Date (as defined below) at the Interest Rate (as defined below), such interest being payable in arrear (unless otherwise specified in the relevant Final Terms) on each Interest Payment Date (as defined below).

Interest will cease to accrue on each Bond (or, in the case of the redemption of part only of a Bond, that part only of such Bond) on the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (both before and after judgment) at the Interest Rate that would otherwise apply in respect of unpaid amounts on such Bonds at such time to the Bond Relevant Date (as defined in Condition 6(j) (*Definitions*)).

If any Maximum Interest Rate or Minimum Interest Rate is specified in the relevant Final Terms, then the Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified, as the case may be.

(b) Adjustment to Interest Rate

If the applicable Final Terms so specify, then the applicable Interest Rate shall be subject to adjustment in accordance with the Interest Ratchet (each such adjustment, a "**Rate Adjustment**"). Any Rate Adjustment shall apply in respect of the Interest Period commencing on the Interest Payment Date immediately following the date of the relevant Step Up Event or Step Down Event, until either a further Rate Adjustment becomes effective or to the date on which the applicable Bonds cease to bear interest, as the case may be. For the avoidance of doubt, if a Step Down Event follows a Step Up Event during the same Interest Period, there shall be no adjustment to the Interest Rate applicable to the next following Interest Period.

The Issuer will cause each Rate Adjustment to be notified to the Principal Paying Agent, the Bond Trustee and Bondholders by notice thereof to be published in accordance with Condition 18 (*Notices*) as soon as possible after the occurrence of the relevant Step Up Event or Step Down Event, as the case may be, but in no event later than the tenth Business Day thereafter.

There shall be no limit on the number of Rate Adjustments that may be made pursuant to this Condition during the term of the applicable Bonds, provided always that at no time during the term of the applicable Bonds will the Interest Rate payable on the applicable Bonds be less than the Interest Rate specified in the applicable Final Terms or more than the aggregate of the Interest Rate specified in the applicable Final Terms and the Interest Ratchet Margin so specified.

For the purposes of this Condition:

"Interest Ratchet" means the following rates of interest:

- (i) upon the occurrence of a Step Up Event: the Interest Rate plus the Interest Ratchet Margin specified in the applicable Final Terms; and
- (ii) upon the occurrence of a Step Down Event: the Interest Rate;

"Interest Ratchet Margin" means in respect of a Tranche of Bonds, the margin so specified in the applicable Final Terms;

"Minimum Rating Requirement" means a long term rating in respect of all Rated Debt of at least BBB- by S&P and BBB- by Fitch or the equivalent rating of any further or replacement Rating Agency;

"Step Down Event" means the reinstatement of the Minimum Rating Requirement following the occurrence of a Step Up Event; and

"Step Up Event" means a failure of the Rated Debt to meet the Minimum Rating Requirement at any time after the Interest Commencement Date, unless the Minimum Rating Requirement has again become satisfied on the day before the Interest Payment Date immediately following the relevant failure to meet the Minimum Rating Requirement.

(c) Business Day Convention

If any date referred to in these Conditions or the relevant Final Terms is specified to be subject to adjustment in accordance with a Business Day convention and would otherwise fall on a day which is not a Business Day (as defined below), then if the Business Day Convention specified in the relevant Final Terms is:

- (i) the "**Following Business Day Convention**", such date shall be postponed to the next day which is a Business Day;
- (ii) the "**Modified Following Business Day Convention**", such date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day; or
- (iii) the "**Preceding Business Day Convention**", such date shall be brought forward to the immediately preceding Business Day.

(d) Floating Rate Bonds

This Condition 6(d) is applicable only if the relevant Final Terms specify the Bonds as Floating Rate Bonds.

If "**Screen Rate Determination**" is specified in the relevant Final Terms as the manner in which the Interest Rate(s) is/are to be determined, the Interest Rate applicable to the Bonds for each Interest Period will be determined by the Agent Bank (or the Calculation Agent, if applicable) on the following basis:

- (i) if the Page (as defined below) displays a rate which is a composite quotation or customarily supplied by one entity, the Agent Bank (or the Calculation Agent, if applicable) will determine the Relevant Rate (as defined in Condition 6(j) (*Definitions*));
- (ii) in any other case, the Agent Bank (or the Calculation Agent, if applicable) will determine the arithmetic mean of the Relevant Rates (as defined below) which appear on the Page as of the Relevant Time (as defined below) on the relevant Interest Determination Date;
- (iii) if, in the case of (i) above, such rate does not appear on that Page or, in the case of (ii) above, fewer than two such rates appear on that Page or if, in either case, the Page is unavailable, the Agent Bank (or the Calculation Agent, if applicable) will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks (as defined in Condition 6(j) (*Definitions*)) to provide a quotation of the Relevant Rate at approximately the Relevant Time on the relevant Interest Determination Date to prime banks in the Relevant Financial Centre (as defined below) interbank market (or, if appropriate, money market) in an amount that is representative for a single transaction in that market at that time; and

- (B) determine the arithmetic mean of such quotations.
- (iv) if fewer than two such quotations are provided as requested in Condition 6(c)(iii), the Agent Bank (or the Calculation Agent, if applicable) will determine the arithmetic mean of the rates (being the rates nearest to the Relevant Rate as determined by the Agent Bank (or the Calculation Agent, if applicable)) quoted by the Reference Banks at approximately 11:00 a.m. (local time in the Relevant Financial Centre of the Relevant Currency) on the relevant Interest Determination Date (as defined in Condition 6(j) (*Definitions*)) for loans in the Relevant Currency to leading European banks for a period equal to the relevant Interest Period and in the Representative Amount (as defined in Condition 6(j) (*Definitions*)),

and the Interest Rate for such Interest Period shall be the sum of the rate or (as the case may be) the arithmetic mean so determined and (a) for any Interest Period that ends before the Scheduled Redemption Date, the Margin and (b) for any Interest Period that ends on or after the Scheduled Redemption Date, the Margin and the Step-Up Floating Fee Rate. However, if the Agent Bank or the Calculation Agent (as applicable) is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Interest Rate applicable to the Bonds during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Bonds in respect of a preceding Interest Period.

If "**ISDA Determination**" is specified in the relevant Final Terms as the manner in which the Interest Rate(s) is/are to be determined, the Interest Rate(s) applicable to the Bonds for each Interest Period will be the sum of the ISDA Rate and (a) for any Interest Period that ends before the Scheduled Redemption Date, the Margin and (b) for any Interest Period that ends on or after the Scheduled Redemption Date, the Margin and the Step-Up Floating Fee Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Agent Bank (or the Calculation Agent, if applicable) under an interest rate swap transaction if the Agent Bank (or the Calculation Agent, if applicable) were acting as calculation agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is the Specified Duration (as defined in Condition 6(j) (*Definitions*)); and
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (1) if the relevant Floating Rate Option is based on the London interbank offered rate (**LIBOR**) for a currency, the first day of that Interest Period, (2) if the relevant Floating Rate Option is based on the Euro-zone interbank offered rate (**EURIBOR**), the first day of that Interest Period or (3) in any other case, as the day specified in the relevant Final Terms.

(e) Fixed Rate Bonds

This Condition 6(e) is applicable only if the relevant Final Terms specify the Bonds as Fixed Rate Bonds.

Subject to the next paragraph, the Interest Rate applicable to the Bonds for each Interest Period will be the rate specified in the relevant Final Terms.

The Interest Rate applicable to the Bonds for each Interest Period from (and including) the Scheduled Redemption Date will be a floating rate equal to the sum of (a) the rate determined in accordance with Condition 6(d) (*Floating Rate Bonds*) if that Condition otherwise applied and (b) the Step-Up Fixed Fee Rate.

(f) Indexed Bonds

This Condition 6(f) is applicable only if the relevant Final Terms specify the Bonds as Indexed Bonds.

Payments of principal on, and the interest payable in respect of, the Bonds will be subject to adjustment for indexation to the extent set out in Condition 7(b) (*Application of the Index Ratio*).

Subject to the next paragraph, the Interest Rate applicable to the Bonds for each Interest Period will be the rate specified in the relevant Final Terms.

The Interest Rate applicable to the Bonds for each Interest Period from (and including) the Scheduled Redemption Date will be a floating rate equal to the sum of (a) the arithmetic mean rate determined in accordance with Condition 6(d) (*Floating Rate Bonds*) if that Condition otherwise applied and (b) the Step-Up Fixed Fee Rate.

(g) Rounding

For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified):

- (i) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up);
- (ii) all figures will be rounded to seven significant figures (with halves being rounded up); and
- (iii) all currency amounts which fall due and payable will be rounded to the nearest unit of such currency (with halves being rounded up). For these purposes, "unit" means, with respect to any currency other than euro, the lowest amount of such currency which is available as legal tender in the country of such currency and, with respect to euro, means 0.01 euro.

(h) Calculations

The amount of interest payable in respect of any Bond for each Interest Period shall be calculated by applying the Interest Rate to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Bond divided by the Calculation Amount (as defined in Condition 6(j) (*Definitions*)) and, in the case of Indexed Bonds only, adjusted according to the indexation set out in Condition 7(b) (*Application of the Index Ratio*), unless an Interest Amount is specified in respect of such period in the relevant Final Terms, in which case the amount of interest payable in respect of such Bond for such Interest Period will equal such Interest Amount.

(i) Determination and Publication of Interest Rates, Interest Amounts, Redemption Amounts and Instalment Amounts

The Agent Bank (or the Calculation Agent, if applicable) shall as soon as practicable after the Relevant Time on each Interest Determination Date or such other time on such date as the Agent Bank (or the Calculation Agent, if applicable) may be required to calculate any Redemption Amount or the amount of an instalment of scheduled principal (an "**Instalment Amount**"), obtain any quote or make any determination or calculation and will determine the Interest Rate and calculate the amount of interest payable (the "**Interest Amounts**") for the relevant Interest Period (including, for the avoidance of doubt any applicable Index Ratio to be calculated in accordance with Condition 7(b) (*Application of the Index Ratio*), calculate the Redemption Amount or Instalment Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Redemption Amount, Principal Amount Outstanding or any Instalment Amount to be notified to, in the case of Bearer Bonds, the Paying Agents or in the case of Registered Bonds, the Registrar, and, in each case, the Bond Trustee, the Issuer, the Bondholders and the London Stock Exchange as soon as possible after its determination but in no event later than (i) (in case of notification to the London Stock Exchange) the commencement of the relevant Interest Period, if determined prior to such time, in the case of an Interest Rate and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. The Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the London Stock Exchange, to the Principal Paying Agent, the Bond Trustee and to the Bondholders in accordance with Condition 18 (*Notices*). If the Bonds become due and payable under Condition 11 (*Events of Default*), the accrued interest and the Interest Rate payable in respect of the Bonds shall nevertheless continue to be calculated as previously provided in accordance with this Condition but no publication of the Interest Rate or the Interest Amount so calculated need be

made unless otherwise required by the Bond Trustee. The determination of each Interest Rate, Interest Amount, Redemption Amount and Instalment Amount, the obtaining of each quote and the making of each determination or calculation by the Agent Bank (or the Calculation Agent, if applicable) or, as the case may be, the Bond Trustee (or an agent on its behalf) pursuant to this Condition 6 or Condition 7 (*Indexation*), shall (in the absence of manifest error) be final and binding upon all parties.

- (j) Where linear interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent Bank by straight line linear interpolation by reference to two rates based on the Relevant Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent Bank shall determine such rate at such time and by reference to such sources as it determines appropriate.

(k) Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below.

"Business Day" means:

- (i) in relation to any sum payable in sterling, a day on which commercial banks and foreign exchange markets settle payments in London;
- (ii) in relation to any sum payable in euro, a TARGET Settlement Day; and
- (iii) in relation to any sum payable in a currency other than sterling and euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the currency in which such financial indebtedness is denominated (which in the case of a payment in US dollars shall be New York);

"Bond Relevant Date" means, in respect of any Tranche of the Bonds, the earlier of (a) the date on which all amounts in respect of the Bonds have been paid, and (b) five days after the date on which all of the Principal Amount Outstanding (adjusted in the case of Indexed Bonds in accordance with Condition 7(b) (*Application of Index Ratio*)) has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Bondholders in accordance with Condition 18 (*Notices*);

"Calculation Amount" means the amount specified as such in the relevant Final Terms;

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Bond for any period of time (whether or not constituting an Interest Period, the **"Calculation Period"**):

- (i) if **"Actual/Actual (ICMA)"** is specified:
 - (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
 - (B) if the Calculation Period is longer than one Determination Period, the sum of:
 - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
 - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

"Determination Period" means the period from and including a Determination Date in any year but excluding the next Determination Date; and

"Designated Maturity" means, in relation to Screen Rate Determination, the period of time designated in the Relevant Rate;

"Determination Date" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s);

- (ii) if **"Actual/Actual (ISDA)"** or **"Actual/Actual"** is specified, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366, and (2) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

- (iii) if "**Actual/365 (Fixed)**" is specified, the actual number of days in the Calculation Period divided by 365;
- (iv) if "**Actual/360**" is specified, the actual number of days in the Calculation Period divided by 360;
- (v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (1) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (2) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if "**30E/360**" or "**Eurobond Basis**" is specified, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the last day of such period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month);

"Interest Commencement Date" means the Issue Date or such other date as may be specified in the relevant Final Terms;

"Interest Determination Date" means, with respect to an Interest Rate and an Interest Period, the date specified as such in the relevant Final Terms or, if none is so specified, the day falling two Business Days in London prior to the first day of such Interest Period (or if the specified currency is sterling the first day of such Interest Period) (as adjusted in accordance with any Business Day Convention (as defined above) specified in the relevant Final Terms);

"Interest Payment Date" means the date(s) specified as such in the relevant Final Terms;

"Interest Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"Interest Rate" means the rate of interest payable from time to time in respect of the Bonds and which is either specified as such in, or calculated in accordance with the provisions of, these Conditions and/or the relevant Final Terms;

"ISDA Definitions" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of Bonds of the relevant Tranche as published by the International Swaps and Derivatives Association, Inc.);

"Issue Date" means the date specified as such in the relevant Final Terms;

"Margin" means the rate per annum (expressed as a percentage) specified as such in the relevant Final Terms;

"Maturity Date" means the date specified in the relevant Final Terms as the final date on which the principal amount of the Bond is due and payable;

"Page" means such page, section, caption, column or other part of a particular information service (including the Reuters Money 3000 Service ("**Reuters**")) as may be specified in the relevant Final Terms, or such other page, section, caption, column or other part as may replace the same on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying comparable rates or prices;

"Participating Member State" means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty establishing the European Communities (as amended), and **"Participating Member States"** means all of them;

"Principal Amount Outstanding" means, in relation to a Bond or Tranche, the original face value thereof less any repayment of principal made to the Holder(s) thereof in respect of such Bond or Tranche;

"Redemption Amount" means the amount provided under Condition 8(d) (*Optional Redemption*), unless otherwise specified in the relevant Final Terms;

"Reference Banks" means the institutions specified as such or, if none, four major banks selected by the Agent Bank (or the Calculation Agent, if applicable) in the interbank market (or, if appropriate, money market) which is most closely connected with the Relevant Rate as determined by the Agent Bank (or the Calculation Agent, if applicable), on behalf of the Issuer, in its sole and absolute discretion;

"Relevant Currency" means the currency specified as such or, if none is specified, the currency in which the Bonds are denominated;

"Relevant Financial Centre" means, with respect to any Bond, the financial centre specified as such in the relevant Final Terms or, if none is so specified, the financial centre with which the Relevant Rate is most closely connected as determined by the Agent Bank (or the Calculation Agent, if applicable);

"Relevant Rate" means the offered rate for a Representative Amount of the Relevant Currency for a period (if applicable) equal to the Specified Duration (or such other rate as shall be specified in the relevant Final Terms);

"Relevant Time" means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the relevant Final Terms or, if none is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the interbank market in the Relevant Financial Centre;

"Representative Amount" means, with respect to any rate to be determined on an Interest Determination Date, the amount specified in the relevant Final Terms as such or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time;

"Scheduled Redemption Date" has the meaning given to it in the applicable Final Terms;

"Specified Duration" means, with respect to any Floating Rate (as defined in the ISDA Definitions) to be determined on an Interest Determination Date, the period or duration specified as such in the relevant Final Terms or, if none is specified, a period of time equal to the relative Interest Period;

"Step-Up Fixed Fee Rate" means the rate per annum (expressed as a percentage) specified as such in the relevant Final Terms or, if no such rate is specified, zero;

"Step-Up Floating Fee Rate" means the rate per annum (expressed as a percentage) specified as such in the relevant Final Terms or, if no such rate is specified, zero;

"sub-unit" means in the case of any currency, the lowest amount of such currency that was available as legal tender in the country of such currency;

"TARGET Settlement Day" means any day on which the TARGET system is open; and

"TARGET system" means the Trans-European Automated Real-Time Gross Settlement Express Transfer system (TARGET or TARGET2).

(l) Agent Bank, Calculation Agent and Reference Banks

The Issuer will procure that there shall at all times be an Agent Bank (and a Calculation Agent, if applicable) and four Reference Banks selected by the Issuer acting through the Agent Bank (or the Calculation Agent, if applicable) with offices in the Relevant Financial Centre if provision is made for them in these Conditions applicable to this Bond and for so long as it is outstanding. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer acting through the Agent Bank (or the Calculation Agent, if applicable) will select another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. If the Agent Bank (or the Calculation Agent, if applicable) is unable or unwilling to act as such or if the Agent Bank (or the Calculation Agent, if applicable) fails duly to establish the Interest Rate for any Interest

Period or to calculate the Interest Amounts or any other requirements, the Issuer will appoint (with the prior written consent of the Bond Trustee) a successor to act as such in its place. The Agent Bank may not resign its duties without a successor having been appointed as aforesaid.

(m) Determination or Calculation by Bond Trustee

If the Agent Bank (or the Calculation Agent, if applicable) does not at any time for any reason determine any Interest Rate, Interest Amount, Redemption Amount, Instalment Amount or any other amount to be determined or calculated by it, the Bond Trustee (or an agent on its behalf) shall (without any liability on the Bond Trustee for so doing) determine such Interest Rate, Interest Amount, Redemption Amount, Instalment Amount or other amount as aforesaid at such rate or in such amount as in its absolute discretion (having regard as it shall think fit to the procedures described above, but subject to the terms of the Bond Trust Deed) it shall deem fair and reasonable in all the circumstances or, subject as aforesaid, apply the foregoing provisions of this Condition, with any consequential amendments, to the extent that, in its sole opinion, it can do so and in all other respects it shall do so in such manner as it shall, in its absolute discretion, deem fair and reasonable in the circumstances, and each such determination or calculation shall be deemed to have been made by the Agent Bank (or the Calculation Agent, if applicable).

(n) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of Condition 6 (*Interest and Other Calculations*) whether by the Principal Paying Agent or the Agent Bank (or the Calculation Agent, if applicable) shall (in the absence of wilful default, gross negligence, bad faith or manifest error) be binding on the Issuer, each Obligor, the Agent Bank, the Bond Trustee, the Principal Paying Agent, the other Agents and all Bondholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Obligors, the Bond Trustee, the Bondholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent, the Agent Bank, the Bond Trustee or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

7. Indexation

This Condition 7 is applicable only if the relevant Final Terms specify the Bonds as Indexed Bonds.

(a) Definitions

"**affiliate**" means in relation to any person, any entity controlled, directly or indirectly, by that person, any entity that controls directly or indirectly, that person or any entity, directly or indirectly under common control with that person and, for this purpose, "**control**" means control as defined in the Companies Act;

"Base Index Figure" means (subject to Condition 7(c)(i) (*Change in base*)) the base index figure as specified in the relevant Final Terms;

"Index" or **"Index Figure"** means, subject as provided in Condition 7(c)(i) (*Change in base*), the UK Retail Price Index (RPI) (for all items) published by the Central Statistical Office and available to view at www.statistics.gov.uk (January 1987 = 100) or any comparable index which may replace the UK Retail Price Index for the purpose of calculating the amount payable on repayment of the Reference Gilt. Any reference to the Index Figure:

- (i) applicable to a particular month shall, subject as provided in Condition 7(c) (*Changes in Circumstances Affecting the Index*) and (e) (*Cessation of or Fundamental Changes to the Index*), be construed as a reference to the Index Figure published in the seventh month prior to that particular month and relating to the month before that of publication;
- (ii) applicable to the first calendar day of any month shall, subject to Condition 7(c) (*Changes in Circumstances Affecting the Index*) and (e) (*Cessation of or Fundamental Changes to the Index*), be construed as a reference to the Index Figure published in the second month prior to that particular month and relating to the month before that of publication; or
- (iii) applicable to any other day in any month shall, subject to Condition 7(c) (*Changes in Circumstances Affecting the Index*) and (e) (*Cessation of or Fundamental Changes to the Index*), be calculated by linear interpolation between (x) the Index Figure applicable to the first calendar day of the month in which the day falls, calculated as specified in sub-paragraph (ii) above, and (y) the Index Figure applicable to the first calendar day of the following month, calculated as specified in sub-paragraph (ii) above, and rounded in accordance with Condition 6(g) (*Rounding*).

If the Index is replaced, the Issuer will describe the replacement Index in a supplementary prospectus;

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

"Indexation Adviser" means a bank or other adviser of international repute (which may be a gilt-edged market maker) appointed by the Issuer at its own expense and approved in writing by the Bond Trustee (or, if the Issuer fails in making such appointment and such failure continues for a reasonable period, as determined by the Bond Trustee in its sole discretion) and the Bond Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such bank or other adviser and otherwise in connection with such appointment, appointed by the Bond Trustee (without liability for so doing) following notification to the Issuer;

"Limited Index Ratio" means (a) in respect of any month prior to the relevant Issue Date, the Index Ratio for that month; (b) in respect of any Limited

Indexation Month after the relevant Issue Date, the product of the Limited Indexation Factor for that month and the Limited Index Ratio as previously calculated in respect of the month twelve months prior thereto (or if no Limited Index Ratio was calculated for the month twelve months prior thereto, the Index Ratio for that month); and (c) in respect of any other month, the Limited Index Ratio as previously calculated in respect of the most recent Limited Indexation Month;

"Limited Indexation Factor" means, in respect of a Limited Indexation Month, the ratio of the Index Figure applicable to that month divided by the Index Figure applicable to the month twelve months prior thereto, provided that (a) if such ratio is greater than the Maximum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Maximum Indexation Factor and (b) if such ratio is less than the Minimum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Minimum Indexation Factor;

"Limited Indexation Month" means any month specified in the relevant Final Terms for which a Limited Indexation Factor is to be calculated;

"Limited Indexed Bonds" means Indexed Bonds to which a Maximum Indexation Factor and/or a Minimum Indexation Factor (as specified in the relevant Final Terms) applies; and

"Reference Gilt" means the Treasury Stock specified as such in the relevant Final Terms for so long as such stock is in issue, and thereafter such issue of index-linked Treasury Stock determined to be appropriate by an Indexation Adviser.

(b) Application of the Index Ratio

Each payment of interest and principal in respect of the Bonds shall be the amount provided in, or determined in accordance with, these Conditions, multiplied by the Index Ratio or Limited Index Ratio in the case of Limited Indexed Bonds applicable to the month in which such payment falls to be made and rounded in accordance with Condition 6(g) (*Rounding*).

(c) Changes in Circumstances Affecting the Index

- (i) Change in base: If at any time and from time to time the Index is changed by the substitution of a new base therefor, then with effect from the calendar month from and including that in which such substitution takes effect (1) the definition of **"Index"** and **"Index Figure"** in Condition 7(a) (*Definitions*) shall be deemed to refer to the new date or month in substitution for January 1987 (or, as the case may be, to such other date or month as may have been substituted therefor), and (2) the new Base Index Figure shall be the product of the then existing Base Index Figure and the Index Figure immediately following such substitution, divided by the Index Figure immediately prior to such substitution.

- (ii) Delay in publication of Index: If the Index Figure relating to any month (the "**relevant month**") which is required to be taken into account for the purposes of the determination of the Index Figure for any date is not published on or before the fourteenth business day before the date on which such payment is due (the "**date for payment**") (otherwise than because the Index has ceased to be published), the Index Figure applicable to the relevant month shall be (1) such substitute index figure (if any) as the Agent Bank acting solely on the advice of an Indexation Adviser (as defined above) considers to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, (or such other body designated by the UK government for such purpose) for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by the Agent Bank acting solely on the advice of an Indexation Adviser; or (2) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 7(c)(ii)(1)) before the date for payment.

(d) Application of Changes

Where the provisions of Condition 7(c)(ii) (*Delay in publication of Index*) apply, the determination of the Indexation Adviser as to the Index Figure applicable to the month in which the date for payment falls shall be conclusive and binding. If, an Index Figure having been delayed pursuant to Condition 7(c)(ii)(2), the Index Figure relating to the relevant month is subsequently published while a Bond is still outstanding, then:

- (i) in relation to a payment of principal or interest in respect of such Bond other than upon final redemption of such Bond, the principal or interest (as the case may be) next payable after the date of such subsequent publication shall be increased or reduced (as determined by an Indexation Adviser) by an amount equal to (respectively) the shortfall or excess of the amount of the relevant payment made on the basis of the Index Figure applicable by virtue of Condition 7(c)(ii)(2), below or above the amount of the relevant payment that would have been due if the Index Figure subsequently published had been published on or before the fourteenth business day before the date for payment; and
- (ii) in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid will be made.

(e) Cessation of or Fundamental Changes to the Index

- (i) If (1) the Bond Trustee has been notified by the Agent Bank (or the Calculation Agent, if applicable) that the Index has ceased to be published or (2) any change is made to the coverage or the basic calculation of the Index which constitutes a fundamental change which would, in the opinion of the Bond Trustee acting solely on the advice of an Indexation Adviser, be materially prejudicial to the interests of

the Bondholders, the Bond Trustee will give written notice of such occurrence to the Issuer, and the Agent Bank acting solely on the advice of an Indexation Adviser shall determine (for the purpose of the Bonds) one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Bondholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made. The Indexation Adviser shall act as an expert and not as an arbitrator and all fees, costs and expenses of the Indexation Adviser and of any of the Issuer and the Bond Trustee in connection with such appointment shall be borne by the Issuer.

- (ii) If any payment in respect of the Bonds is due to be made after the cessation or changes referred to in Condition 7(e)(i) but before any such adjustment to, or replacement of, the Index takes effect, the Issuer shall (if the Index Figure applicable (or deemed applicable) to the relevant month is not available in accordance with the provisions of Condition 7(c)(i) (*Change in base*) above) make a provisional payment on the basis that the Index Figure applicable to the month in which such payment is due to be made is the Index Figure last published. In that event, or in the event of any payment (also referred to below as a "**provisional payment**") on the Bonds having been made on the basis an Index applicable under Condition 7(c)(ii)(1) and the Agent Bank (acting solely on the advice of an Indexation Adviser) subsequently determining that the relevant circumstances fall within this Condition 7(e) (*Cessation of or Fundamental Changes to the Index*), then:
 - (A) in relation to a payment of principal or interest in respect of the Bonds other than upon final redemption of such Bond, if the sum which would have been payable if such adjustment of substitute index had been in effect on the due date for such payment is greater or less than the amount of such provisional payment, the Interest Amount payable on the Bonds on the Interest Payment Date next succeeding the date on which such adjustment or substitute index becomes effective shall be increased or reduced to reflect the amount by which such provisional payment fell short of, or (as the case may be) exceeded, the sum which would have been paid on the Bonds if such adjustment or substituted index had been in effect on that date; or
 - (B) in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid will be made.
- (iii) The Index shall be adjusted or replaced by a substitute index as determined by the Agent Bank acting solely on the advice of an Indexation Adviser pursuant to the foregoing paragraphs and references in these Conditions to the Index and to any Index Figure shall be amended in such manner as the Agent Bank acting solely on

the advice of an Indexation Adviser determines is appropriate to give effect to such adjustment or replacement. The Agent Bank shall notify the Bondholders, the Issuer, the Bond Trustee and the other Agents promptly after the making of such determination and such determination shall from such date be binding upon the Issuer, the other Secured Creditors, the Bond Trustee and the Bondholders, and the Issuer shall give notice to the Bondholders in accordance with Condition 18 (*Notices*) of such amendments as promptly as practicable following such notification.

- (iv) The Bond Trustee shall be entitled to rely absolutely on any determination or advice of an Indexation Adviser without liability to any person for doing so (and whether or not the liability in respect thereof is limited by a monetary cap or otherwise).

8. Redemption, Purchase and Cancellation

(a) Scheduled Redemption

If a Tranche of Bonds is specified to have a Scheduled Redemption Date in the applicable Final Terms and the Bonds of such Tranche are not redeemed in full by the Scheduled Redemption Date this shall not constitute an Event of Default by the Issuer.

(b) Final Redemption

If the Bonds of a Tranche have not previously been redeemed in full, or purchased and cancelled, the Bonds will be finally redeemed at the then Principal Amount Outstanding of such Tranche plus accrued but unpaid interest on the Maturity Date specified in the relevant Final Terms for such Tranche.

(c) Redemption of Zero Coupon Bonds after Scheduled Redemption Date

If the relevant Final Terms specifies that there is a Scheduled Redemption Date for the Bonds, the Redemption Amount payable upon redemption of a Zero Coupon Bond at any time after the Scheduled Redemption Date shall be an amount equal to the sum of:

- (i) the Redemption Amount that would have been payable if the Bond had been redeemed on the Scheduled Redemption Date; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to such amount from (and including) the Scheduled Redemption Date to (but excluding) the date of redemption or (as the case may be) the date upon which the Bond becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of Condition 8(k) or, if none is so specified, a Day Count Fraction of 30/360.

In these Conditions, "**Accrual Yield**" has the meaning given to it in the relevant Final Terms.

(d) Optional Redemption

This Condition applies to Bonds which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons), such option being referred to as an **Issuer Call**. If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may having given not less than the minimum period (of at least 5 Business Days) nor more than the maximum period of notice specified in the applicable Final Terms to the Bondholders in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem any Tranche of the Bonds in whole or in part (but on a *pro rata* basis only) on any Interest Payment Date at their Redemption Amount (from amounts standing to the credit of the Bond Defeasance Account or otherwise) specified in the applicable Final Terms, provided that Floating Rate Bonds may not be redeemed before the date (if any) specified in the relevant Final Terms, as follows:

- (i) In respect of Fixed Rate Bonds denominated in Sterling, the Redemption Amount will, unless otherwise specified in the relevant Final Terms, be an amount equal to the higher of (i) their Principal Amount Outstanding and (ii) the price determined to be appropriate by a financial adviser in London (selected by the Issuer and approved by the Bond Trustee) as being the price at which the Gross Redemption Yield (as defined below) on such Bonds on the Reference Date (as defined below) is equal to the Gross Redemption Yield at 3:00 p.m. (London time) on the Reference Date on the Reference Gilt (as defined below) while that stock is in issue, and thereafter such UK government stock as the Issuer may, with the advice of three persons operating in the gilt-edged market (selected by the Issuer and approved by the Bond Trustee) determine to be appropriate, plus accrued but unpaid interest on the Principal Amount Outstanding.

For the purposes of this Condition 8(d)(i), "**Gross Redemption Yield**" means a yield expressed as a percentage and calculated on a basis consistent with the basis indicated by the UK Debt Management Office publication "Formulae for Calculating Gilt Prices from Yields" (published on 8 June 1998 with effect from 1 November 1998 and updated on 15 January 2002), page 5 or any replacement therefor and, for the purposes of such calculation, the date of redemption of the relevant Fixed Rate Bonds shall be assumed to be the Scheduled Redemption Date and not the Maturity Date; "**Reference Date**" means the date which is two Business Days prior to the despatch of the notice of redemption under this Condition 8(d)(i); and "**Reference Gilt**" means the Treasury Stock specified in the relevant Final Terms.

- (ii) In respect of Floating Rate Bonds, the Redemption Amount will, unless otherwise specified in the relevant Final Terms, be the Principal Amount Outstanding plus any premium for early redemption in certain years (as

specified in the relevant Final Terms) plus any accrued but unpaid interest on the Principal Amount Outstanding.

- (iii) In respect of Indexed Bonds denominated in Sterling, the Redemption Amount will (unless otherwise specified in the relevant Final Terms) be the higher of (i) the Principal Amount Outstanding and (ii) the price determined to be appropriate (without any additional indexation beyond the implicit indexation in such determined price) by a financial adviser in London (selected by the Issuer and approved by the Bond Trustee) as being the price at which the Gross Real Redemption Yield (as defined below) on the Bonds on the Reference Date (as defined below) is equal to the Gross Real Redemption Yield at 3:00 p.m. (London time) on the Reference Date on the Reference Gilt while that stock is in issue, and thereafter such UK government stock as the Issuer may, with the advice of three persons operating in the gilt-edged market, (selected by the Issuer and approved by the Bond Trustee), determine to be appropriate, plus accrued but unpaid interest (as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio*)) on the Principal Amount Outstanding.

For the purposes of this Condition 8(d)(iii), "**Gross Real Redemption Yield**" means a yield expressed as a percentage and calculated on a basis consistent with the basis indicated by the UK Debt Management Office publication "Formulae for Calculating Gilt Prices from Yields" published on 8 June 1998 with effect from 1 November 1998 and updated on 15 January 2002, page 4 or any replacement therefor and, for the purposes of such calculation, the date of redemption of the relevant Indexed Bonds shall be assumed to be the Scheduled Redemption Date and not the Maturity Date; "**Reference Date**" means the date which is two Business Days prior to the despatch of the notice of redemption under this Condition 8(d)(iii); and "**Reference Gilt**" means the Treasury Stock specified in the relevant Final Terms.

- (iv) In respect of Fixed Rate Bonds denominated in euro, the Redemption Amount will, unless otherwise specified in the relevant Final Terms, be an amount equal to the higher of (i) their Principal Amount Outstanding and (ii) the present value at the Reference Date (as defined below) of (A) their Principal Amount Outstanding plus (B) all required interest payments due on the Bonds (excluding accrued but unpaid interest to the date on which the Bonds are to be redeemed (the "**Redemption Date**")), computed using a discount rate equal to the Bund Rate as of the Reference Date and assuming the relevant Fixed Rate Bonds would otherwise have been redeemed on the Scheduled Redemption Date, plus, in either case, accrued but unpaid interest to the Redemption Date.

For the purposes of this Condition 8(d)(iv), "**Bund Rate**" means, with respect to any Reference Date, the rate per annum equal to the equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price on such date of determination; "**Comparable German Bund Issue**" means the German *Bundesanleihe* security specified in the relevant Final

Terms or, if no such security is specified or the specified security is no longer in issue, the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such Reference Date to the Scheduled Redemption Date and that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then Principal Amount Outstanding of the Bonds and of a maturity most nearly equal to the Scheduled Redemption Date provided, however, that if the period from such Redemption Date to the Scheduled Redemption Date is less than one year, a fixed maturity of one year shall be used; "**Comparable German Bund Price**" means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations or, if the Financial Adviser obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations; "**Financial Adviser**" means a financial adviser in Frankfurt (selected by the Issuer and approved by the Bond Trustee); "**Reference Date**" means the date which is three Business Days prior to the dispatch of the notice of redemption under this Condition 8(d)(iv); "**Reference German Bund Dealer**" means any dealer of German *Bundesanleihe* securities appointed by the Financial Adviser; and "**Reference German Bund Dealer Quotations**" means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Financial Adviser of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Financial Adviser by such Reference German Bund Dealer at or about 3:30 p.m. (Frankfurt, Germany time) on the Reference Date.

In any case, prior to giving any such notice, the Issuer must certify to the Bond Trustee that it will have the funds, not subject to any interest (other than under the Security) of any other person, required to redeem the Bonds as aforesaid and the Bond Trustee shall be entitled to rely on such certificate without liability to any person.

In the case of a partial redemption of a Tranche of Bonds pursuant to this Condition, the Bonds to be redeemed (the "**Redeemed Bonds**") will (i) in the case of Redeemed Bonds represented by definitive Bonds, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Bonds represented by a New Global Note (as defined in the Bonds Trust Deed) be selected in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), not more than 30 days prior to the date fixed for redemption. In the case of Redeemed Bonds represented by definitive Bonds, a list of the serial numbers of such Redeemed Bonds will be

published in accordance with Condition 18 (*Notices*) not less than 15 days prior to the date fixed for redemption.

(e) Redemption for Index Event or Taxation Reasons

Redemption for Index Events: Upon the occurrence of any Index Event (as defined below), the Issuer may, upon giving not more than 10 nor less than 5 days' notice to the Bond Trustee, the Security Trustee and the holders of the Indexed Bonds in accordance with Condition 18 (*Notices*), redeem all (but not some only) of the Indexed Bonds of all Tranches on any Interest Payment Date at the Principal Amount Outstanding (adjusted in accordance with Condition 7(b) (*Application of Index Ratio*)) plus accrued but unpaid interest. No single Tranche of Indexed Bonds may be redeemed in these circumstances unless all the other Tranches of Indexed Bonds linked to the same underlying Index are also redeemed at the same time. Before giving any such notice, the Issuer shall provide to the Bond Trustee and the Security Trustee a certificate signed by a director of the Issuer (a) 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 occurred and (b) confirming that the Issuer will have sufficient funds on such Interest Payment Date to effect such redemption. The Bond Trustee and the Security Trustee shall be entitled to rely on such certificate without liability to any person.

"Index Event" means (i) if the Index Figure for three consecutive months falls to be determined on the basis of an Index Figure previously published as provided in Condition 7(c)(ii) (*Delay in publication of Index*) and the Bond Trustee has been notified by the Principal Paying Agent or Agent Bank that publication of the Index has ceased or (ii) notice is published by Her Majesty's Treasury, or on its behalf, following a change in relation to the Index, offering a right of redemption to the holders of the Reference Gilt, and (in either case) no amendment or substitution of the Index has been advised by the Indexation Adviser to the Issuer and such circumstances are continuing.

Redemption for Taxation Reasons: In addition, if at any time the Issuer satisfies the Bond Trustee:

- (i) that the Issuer or the Guarantors would, on the next Interest Payment Date, be obliged to deduct or withhold from any payment of interest or principal in respect of the Bonds or the Guarantee of the Bonds (other than in respect of default interest), any amount for or on account of any present or future taxes, duties or charges, of whatsoever nature imposed, levied, collected, withheld or assessed by the laws or regulations of any jurisdiction or any political subdivision or authority thereof or therein having power to tax ("**Taxes**"), by reason of any change in, or amendment to, such laws or regulations or the application or official interpretation of such laws or regulations (a "**Change of Tax Law**") which becomes effective on or after 14 November 2014; or
- (ii) that by reason of a change in law (or the application or official interpretation thereof), which becomes effective on or after 14 November 2014 that it has or will become unlawful for the Issuer or

any Guarantor to perform any of its obligations under or in connection with the ACF Agreement or the Bonds,

then, in order to avoid the relevant deductions, withholding or illegality, the Issuer may (but is not obliged to)

- (A) arrange the substitution of a company incorporated under the laws of another jurisdiction approved by the Bond Trustee as principal debtor under the Bonds and as Obligor under the Finance Documents upon satisfying the conditions for substitution of the Issuer as set out in Condition 17(g) (*Meetings of Bondholders, Modification, Waiver and Substitution*) and the applicable terms of the STID if such substitution will be effective to avoid the relevant deductions, withholding or illegality (as applicable); or
- (B) convert any Bearer Bonds into Registered Bonds in accordance with Condition 2(a) (*Exchanges of Bearer Bonds for Registered Bonds and Transfers of Registered Bonds*) if such conversion will be effective to avoid the relevant deduction, withholding or illegality (as applicable).

If the Issuer does not arrange a substitution as described above and a conversion of Bearer Bonds to Registered Bonds would not prevent the withholding, deduction or illegality (as applicable) and, as a result, the relevant deduction or withholding or illegality is continuing then the Issuer may, upon giving the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Bond Trustee, the Security Trustee and the Bondholders in accordance with Condition 18 (*Notices*), redeem all (but not some only) of the Bonds of the affected Tranche on any Interest Payment Date at their Principal Amount Outstanding plus accrued but unpaid interest thereon (each adjusted, in the case of Indexed Bonds, in accordance with Condition 7(b) (*Application of the Index Ratio*)).

Before giving any such notice of redemption, the Issuer shall provide to the Bond Trustee and the Security Trustee a certificate signed by a director of the Issuer (a) 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 (b) confirming that the Issuer will have sufficient funds on such Interest Payment Date to discharge all its liabilities in respect of the Bonds of the affected Tranche. The Bond Trustee and the Security Trustee shall be entitled to rely on such certificate without liability to any person.

- (f) Redemption at the option of Bondholders upon a Change of Control:
 - (i) If a Change of Control Option is specified in the relevant Final Terms as being applicable, if at any time while the Bonds remain outstanding there occurs a Change of Control, and within the Control Change Period, a Change of Control Rating Downgrade occurs as a result of the Change of Control ("**Control Change Put Event**") each Bondholder will have the option (unless, prior to the giving of the Put Event Notice, the Issuer gives notice to redeem the Bonds in accordance with these Conditions) on

giving no less than 10 days' notice to the Issuer and the Bond Trustee to require the Issuer to redeem or repay on the Put Redemption Date the entirety of any of its interest in any Bonds held by it in an amount equal to the principal amount outstanding of the interest in the Bonds so put by the relevant Bondholder plus accrued but unpaid interest (if any) to (but excluding) the Put Redemption Date (or such other amount as may be specified in the relevant Final Terms). Such option shall operate as set out below.

- (ii) Promptly upon the Issuer becoming aware that a Control Change Put Event has occurred, the Issuer shall, or if so requested in writing by the holders of at least one-quarter in nominal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders, the Bond Trustee shall (subject to in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give not less than 5 Business Days' prior notice (a "**Put Event Notice**") to the Bondholders in accordance with Condition 18 (*Notices*) specifying the nature of the Control Change Put Event and the procedure for exercising the option contained in this Condition (including the Put Period and the Put Redemption Date).

The Bond Trustee shall have no duty to enquire or satisfy itself as to whether a Control Change Put Event (or any event which could lead to a Control Change Put Event) exists or has occurred and shall be entitled to rely conclusively upon the instructions of Bondholders regarding the same given in accordance with this Condition 8(f).

For the purposes of this provision:

A "**Change of Control**" will occur if:

- (i) any Person or any Persons acting in concert (as defined in the City Code on Takeovers and Mergers as in effect on the date hereof, provided that, for the avoidance of doubt, Control for the purposes of the definition shall have the meaning given to it herein); or
- (ii) any Person or Persons acting on behalf of any such Person(s) which did not (other than by virtue of acting in concert (as defined above) with one or more Persons) previously have Control of the Issuer,

acquire Control of the Issuer, provided that in this definition any reference to any Person not previously having Control of the Issuer shall not, in relation to any Initial Investor or Initial Investor Fund, include any Initial Investor Fund;

"Change of Control Rating Downgrade" means within the Control Change Period:

- (a) any rating assigned to the Bonds is withdrawn (unless replaced with a rating from another Rating Agency); or

- (b) the Bonds cease to be rated Investment Grade by one or more Rating Agencies;
- (c) (if the then current rating of the Bonds by any Rating Agency is below Investment Grade) that rating is lowered one full rating notch by the Rating Agency (for example BB+ to BB by S&P or Fitch and Ba1 to Ba2 by Moody's or such similar lower or equivalent rating);

provided that no Change of Control Rating Downgrade shall occur by virtue of a particular withdrawal of or reduction in rating unless the Rating Agency withdrawing or making the reduction in the rating announces or confirms that the withdrawal or reduction was the result of the relevant Change of Control;

"City Code on Takeovers and Mergers" means the "The Takeover Code" published by "The Panel on Takeovers and Mergers";

"Control" means (a) prior to a Listing, the ownership of at least 50.1 per cent. of the ordinary voting share capital of EIL and (b) on or after a Listing, the ownership of at least 30 per cent. of the ordinary voting share capital of EIL;

"Control Change Period" means the period commencing on the date that is the earlier of (i) the date of the first public announcement of the relevant Change of Control; and (ii) the date of the earliest Relevant Potential Change of Control Announcement (if any) and ending 120 days after the Change of Control (or such longer period for which the Bonds are under review by the Rating Agencies (such review having been announced publicly within the period ending 120 days after the Change of Control), such longer period not to exceed 60 days after the public announcement of such review);

"Initial Investor Fund" means any fund controlled or managed (or, in the case of 3i, advised as to investments (where 3i is that fund's principal adviser) by any Initial Investor;

"Initial Investors" means any of 3i Investments plc, 3i Infrastructure plc, Morgan Stanley Infrastructure Inc., Morgan Stanley Infrastructure Investors LP, Morgan Stanley Infrastructure Partners LP, Morgan Stanley Offshore Infrastructure Partners L.P., Morgan Stanley Infrastructure Partners A Sub II L.P. and any of their Affiliates, STAR Capital Partners Limited, STAR II UK Limited Partnership No. 1, STAR II US Limited Partnership No. 1 and any of their Affiliates;

"Investment Grade" means a rating of at least Baa3 by Moody's, BBB- by S&P or BBB- by Fitch or in each case an equivalent rating from a Rating Agency from time to time;

"Listing" means a listing on any investment exchange or any other sale or issue by way of flotation or public offering or any equivalent circumstances in relation to any member of the Security Group or any

holding company of any member of the Security Group in any jurisdiction or country;

"Person" means, any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organisation, government or any agency or political subdivision thereof or any other entity;

"Put Option Notice" means a notice which must be delivered to the Principal Paying Agent by any Bondholder wanting to exercise a right to redeem a Bond at the option of the Bondholder;

"Put Option Receipt" means a receipt issued by the Principal Paying Agent to a depositing Bondholder upon deposit of a Bond, Global Bond Certificate or Individual Bond Certificate and in each case a Put Option Notice with the Principal Paying Agent by any Bondholder wanting to exercise a right to redeem a Bond at the option of the Bondholder;

"Put Period" means the period from and including the date that a Put Event Notice is given to and including the date 45 days after such Put Event Notice is given;

"Put Redemption Date" means the date falling 10 days after the expiry of the Put Period; and

"Relevant Potential Change of Control Announcement" means any formal public announcement or statement, relating to a potential Change of Control, made by either (a) the Issuer, or (b) any person (or any adviser to such person) contemplating an acquisition which could result in a Change of Control and after which, within 120 days following the date of such announcement or statement, such Change of Control occurs.

In order to exercise an option contained in this Condition, the Holder of a Bond must, during the Put Period, deposit with the Principal Paying Agent in the case of Bearer Bonds, such Bonds together with all unmatured Coupons relating thereto, or, in the case of Registered Bonds, the relevant Global Bond Certificate or Individual Bond Certificate (as applicable), in each case with a duly completed Put Option Notice in the form obtainable from the Principal Paying Agent. The Principal Paying Agent with which a Bond, Global Bond Certificate or Individual Bond Certificate and in each case a Put Option Notice is so deposited shall deliver a duly completed Put Option Receipt to the depositing Bondholder. No Bond, Global Bond Certificate or Individual Bond Certificate, once deposited with a duly completed Put Option Notice in accordance with this Condition may be withdrawn, **provided, however, that** if, prior to the Put Redemption Date, any such Bond becomes immediately due and payable or upon due presentation of any such Bond, Global Bond Certificate or Individual Bond Certificate on the Put Redemption Date, payment of the redemption moneys is improperly withheld or refused, the Principal Paying Agent shall make notification thereof to the depositing Bondholder at such address as may have been given by such Bondholder in the

relevant Put Option Notice and shall hold such Bond, Global Bond Certificate or Individual Bond Certificate at its Specified Office for collection by the depositing Bondholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Bond, Global Bond Certificate or Individual Bond Certificate is held by the Principal Paying Agent in accordance with this Condition the depositor of the relevant Bond and not the Principal Paying Agent shall be deemed to be the Holder of such Bond for all purposes.

The Bond Trustee shall not be required to take any steps to monitor or ascertain whether a Control Change Put Event or any event which could lead to a Control Change Put Event has occurred or may occur and will not be responsible or liable to Bondholders or any other person for any loss arising from any failure by it to do so.

(g) Early redemption following Enforcement Notice

Following the service of an Enforcement Notice in accordance with the STID, the Security Trustee (or the Receiver appointed by it in accordance with the STID) shall apply such monies received or recovered by it in respect of the Security and the Guarantee in redemption of each Tranche of the then outstanding Bonds in accordance with the provisions of the Post-Enforcement Priority of Payments at their Principal Amount Outstanding plus accrued but unpaid interest.

(h) Early redemption of Zero Coupon Bonds

Subject to Condition 8(c), unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Bond at any time before the Maturity Date shall be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Bond becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 8(i) or, if none is so specified, a Day Count Fraction of 30/360.

In these Conditions, "**Accrual Yield**" and "**Reference Price**" have the meanings given to them in the relevant Final Terms.

(i) Purchase of Bonds

The Issuer, any Obligor or any of the Issuer's Affiliates may purchase Bonds (provided that all unmatured Receipts and Coupons and unexchanged Talons

(if any) appertaining thereto are attached or surrendered therewith) in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike.

If not all the Bonds which are in registered form are to be purchased, upon surrender of the existing Individual Bond Certificate, the Registrar shall forthwith upon the written request of the Bondholder concerned issue a new Individual Bond Certificate in respect of the Bonds which are not to be purchased and despatch such Individual Bond Certificate to the Bondholder (at the risk of the Bondholder and to such address as the Bondholder may specify in such request).

While the Bonds are represented by a Global Bond or Global Bond Certificate, the relevant Global Bond or Global Bond Certificate will be endorsed to reflect the Principal Amount Outstanding of Bonds to be so redeemed or purchased.

All Bonds which are (a) redeemed or (b) purchased by or on behalf of the Issuer or any Obligor will as soon as practicable be cancelled (together with, in the case of Bearer Bonds, all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Bonds so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

No person shall be entitled to vote (but any such person may attend and speak) at any meeting in respect of Bonds which are not "outstanding" (as defined in Schedule 4 (*Construction*) of the Master Definitions Agreement) for the purpose of voting. Nothing herein shall prevent any of the proxies named in any block voting instruction or form of proxy from being a director, officer or representative of or otherwise connected with the Issuer or the other Obligors.

(j) Redemption by Instalments

Unless previously redeemed, purchased and cancelled as provided in this Condition 8, each Bond which provides for Instalment Dates (as specified in the relevant Final Terms) and Instalment Amounts (as specified in the relevant Final Terms) will be partially redeemed on each Instalment Date at the Instalment Amount.

9. Payments

(a) Bearer Bonds

Payments to the Bondholders of principal (or, as the case may be, Redemption Amounts or other amounts payable on redemption) and interest (or, as the case may be, Interest Amounts) in respect of Bearer Bonds will, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payment of Instalment Amounts other than on the due date for final redemption and provided that the Receipt is presented for payment together with its relative Bond), Bonds (in the case of all other payments of principal and, in the case of interest, as specified in Condition 9(f)

(*Unmatured Coupons and Receipts and Unexchanged Talons*)) or Coupons (in the case of interest, save as specified in Condition 9(f) (*Unmatured Coupons and Receipts and Unexchanged Talons*)), as the case may be, at the specified office of any Paying Agent outside the United States of America by transfer to an account denominated in the currency in which such payment is due, or (in the case of Bonds in definitive form only) a cheque payable in that currency drawn on, a bank in (i) the principal financial centre of that currency provided that such currency is not euro, or (ii) the principal financial centre of any Participating Member State if that currency is euro.

No payment of principal and/or interest in respect of a Bearer Bond with an original maturity of more than 365 days will be made by a transfer of funds into an account maintained by the payee in the United States or by mailing a cheque to an address in the United States, except as provided in Condition 9(c) (*Payments in the United States of America*).

(b) Registered Bonds

Payments of principal (or, as the case may be, Redemption Amounts) in respect of Registered Bonds will be made by the Registrar to the Holder of such Bond.

Payments of instalments in respect of Registered Bonds will be made by the Registrar to the Holder and the Registrar shall annotate such payment onto the Register and the relevant Global Bond Certificate or Individual Bond Certificate (as applicable).

Interest (or, as the case may be, Interest Amounts) on Registered Bonds payable on any Interest Payment Date will be paid to the Holder on the close of business (in the ICSDs) of the day before the due date for payment thereof (the "**Record Date**"). Payment of interest or Interest Amounts on each Registered Bond will be made in the currency in which such payment is due by cheque drawn on a bank in (a) the principal financial centre of the country of the currency concerned, provided that such currency is not euro, or (b) the principal financial centre of any Participating Member State if that currency is euro and mailed to the holder (or to the first named of joint holders) of such Bond at its address appearing in the Register. Upon application by the Bondholder to the specified office of the Registrar before the relevant Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank in (a) the principal financial centre of the country of that currency provided that such currency is not euro, or (b) the principal financial centre of any Participating Member State if that currency is euro.

A record of each payment so made in respect of Bonds in global form will be endorsed on the schedule to the Global Bond or Global Bond Certificate by or on behalf of the Principal Paying Agent or the Registrar, as the case may be, which endorsement shall be *prima facie* evidence that such payment has been made.

(c) Payments in the United States of America

Notwithstanding the foregoing, if any Bearer Bonds are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if:

- (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States of America with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Bonds in the manner provided above when due;
 - (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts; and
 - (iii) such payment is then permitted by the law of the United States of America, without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.
- (d) Payments subject to fiscal laws; payments on Global Bonds and Registered Bonds

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of this Condition 9 (*Taxation*) (ii) 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, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9 (*Taxation*) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders, Couponholders or Receiptholders (if any) in respect of such payments.

The holder of a Global Bond or Global Bond Certificate shall be the only person entitled to receive payments of principal (or Redemption Amounts) and interest (or Interest Amounts) on the Global Bond or Global Bond Certificate (as the case may be) and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Bond or Global Bond Certificate in respect of each amount paid.

(e) Appointment of the Agents

The Paying Agents, the Agent Bank, the Transfer Agents and the Registrar (the "**Agents**") appointed by the Issuer (and their respective specified offices) are listed in the Agency Agreement. Any Calculation Agent will be listed in the relevant Final Terms and will be appointed pursuant to a Calculation Agency Agreement. The Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any holder. The Issuer reserves the right, with the prior written consent of the Bond Trustee at any time to vary or terminate the appointment of any Agent, and to appoint additional or other Agents, provided that the Issuer will at all times

maintain (i) a Principal Paying Agent (in the case of Bearer Bonds), (ii) a Registrar (in the case of Registered Bonds), (iii) an Agent Bank or Calculation Agent (as specified in the relevant Final Terms) (in the case of Floating Rate Bonds or Indexed Bonds), (iv) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC (as amended from time to time) on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such Directive; and (v) if and for so long as the Bonds are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent, Transfer Agent or Registrar in any particular place, a Paying Agent, Transfer Agent and/or Registrar, as applicable, having its specified office in the place required by such listing authority, stock exchange and/or quotation system, which, while any Bonds are admitted to the Official List of the UK Listing Authority and/or admitted to trading on the London Stock Exchange – Regulated Market shall be in London. Notice of any such variation, termination or appointment will be given in accordance with Condition 18 (*Notices*).

- (f) Unmatured Coupons and Receipts and Unexchanged Talons
 - (i) Subject to the provisions of the relevant Final Terms, upon the due date for redemption of any Bond which is a Bearer Bond (other than a Fixed Rate Bond, unless it has all unmaturred Coupons attached), unmaturred Coupons and Receipts relating to such Bond (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (ii) Upon the date for redemption of any Bond, any unmaturred Talon relating to such Bond (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
 - (iii) Upon the due date for redemption of any Bond which is redeemable in instalments, all Receipts relating to such Bond having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (iv) Where any Bond, which is a Bearer Bond and is a Fixed Rate Bond, is presented for redemption without all unmaturred Coupons and any unexchanged Talon relating to it, a sum equal to the aggregate amount of the missing unmaturred Coupons will be deducted from the amount of principal due for payment and, redemption shall be made only against the provision of such indemnity as the Issuer may require.
 - (v) If the due date for redemption of any Bond is not an Interest Payment Date, interest accrued from the preceding Interest Payment Date or the Interest Commencement Date, as the case may be, or the Interest Amount payable on such date for redemption shall only be payable against presentation (and surrender if appropriate) of the relevant Bond and Coupon.

(g) Non-Business Days

Subject as provided in the relevant Final Terms, if any date for payment in respect of any Bond, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "business day" means a day (other than a Saturday or a Sunday) on which banks are open for presentation and payment of debt securities and for dealings in foreign currency in London and in the relevant place of presentation and in the cities referred to in the definition of Business Days and (in the case of a payment in a currency other than euro), where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which dealings may be carried on in the relevant currency in the principal financial centre of the country of such currency and, in relation to any sum payable in euro, a day on which the TARGET system is open.

(h) Talons

On or after the Interest Payment Date for the final Coupon forming part of a coupon sheet issued in respect of any Bond, the Talon forming part of such coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further coupon sheet (and if necessary another Talon for a further coupon sheet) (but excluding any Coupons which may have become void pursuant to Condition 13 (*Prescription*)).

10. Taxation

- (a) *Gross up:* All payments of principal and interest in respect of the Bonds and the Coupons by or on behalf of the Issuer or the Guarantors 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 imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or Ireland or (in each case) any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Guarantors shall pay such additional amounts as will result in receipt by the Bondholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond or Coupon:

- (i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Bond or Coupon by reason of its having some connection with the United Kingdom other than the mere holding of the Bond or Coupon; or
- (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC (as amended from time to time) on the taxation

of savings income or any law implementing or complying with, or introduced in order to conform to, this Directive, or

- (iii) held by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Bond or Coupon to another Paying Agent in a Member State of the EU; or
 - (iv) where the relevant Bond or Coupon, Global Bond Certificate or Individual Bond Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Bond or Coupon would have been entitled to such additional amounts on presenting or surrendering such Bond or Coupon, Global Bond Certificate or Individual Bond Certificate for payment on the last day of such period of 30 days.
- (b) *Taxing jurisdiction:* If payments of any amounts in respect of the Bonds by the Issuer or any Guarantor are or become subject at any time to the taxing jurisdiction of any territory other than or in addition to the United Kingdom or Ireland (as applicable) (or in each case any political subdivision thereof or any authority therein or thereof having power to tax), references in these Conditions to the United Kingdom or Ireland shall be construed as references to the United Kingdom or Ireland and/or such other territory.

11. Events of Default

(a) Events of Default

If an Event of Default as set out in Schedule 4 of the Common Terms Agreement occurs and is continuing, the Security Trustee and the Secured Creditors may take action in relation to enforcement subject to and in accordance with the STID.

(b) Confirmation of no Event of Default

The Security Group Agent (on behalf of the Obligors), shall provide written confirmation to the Security Trustee and the Bond Trustee, on a semi-annual basis, that no Event of Default has occurred pursuant to the terms of the Common Terms Agreement (which obligation to provide confirmation may be satisfied by the delivery of the Compliance Certificate pursuant to the Common Terms Agreement).

(c) Consequences of the service of Enforcement Notices and taking of Enforcement Action

Upon service of an Enforcement Notice as described in Clause 18.4 (*Enforcement Notice*) of the STID, the whole of the Security shall become enforceable by the Security Trustee in accordance with the STID.

Upon the service of an Enforcement Notice pursuant to Clause 18.4 of the STID, the Bond Trustee at its discretion may, and if so requested by holders of at least 25% 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 prefunded to its satisfaction, give notice to the Issuer that the Bonds are, and they shall immediately become due and repayable at their Principal Amount Outstanding (in the case of Indexed Bonds, as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio*)) plus accrued but unpaid interest (other than in the case of Zero Coupon Bonds) and, in the case of Indexed Bonds, as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio*)).

12. Enforcement Against Issuer

Subject to the terms of the STID, no Bondholder, Receiptholder, Couponholder or other Secured Creditor is entitled to take any action against the Issuer or any other member of the Security Group or against any assets of the Issuer or of any other member of the Security Group to enforce its rights in respect of the Secured Liabilities (including in respect of the Bonds) or to enforce any of the Security. The Security Trustee, subject to being indemnified and/or secured and/or prefunded to its satisfaction against all fees, costs, expenses, liabilities, claims and demands to which it may thereby become liable or which it may incur by so doing, upon being so directed by the requisite proportion of Secured Creditors (including the Bondholders) in accordance with the provisions of the STID, enforce the Security and take such Enforcement Action in accordance with the STID.

Neither the Security Trustee, the Bond Trustee, the Bondholders, the Receiptholders, the Couponholders nor the other Secured Creditors may institute against, or join any person in instituting against, the Issuer any bankruptcy, winding up, re-organisation, arrangement, insolvency or liquidation proceeding (except as may be provided for in the STID, the English Law Security Agreement, the Scottish Law Security Agreement, the Irish Law Security Agreement and the 2012 Irish Law Security Agreements in relation to the Security Trustee) or other proceedings under any similar law for so long as any Bonds are outstanding and for two years and a day after the latest Maturity Date on which any Bond of any Series is due to mature.

13. Prescription

Claims against the Issuer for payment in respect of the Bonds, Receipts or Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Bond Relevant Date (as defined in Condition 6(j) (*Definitions*)) in respect thereof.

14. Replacement of Bonds, Coupons, Receipts and Talons

If any Bearer Bond, Registered Bond, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws and requirements of the London Stock Exchange (in the case of listed Bonds), at the specified office of the Principal Paying Agent or, as the case may be, the Registrar upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require. Mutilated or defaced Bonds, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15. Further Issues

The Issuer may from time to time without the consent of the Bondholders, Receipholders or Couponholders create and issue further bonds ranking *pari passu* with other Bonds of the Issuer then in issue and the terms of which may or may not be the same as those of other Bonds then in issue and if the terms of any further Bonds are the same as those of any then in issue (except in relation to the issue date, the date from which interest starts to accrue, the first Interest Period, the first Interest Payment Date and the amount to be paid in respect of the first payment of interest) such further Bonds shall be consolidated and form a single series with the relevant outstanding Bonds. Any such further Bonds shall have the benefit of the Security.

16. Meetings of Bondholders, Modifications, Waiver and Substitution

(a) Meetings of Bondholders

Where the participation of the Bondholders is required to make decisions in relation to matters set out in the STID (as described below in Condition 16 (d) (*Relationship with Secured Creditors and STID Matters*)) a meeting of Bondholders will not take place unless the decision relates to an Entrenched Right of the Bondholders. In relation to decisions to be taken by the Bondholders which (i) do not relate to a STID Matter or (ii) relate to a STID Matter in relation to an Entrenched Right of the Bondholders, the provisions of the Bond Trust Deed described below will apply.

The Bond Trust Deed contains provisions for convening meetings of Bondholders of a Tranche to consider matters affecting their interests, including the modification of these Conditions, the Bond Trust Deed and any other Finance Document to which the Bond Trustee is a party and the waiver or authorisation of proposed breaches in respect of the terms of such documents. Any such modification, authorisation or waiver may (except in relation to STID Matters as described in further detail below, and subject to the provisions concerning ratification and/or meetings of particular combinations of Tranches of Bonds as set out below and the Bond Trust Deed), be made if sanctioned by a resolution passed at a meeting of the Bondholders of the relevant Tranche duly convened and held in accordance with the Bond Trust Deed by a majority of not less than three-quarters of the persons voting at such meeting upon a show of hands or if a poll is duly demanded by a majority consisting of not less than three-quarters of the votes cast on such poll (an "**Extraordinary Resolution**") of such Bondholders. Such a meeting may be convened by the Bond Trustee or the Issuer, and shall be convened by the Issuer (failing which the Bond Trustee (subject to it being indemnified and/or secured and/or prefunded to its satisfaction)) upon the request in writing of the Bondholders holding not less than one tenth of the aggregate Principal Amount Outstanding of the relevant outstanding Bonds.

The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of the relevant outstanding Bonds or, at any adjourned meeting, one or more persons being or representing Bondholders, whatever the Principal Amount Outstanding of the

relevant outstanding Bonds held or represented, provided however, that certain proposals (the "**Basic Terms Modifications**") in respect of the holders of any particular Tranche of Bonds being any proposal:

- (i) to change any date fixed for payment of principal or interest in respect of such Tranche of Bonds, to reduce the amount of principal or interest payable on any date in respect of any Tranche of Bonds or (other than as specified in Conditions 7 (*Indexation*) and 8 (*Redemption, Purchase and Cancellation*)) to alter the method of calculating the amount of any payment in respect of such Tranche of Bonds on redemption or maturity;
- (ii) other than pursuant to Condition 16(g), to effect the exchange, conversion or substitution of any Tranche of Bonds for, or their conversion into shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (iii) to change the currency in which amounts due in respect of such Tranche of Bonds are payable other than pursuant to redenomination into euro pursuant to Condition 20;
- (iv) to alter the payment priorities in the STID insofar as such alteration would affect any Tranche of Bonds;
- (v) to change the quorum required at any meeting or the majority required to pass an Extraordinary Resolution; or
- (vi) to amend this definition or this Condition,

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

In addition, a resolution in writing signed by or on behalf of the Holders of three-quarters of the aggregate Principal Amount Outstanding of the outstanding Bonds of a particular Tranche, who for the time being are entitled to receive notice of Bondholder meetings under the Bond Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

Relationship between Tranches

- (b) In relation to each Tranche of Bonds:
 - (i) no Extraordinary Resolution involving a Basic Terms Modification that is passed by the holders of one Tranche of Bonds shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other Tranches of Bonds (to the extent that there are Bonds outstanding in

each such other Tranche) (save that no such sanction will be required, where such Basic Terms Modification is of the kind specified in limb (i) of the definition thereof and it is passed by the holders of all of the adversely affected Tranches of Bonds);

- (ii) an Extraordinary Resolution to approve any matter other than a Basic Terms Modification of any Tranche of Bonds shall be effective if it is sanctioned by an Extraordinary Resolution of the holders of the relevant Tranche of Bonds; and
- (iii) Conditions 16(a) and (b) in respect of meetings are subject to the further provisions of the Bond Trust Deed.

(c) Modifications and Waiver

As more fully set out in the Bond Trust Deed (and subject to the conditions and qualifications therein), the Bond Trustee may, without the consent of the Bondholders of any Tranche 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 in so far as in its opinion the interests of the holders of the Bonds then outstanding shall not be materially prejudiced thereby waive or authorise any breach or proposed breach by the Issuer or an Obligor of any of the covenants or provisions contained in the Conditions or any Bond Transaction Document (as defined in the Bond Trust Deed) to which it is a party 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 PROVIDED THAT to the extent such event, matter or thing relates to an Entrenched Right, each of the Affected Secured Creditors (other than the Bond Trustee on behalf of the Bondholders) has also given its prior written consent and PROVIDED FURTHER THAT the Bond Trustee shall not exercise any powers conferred on it hereby in contravention of any express direction given by Extraordinary Resolution of the holders of the Bonds then outstanding in accordance with this Condition or of a request in writing made by holders of not less than 25 per cent in aggregate of the principal amount of the Bonds then outstanding but no such direction or request shall affect any waiver, authorisation or determination previously given or made.

As more fully set out in the Bond Trust Deed (and subject to the conditions and qualifications therein), the Bond Trustee may, except in relation to STID Matters as set out below, without the consent of the Bondholders of any Tranche, concur with the Issuer or any other relevant parties in making (i) any modification (other than in respect of a Basic Terms Modification) to the Conditions or any Bond Transaction Document to which it is a party if the Bond Trustee is of the opinion that such modification will not be materially prejudicial to the holders of the Bonds then outstanding or (ii) any modification to the Conditions or any Bond Transaction Document to which it is a party, if the Bond Trustee is of the opinion that such modification is made to correct a manifest error or an error proven to the satisfaction of the Bond Trustee or is of a formal, minor, administrative or technical nature or to comply with mandatory provisions of law PROVIDED THAT to the extent such modification under (i) above, relates to an Entrenched Right, each of the

Affected Secured Creditors (other than the Bond Trustee on behalf of the Bondholders) has also given its prior written consent.

Any such modification, waiver, determination or authorisation which may be given or made on such terms and subject to such conditions (if any) as the Bond Trustee may determine, shall be binding on the Bondholders of that Tranche and the holders of all relevant Receipts and Coupons and, unless the Bond Trustee agrees otherwise, notice thereof shall be given by the Issuer to the Bondholders of that Tranche as soon as practicable thereafter.

Notwithstanding that none of the Bond Trustee or the Bondholders may have any right of recourse against the Rating Agencies in respect of any Ratings Confirmation given by them and relied upon by the Bond Trustee, the Bond Trustee shall be entitled to assume, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to the Bonds or Finance Document, that such exercise will not be materially prejudicial to the interests of the Bondholders if it has been provided with a Ratings Confirmation. Without prejudice to the foregoing, the Bondholders are deemed to agree for the benefit of the Rating Agencies only that a credit rating is, however, an assessment of credit and does not address other matters that may be of relevance to Bondholders. The Bond Trustee and the Bondholders agree and acknowledge that being entitled to rely on the fact that the Rating Agencies have delivered a Ratings Confirmation does not impose or extend any actual or contingent liability for the Rating Agencies to the Bond Trustee, the Bondholders or any other person or create any legal relations between the Rating Agencies and the Bond Trustee, the Bondholders or any other person whether by way of contract or otherwise.

(d) Relationship with Secured Creditors and STID Matters

STID Matters: There are specific voting matters set out in the STID which affect Secured Creditors in respect of which all Secured Creditors (including the Bondholders) will be entitled to vote. In respect of a vote of Secured Creditors, the Bond Trustee will (as the applicable Secured Creditor Representative) vote in accordance with the instructions of the Bondholders as further described below. Such voting matters include STID Proposals, Instruction Notices, Direction Notices, Enforcement Instruction Notices and Further Enforcement Instruction Notices ("**STID Matters**").

In respect of STID Matters, each category of Secured Creditors (determined in accordance with the STID) will be allocated a number of votes which is proportionate to the outstanding principal amount of the debt owed to them by the Security Group.

For the purpose of voting in connection with a STID Matter the Security Trustee shall send a copy of such proposal or request for instructions to the Secured Creditor Representatives (including the Bond Trustee) for onward distribution to the relevant Secured Creditors.

The Bond Trustee shall vote as the Secured Creditor Representative of the Bondholders in respect of a STID Matter by promptly notifying the Security

Trustee, in accordance with Clause 11.7 (*STID Voting Request*) of the STID, of all Votes (as defined in the Bond Trust Deed) received by it from Bondholders on or prior to the Voting Date (as defined in the Bond Trust Deed).

Any vote on a STID Matter duly approved by the Qualifying Secured Creditors in accordance with the STID shall be binding on all Bondholders, Receiptholders and Couponholders (subject as provided in the STID). The Bond Trustee shall, following receipt from the Security Trustee of the result of any vote in respect of a STID Voting Request, promptly notify Bondholders in accordance with Condition 18 (*Notices*).

On receipt of a STID Voting Request from the Security Trustee in respect of a STID Matter (whether or not it also gives rise to an Entrenched Right necessitating the convening of a meeting of Bondholders), the Bond Trustee shall promptly send a copy of such notice to the Bondholders in accordance with Condition 18 (*Notices*).

In respect of a STID Matter which does not give rise to an Entrenched Right, each Bondholder may only vote by way of a "**Block Voting Instruction**" (as defined in Schedule 4 Part 2 of the Bond Trust Deed).

No physical meetings of Bondholders will be held in respect of any Vote (as defined in Schedule 4 Part 2 of the Bond Trust Deed) in respect of a STID Matter (other than in respect of a STID Matter that gives rise to an Entrenched Right in which case the Bond Trustee shall convene a meeting as described in (f) below).

For the purposes of determining the Votes (as defined in Schedule 4 Part 2 of the Bond Trust Deed) cast on a STID Matter by a Bondholder, each Bondholder shall have one vote in respect of each £1 (or its equivalent expressed in sterling on the basis of the Exchange Rate) of Principal Amount Outstanding of Bonds held or represented by it.

Each Bondholder must vote on or prior to close of business (London time) on the Voting Date (as defined in Schedule 4 Part 2 of the Bond Trust Deed).

A Block Voting Instruction in relation to Bearer Bonds shall be valid only if it is deposited at the specified office of the relevant Paying Agent or at some other place approved by the Bond Trustee, at least 24 hours before the Voting Date. The Bond Trustee shall not be obliged to investigate the validity of any Block Voting Instruction the content of which it shall be entitled to rely on absolutely without liability to any person. Any such Block Voting Instruction shall be conclusive and binding to the parties hereto and on the Bondholders, Receiptholders and Couponholders.

Block Voting Instructions in relation to Registered Bonds shall be valid only if deposited at the specified office of the Registrar or at some other place approved by the Bond Trustee, at least 24 hours before the Voting Date. The Bond Trustee shall not be obliged to investigate the validity of any Block Voting Instruction the content of which it shall be entitled to rely on absolutely

without liability to any person. Any such Block Voting Instruction shall be conclusive and binding to the parties hereto and on the Bondholders and Receipholders.

(e) Voting in respect of STID Matters not affecting Entrenched Rights

In respect of a Tranche of Bonds and a STID Matter (other than in respect of an Entrenched Right of the Bondholders in which case a Bondholder Meeting shall be required), the Bond Trustee shall vote:

- (i) subject to paragraph (iii) below, in an amount equal to the aggregate of the Outstanding Principal Amount of each Bond which voted for the relevant STID Matter through the STID Direct Voting Mechanic, for such STID Matter;
- (ii) subject to paragraph (iii) below, in an amount equal to the aggregate of the Outstanding Principal Amount of each Bond which voted against the relevant STID Matter through the STID Direct Voting Mechanic, against such STID Matter;
- (iii) if any of the below applies the above paragraphs (i) and (ii) shall not be applied:

(A) if, in respect of a Tranche of Bonds and a STID Matter:

- (I) 25 per cent. or more of the Outstanding Principal Amount of such Tranche of Bonds voted directly through the STID Direct Voting Mechanic; and
- (II) 75 per cent. or more of the Outstanding Principal Amount of the Bonds which so voted, voted the same way,

then the entire Outstanding Principal Amount of such Tranche of Bonds will count as having voted in such way in respect of both Quorum Requirements and majority;

(B) if, in respect of a Tranche of Bonds and a STID Matter:

- (I) 25 per cent. or more of the Outstanding Principal Amount of such Tranche of Bonds voted directly through the STID Direct Voting Mechanic; but
- (II) less than 75 per cent. of the Outstanding Principal Amount of the Bonds which so voted, voted the same way,

then the entire Outstanding Principal Amount of such Tranche of Bonds will count for the purposes of Quorum Requirements (but in relation to the actual voting, only the amount of Bonds which is actually voted will be taken into account on a pound

for pound basis either for or against the STID Matter according to how they were voted).

(f) Voting in respect of STID Matters affecting Entrenched Rights

In respect of a Tranche of Bonds and a STID Matter where a Bondholders Meeting is called in relation to an Entrenched Right, the entire Outstanding Principal Amount of such Tranche of Bonds will count either for or against the STID Proposal according to the outcome of such Bondholders Meeting.

On receipt of a STID Voting Request from the Security Trustee in respect of a STID Matter that gives rise to an Entrenched Right, the Issuer may (and if the Issuer does not do so, the Bond Trustee shall, subject to being indemnified and/or secured and/or prefunded to its satisfaction), forthwith, in accordance with the provisions of Part 1 of Schedule 4 of the Bond Trust Deed, convene a meeting of the holders of each affected Tranche of Bonds. The Bond Trustee shall notify the Security Trustee in writing of whether or not the holders of each Tranche of Bonds affected by such Entrenched Right have passed an Extraordinary Resolution approving the relevant STID Matter for the purposes of Clause 15.1 (*Scope of Entrenched Rights*) of the STID.

(g) Substitution

As more fully set forth in the Bond Trust Deed (and subject to the conditions and qualifications therein), the Bond Trustee may, without the consent of the Bondholders of any Tranche of them or any other Secured Creditor, also agree with the Issuer, subject, to the substitution of another corporation in place of the Issuer as principal debtor in respect of the Bond Trust Deed and the Bonds of all Tranches.

17. Bond Trustee Protections

(a) Bond Trustee considerations

Subject to Condition 17(b) (*Exercise of rights by Bond Trustee*), in connection with the exercise, under these Conditions, the Bond Trust Deed or any Finance Document, of its rights, powers, trusts, authorities and discretions (including any modification, consent, waiver or authorisation), the Bond Trustee shall have regard to the interests of the holders of the Bonds then outstanding provided that, if, in the Bond Trustee's opinion, there is a conflict of interest between the holders of two or more Tranches of Bonds, it shall have regard to the interests of the holders of the Tranche then outstanding with the greatest Principal Amount Outstanding and will not have regard to the consequences of such exercise for the holders of other Tranches of Bonds or for individual Bondholders, resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. The Bond Trustee shall not be entitled to require from the Issuer nor shall any Bondholders be entitled to claim from the Issuer or the Bond Trustee, any indemnification or other payment in respect of any consequence (including any tax consequence) for individual Bondholders of any such exercise.

(b) Exercise of rights by Bond Trustee

Subject as provided in these Conditions and the Bond Trust Deed, the Bond Trustee will exercise its rights under, or in relation to, the Bond Trust Deed, the Conditions and any Finance Documents in accordance with the directions of the relevant Bondholders, but the Bond Trustee shall not be bound as against the Bondholders to take any such action unless it has (i) (a) been so requested in writing by the holders of at least 25 per cent. in nominal amount of the relevant Tranches of Bonds outstanding or (b) been so directed by an Extraordinary Resolution and (ii) been indemnified and/or secured and/or prefunded to its satisfaction.

18. Notices

Notices to holders of Registered Bonds will be posted to them at their respective addresses in the Register and deemed to have been given on the date of posting. Other notices to Bondholders will be valid if published in a leading daily newspaper having general circulation in London (which is expected to be the Financial Times). The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of the London Stock Exchange. Any such notice (other than to holders of Registered Bonds as specified above) shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. Couponholders and Receiptholders will be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Bonds in accordance with this Condition 17.

So long as any Bonds are represented by Global Bonds or Global Bond Certificates, notices in respect of those Bonds may be given only by delivery of the relevant notice to Euroclear Bank S.A./N.V. as operator of the Euroclear System or Clearstream Banking, société anonyme or any other relevant clearing system as specified in the relevant Final Terms for communication by them to entitled account holders in substitution for publication in a daily newspaper with general circulation in London. Such notices shall be deemed to have been received by the Bondholders on the day of delivery to such clearing systems.

The Issuer will provide each Rating Agency, at its request, from time to time and provided that the Issuer will not contravene any law or regulation in so doing, with all notices, written information and reports that are made available to the Bondholders of any Tranche in respect of the Bonds except to the extent that such notices, information or reports, contain information confidential to third parties and/or are not made available to the Issuer.

19. Indemnification of the Bond Trustee

(a) Indemnification of the Bond Trustee

The Bond Trust Deed contains provisions for indemnification of the Bond Trustee and for its relief from responsibility, including provisions relieving it from taking any action, step or proceeding including taking proceedings against the Issuer and/or any other person unless indemnified and/or secured and/or prefunded to its satisfaction. The Bond Trustee or any of its affiliates

(as defined in Condition 7 (*Indexation*)) are entitled to enter into business transactions with the Issuer, the other Secured Creditors or any of their respective subsidiaries or associated companies without accounting for any profit resulting therefrom.

(b) Directions, Duties and Liabilities

The Bond Trustee, in the absence of its own wilful default, gross negligence or fraud, and in all cases when acting as directed by or subject to the agreement of the holders of the Bonds shall not in any way be responsible for any loss, costs, damages or expenses or other liability, which may result from the exercise or non-exercise of any consent, waiver, power, trust, authority or discretion vested in the Bond Trustee pursuant to the Bond Trust Deed or any ancillary document.

20. European Economic and Monetary Union

(a) Notice of redenomination

The Issuer may, without the consent of the Bondholders, and on giving at least 30 days' prior notice to the Bondholders, the Security Trustee, the Bond Trustee and the Principal Paying Agent, designate a date (the "**Redenomination Date**"), being an Interest Payment Date under the Bonds falling on or after the date on which the UK becomes a Participating Member State.

(b) Redenomination

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

- (i) the Bonds of each Tranche denominated in sterling (the "**Sterling Bonds**") shall be deemed to be redenominated into Euro in the denomination of Euro 0.01 with a principal amount for each Bond equal to the principal amount of that Bond in sterling, converted into Euro at the rate for conversion of such currency into Euro established by the Council of the European Union pursuant to the Treaty establishing the European Union, as amended, (including compliance with rules relating to rounding in accordance with European Community regulations), provided, however, that, if the Issuer determines, with the agreement of the Bond Trustee, that the then current market practice in respect of the redenomination into Euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Bondholders, the London Stock Exchange and the Principal Paying Agent of such deemed amendments;

(ii) if Bonds have been issued in definitive form:

- (A) all Bonds denominated in sterling will become void with effect from the date (the "**Euro Exchange Date**") on which the Issuer

gives notice (the "**Euro Exchange Notice**") to the Bondholders and the Bond Trustee that replacement Bonds denominated in Euro are available for exchange (provided that such Bonds are available) and no payments will be made in respect thereof;

- (B) the payment obligations contained in all Bonds denominated in sterling will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Bonds in accordance with this Condition 20) shall remain in full force and effect; and
 - (C) new Bonds denominated in Euro will be issued in exchange for Sterling Bonds in such manner as the Principal Paying Agent or the Registrar, as the case may be, may specify and as shall be notified to the Bondholders in the Euro Exchange Notice;
- (iii) all payments in respect of the Sterling Bonds (other than, unless the Redenomination Date is on or after such date as sterling ceases to be a sub-division of the Euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in Euro by cheque drawn on, or by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Participating Member State; and
 - (iv) a Bond may only be presented for payment on a day which is a business day in the place of presentation.

(c) Interest

Following redenomination of the Bonds pursuant to this Condition 20:

- (i) where Sterling Bonds have been issued in definitive form, the amount of interest due in respect of the Sterling Bonds will be calculated by reference to the aggregate principal amount of the Sterling Bonds presented for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest Euro 0.01; and
- (ii) the amount of interest payable in respect of each Tranche of Sterling Bonds for any Interest Period shall be calculated by applying the Interest Rate applicable to the Tranche of Bonds denominated in Euro ranking *pari passu* to the relevant Tranche.

21. Miscellaneous

(a) Governing Law

The Bond Trust Deed, the Bonds, the Coupons, the Receipts, the Talons (if any) and the other Finance Documents (other than the Irish Law Security Agreement, the 2012 Irish Law Security Agreements and the Scottish Law Security Agreement) are, and any non-contractual obligations arising from or

in connection with such documents are governed by, and construed in accordance with, English law.

(b) Jurisdiction

The courts of England are to have exclusive jurisdiction to settle any dispute that may arise out of or in connection with (i) the Bond Trust Deed, the Bonds, the Coupons, the Receipts, the Talons, and the other Finance Documents (other than the Irish Law Security Agreement, the 2012 Irish Law Security Agreements and the Scottish Law Security Agreement) and (ii) any non-contractual obligations arising out of or in connection with such documents, and accordingly any legal action or proceedings arising out of or in connection with the Bonds, the Coupons, the Receipts, the Talons (if any) and/or the Finance Documents (other than the Irish Law Security Agreement, the 2012 Irish Law Security Agreements and the Scottish Law Security Agreement) may be brought in such courts. The Issuer has in each of the Finance Documents (other than the Irish Law Security Agreement, the 2012 Irish Law Security Agreements and the Scottish Law Security Agreement) to which it is a party irrevocably submitted to the jurisdiction of such courts.

(c) Third Party Rights

No person shall have any right to enforce any term or condition of the Bonds or the Bond Trust Deed under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any person which exists or is available apart from that Act.

(d) Rights Against Issuer

Under the Bond Trust Deed, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to interests in the Bonds will (subject to the terms of the Bond Trust Deed) acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Bond or Global Bond Certificate became void, they had been the registered Holders of Bonds in an aggregate principal amount equal to the principal amount of Bonds they were shown as holding in the records of Euroclear, Clearstream, Luxembourg or any other relevant clearing system (as the case may be).

(e) Clearing System Accountholders

References in the Conditions of the Bonds to "**Bondholder**" are references to the bearer of the relevant Global Bond or the person shown in the records of the relevant clearing system as the holder of the Registered Bond.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, as being entitled to an interest in a Global Bond or a Registered Bond (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to such Accountholder and

in relation to all other rights arising under the Global Bond or Registered Bond. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Bond or Registered Bond will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system (as the case may be) from time to time. For so long as the relevant Bonds are represented by a Global Bond or Registered Bond, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Bonds and such obligations of the Issuer will be discharged by payment to the bearer of the Global Bond or the registered holder of the Registered Bond, as the case may be.

FORMS OF THE BONDS

Bonds may, subject to all applicable legal and regulatory requirements, be issued in Series comprising either Bonds in bearer form ("**Bearer Bonds**") or Bonds in registered form ("**Registered Bonds**"), as specified in the relevant Final Terms. Each Series comprises a single class. The Bonds may comprise one or more Tranches.

Bearer Bonds

Each Tranche of Bonds initially issued in bearer form will be issued either as a temporary global bond (the "**Temporary Global Bond**"), without Receipts, Coupons or Talons attached, or a permanent global bond (the "**Permanent Global Bond**"), without Receipts, Coupons or Talons attached, in each case as specified in the relevant Final Terms. Each Temporary Global Bond or, as the case may be, Permanent Global Bond (each a "**Global Bond**") which is not intended to be issued in new global note ("**NGN**") form, as specified in the relevant Final Terms, will be delivered on or prior to the Issue Date of the relevant Tranche of the Bonds to a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant Clearing System on or about the Issue Date of the relevant Tranche. Each Global Bond which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be delivered on or prior to the Issue Date of the relevant Tranche of the Bonds to a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Where the Global Bonds issued in respect of any Tranche are in NGN form, Euroclear and Clearstream, Luxembourg will be notified by or on behalf of the Issuer whether or not such Global Bonds are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Bonds are to be so held does not necessarily mean that the Bonds of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

In the case of each Tranche of Bonds in bearer form the relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (or any successor United States Treasury Regulation section, including without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (or any successor United States Treasury Regulation section, including without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (the "**TEFRA D Rules**") are applicable in relation to the Bonds or, if the Bonds do not have a maturity of more than 1 year, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Bond exchangeable for Permanent Global Bond

If the relevant Final Terms specify the form of Bonds as being represented by "Temporary Global Bond exchangeable for a Permanent Global Bond", then the

Bonds will initially be in the form of a Temporary Global Bond which will be exchangeable, in whole or in part, for interests in a Permanent Global Bond, without Receipts, Coupons or Talons attached, not earlier than 40 days after the Issue Date of the relevant Tranche of the Bonds upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Bond unless exchange for interests in the Permanent Global Bond is improperly withheld or refused. In addition, payments of interest in respect of the Bonds cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in a Temporary Global Bond is to be exchanged for an interest in a Permanent Global Bond, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Bond, duly authenticated, to the bearer of the Temporary Global Bond or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Bond in accordance with its terms against:

- presentation and (in the case of final exchange) surrender of the Temporary Global Bond at the specified office of the Principal Paying Agent; and
- receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant Clearing System,

within seven days of the bearer requesting such exchange.

The principal amount of the Permanent Global Bond shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; provided, however, that in no circumstances shall the principal amount of the Permanent Global Bond exceed the aggregate initial principal amount of the Temporary Global Bond and any Temporary Global Bond representing a fungible Tranche of Bonds with the Tranche of Bonds represented by the first Temporary Global Bond.

The Permanent Global Bond will be exchangeable in whole, but not in part, for Bonds in definitive form each, a Definitive Bond:

- if the Issuer has been notified that both of 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 satisfactory to the Bond Trustee is available; or
- the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bonds in definitive form and a certificate to such effect from two Directors of the Issuer has been given to the Bond Trustee.

Whenever the Permanent Global Bond is to be exchanged for Definitive Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Bonds, duly authenticated and with Receipts, Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to

the principal amount of the Permanent Global Bond to the bearer of the Permanent Global Bond against the surrender of the Permanent Global Bond at the specified office of the Principal Paying Agent within 30 days of the bearer requesting such exchange but not earlier than 40 days after the Issue Date of such Bonds.

Temporary Global Bond exchangeable for Definitive Bonds

If the relevant Final Terms specify the form of Bonds as being "Temporary Global Bond exchangeable for Definitive Bonds" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Bonds will initially be in the form of a Temporary Global Bond which will be exchangeable, in whole but not in part, for Definitive Bonds not earlier than 40 days after the Issue Date of the relevant Tranche of the Bonds.

If the relevant Final Terms specifies the form of Bonds as being "Temporary Global Bond exchangeable for Definitive Bonds" and also specifies that the TEFRA D Rules are applicable, then the Bonds will initially be in the form of a Temporary Global Bond which will be exchangeable, in whole or in part, for Definitive Bonds not earlier than 40 days after the Issue Date of the relevant Tranche of the Bonds upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Bonds cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Bond is to be exchanged for Definitive Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Bonds, duly authenticated and with Receipts, Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Bond so exchanged to the bearer of the Temporary Global Bond against the presentation (and in the case of final exchange, surrender) of the Temporary Global Bond at the specified office of the Principal Paying Agent within 30 days of the bearer requesting such exchange but not earlier than 40 days after the issue of such Bonds.

If the relevant Final Terms specify the form of Bonds as being "Temporary Global Bond exchangeable for Definitive Bonds", such Temporary Global Bonds and such Definitive Bonds may only be issued and traded in denominations equal to the Specified Denomination and integral multiples thereof.

Permanent Global Bond exchangeable for Definitive Bonds

If the relevant Final Terms specifies the form of Bonds as being "Permanent Global Bond exchangeable for Definitive Bonds" and also specifies that the TEFRA C Rules are applicable or that TEFRA does not apply, then the Bonds will initially be in the form of a Permanent Global Bond which will be exchangeable in whole, but not in part, for Definitive Bonds:

- if 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 satisfactory to the Bond Trustee is available; or

- the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bonds in definitive form and a certificate to such effect from two Directors of the Issuer has been given to the Bond Trustee.

Whenever the Permanent Global Bond is to be exchanged for Definitive Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Bonds, duly authenticated and with Receipts, Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Bond to the bearer of the Permanent Global Bond against the surrender of the Permanent Global Bond at the specified office of the Principal Paying Agent within 30 days of the bearer requesting such exchange but not earlier than 40 days after the Issue Date of such Bonds.

In the event that a Global Bond is exchanged for Definitive Bonds, such Definitive Bonds shall be issued in Specified Denominations(s) only. Bondholders who hold Bonds in the relevant Clearing System in amounts that are not integral multiples of a Specified Denomination may need to purchase or sell, on or before the relevant date of exchange, a principal amount of Bonds such that their holding is an integral multiple of a Specified Denomination.

Conditions applicable to the Bonds

The Conditions applicable to any Definitive Bond will be endorsed on that Bond and will consist of the Conditions set out under "*Terms and Conditions of the Bonds*" above and the provisions of the relevant Final Terms which complete those Conditions.

The Conditions applicable to any Global Bond will differ from those Conditions which would apply to the Definitive Bond to the extent described under "*Provisions Relating to the Bonds while in Global Form*".

Legend concerning United States persons

Global Bonds and Definitive Bonds (other than Temporary Global Bonds) having a maturity of more than 1 year and any Receipts, Coupons and Talons appertaining thereto will bear a legend to the following effect unless the relevant Final Terms specifies that the TEFRA C Rules are applicable or that TEFRA does not apply:

"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 in such legend provide that a United States person who holds a Bond, Receipt, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bond, Receipt, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

Bonds issued in bearer form will only be transferable in accordance with the procedures of Euroclear or Clearstream, Luxembourg and/or any other relevant clearing system (as applicable).

Registered Bonds

Any Registered Bonds will be represented on issue by one or more global certificates of each Tranche in fully registered form without interest coupons or principal receipts attached (each a "**Global Bond Certificate**").

Each Global Bond Certificate will be deposited on or about the Issuer Date with either: (a) a common depositary for Euroclear and Clearstream, Luxembourg and/or any other relevant clearing system, in the case of a Global Bond Certificate which will not be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), and registered in the name or a nominee of Euroclear and/or Clearstream Luxembourg and/or any other relevant clearing system; or (b) a common safekeeper for Euroclear and/or Clearstream Luxembourg, in the case of a Global Bond Certificate to be held under the New Safekeeping Structure, and registered in the name of a nominee of the common safekeeper.

Where the Global Bond Certificates issued in respect of any Tranche are held under the NSS, Euroclear and Clearstream, Luxembourg will be notified by or on behalf of the Issuer whether or not such Global Bond Certificates are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Bond Certificates are to be so held does not necessarily mean that the Bonds of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The common safekeeper for NSSs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Beneficial interests in a Global Bond Certificate may be held only through Euroclear or Clearstream, Luxembourg or their participants at any time. See "*Book-Entry Clearance Procedure*".

Beneficial interests in Global Bond Certificates will be subject to certain restrictions on transfer set out herein, in the relevant Final Terms, and in the Agency Agreement, and such Global Bond Certificates will bear the applicable legends regarding the restrictions set out in the relevant Final Terms.

Except in the limited circumstances described below, owners of beneficial interests in Global Bond Certificates will not be entitled to receive physical delivery of certificated Bonds.

Exchange for Individual Bond Certificates

Each Global Bond Certificate will be exchangeable, free of charge to the holder, on or after its Individual Exchange Date (as defined below), in whole but not in part, for individual bond certificates in fully registered form ("**Individual Bond Certificates**");

- of the Issuer has been notified that both Euroclear and/or Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or any such clearing system have announced an intention to permanently cease business or have in fact done so and no successor clearing system satisfactory to the Bond Trustee is available; and
- the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bonds in definitive form and a certificate to such effect from two Directors of the Issuer has been given to the Bond Trustee.

The Registrar will not register the transfer of, or exchange of interests in, a Global Bond Certificate for Individual Bond Certificates for a period of 15 calendar days ending on the date for any payment of principal or interest in respect of the relevant Tranche of Bonds.

If only one of the Global Bond Certificates (the "**Exchanged Global Bond Certificate**") becomes exchangeable for Individual Bond Certificates in accordance with the above paragraphs, transfers of Bonds may not take place between, on the one hand, persons holding Individual Bond Certificates issued in exchange for beneficial interests in the Exchanged Global Bond Certificate and on the other hand, persons wishing to purchase beneficial interests in the other Global Bond Certificate.

"Individual Exchange Date" means a day falling not less than 30 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar and any Transfer Agent is located.

In such circumstances, the relevant Global Bond Certificate shall be exchanged in full for Individual Bond Certificates and the Issuer will, at the cost of the Issuer (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Individual Bond Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Bondholders. A person having an interest in a Global Bond Certificate must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Individual Bond Certificates.

Legends and Transfers

The holder of an Individual Bond Certificate may transfer the Bonds represented thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of an Individual Bond Certificate or upon specific request for removal of the legend on an Individual Bond Certificate, the Issuer will deliver only Individual Bond Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that

neither the legend nor the restrictions on transfer set out therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act.

Provisions Relating to the Bonds while in Global Form

Global Bonds and Global Bond Certificates 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:

- (i) *Cancellation: Cancellation of any Bond represented by a Global Bond or Global Bond Certificate that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Global Bond or Global Bond Certificate.*
- (ii) *Notices: So long as any Bonds are represented by a Global Bond or Global Bond Certificate and such Global Bond or Global Bond Certificate 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 Accountholders 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.*
- (iii) *Record date: Each payment in respect of a Global Bond Certificate will be made to the person shown as the Holder in the Register on the Clearing System Business Day before the due date for such payment (the “**Record Date**”) where “**Clearing System Business Day**” means a day on which each clearing system for which the Global Bond Certificate is being held is open for business.*
- (iv) *Payments: All payments in respect of the Global Bonds which, according to the Conditions, require presentation and/or surrender of a Bond or Coupon, will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Bond to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Bonds. On each occasion on which a payment of principal or interest is made in respect of the Global Bonds, the Issuer shall procure that the payment is noted in a schedule thereto and the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.*
- (v) *Payment Business Day: While all the Bonds are represented by a Permanent Global Bond (or by a Permanent Global Bond and/or a Temporary Global Bond) or a Global Bond Certificate and the Permanent Global Bond is (or the Permanent Global Bond and/or the Temporary Global Bond are), or the Global Bond Certificate is deposited with a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, “Payment Business Day” means:*

- (a) if the currency of payment is euro, any day on which the TARGET2 system is open and a day on which dealings in foreign currencies may be carried on in each (if any) Relevant Financial Centre; or
 - (b) if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the principal financial centre of the currency of payment and in each (if any) Relevant Financial Centre.
- (vi) *Redemption at the Option of the Issuer:* For so long as all of the Bonds are represented by one or both of the Global Bonds and such Global Bond(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, no selection of Bonds to be redeemed will be required under Condition 8(d) in the event that the Issuer exercises its option pursuant to Condition (d) in respect of less than the aggregate principal amount of the Bonds outstanding at such time. In such event, the partial redemption will be effected *pro rata* in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg.

BOOK-ENTRY CLEARANCE PROCEDURE

*The information set out below has been obtained from the Clearing Systems (as defined herein) and the Issuer believes that such sources are reliable, but prospective investors are advised to make their own enquiries as to such procedures. The Issuer accepts responsibility for the accurate reproduction of such information from publicly available information. In particular, such information 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 and investors wishing to use the facilities of any of the Clearing Systems are therefore advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System.*

Euroclear and Clearstream, Luxembourg

Custodial and depositary links have been established between Euroclear and Clearstream, Luxembourg to facilitate the initial issue of each Series of the Bonds and cross-market transfers of the Bonds associated with secondary market trading. Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. 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 and Global Bond Certificates directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**") and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

Book-entry ownership

Each Global Bond will have an ISIN and a common code and will be deposited with a common depositary or common safekeeper, as the case may be, on behalf of Euroclear and Clearstream, Luxembourg. Each Global Bond Certificate will have an ISIN and a common code and will be registered in the name of a common depositary or nominee on behalf of Euroclear and Clearstream, Luxembourg.

Payments and relationship of participants with Clearing Systems

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Bond represented by a Global Bond or a Global Bond Certificate must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Bond or Global Bond Certificate and in relation to all other rights arising under the Global Bond or Global Bond Certificate, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg. The Issuer expects that, upon receipt of any payment in respect of Bonds represented by a Global Bond or a Global Bond Certificate, the common depositary or common safekeeper, as the case may be, by whom such Bond is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant Clearing System with payments in amounts proportionate to their respective

beneficial interests in the principal amount of the relevant Global Bond or Global Bond Certificate (as the case may be) as shown on the records of the relevant Clearing System or its nominee. The Issuer also expects that payments by Direct Participants in any Clearing System to owners of beneficial interests in any Global Bond or Global Bond Certificate held through such Direct Participants in any Clearing System will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Bonds for so long as the Bonds are represented by such Global Bond or Global Bond Certificate and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Bond or Global Bond Certificate in respect of each amount so paid.

Settlement and transfer of Bonds

Subject to the rules and procedures of each applicable Clearing System, purchases of Bonds held within a Clearing System must be made by or through Direct Participants, which will receive a credit for such Bonds on the Clearing System's records. The ownership interest of each actual purchaser of each such Bond (the "**Beneficial Owner**") will in turn be recorded on the Direct Participants' and Indirect Participants' records. Transfers of ownership interests in Bonds held within the Clearing System will be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Bonds, unless and until interests in any Global Bond or Global Bond Certificate held within a Clearing System are exchanged for Definitive Bonds or Individual Bond Certificates.

Redemption at the Option of the Issuer

For so long as all of the Bonds are represented by one or both of the Global Bonds and such Global Bond(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, no selection of Bonds to be redeemed will be required under Condition 8(d) in the event that the Issuer exercises its option pursuant to Condition (d) in respect of less than the aggregate principal amount of the Bonds outstanding at such time. In such event, the partial redemption will be effected *pro rata* in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg.

PRO FORMA FINAL TERMS

Final Terms dated [●]

Eversholt Finance plc

Issue of [Tranche [-[●] (delete as appropriate)] [Aggregate Nominal Amount of Tranche]

[Title of Bonds]

under the Programme

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold in the United States or to U.S. Persons (as defined in Regulation S under the Securities Act) unless an exemption from the registration requirements of the Securities Act is available. See "*Subscription and Sale*" in the accompanying Prospectus.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Prospectus dated [●] 2014 [and the supplemental or drawdown Prospectus dated [●] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer [and the Guarantors] and the offer of the Bonds is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus has been published on [issuer's/financial Intermediaries'/regulated market's] website.

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Prospectus dated [original date] [and the supplemental/drawdown Prospectus dated [●]]. This document constitutes the Final Terms of the Bonds described herein for the purposes of [Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus dated [current date] [and the supplemental/drawdown Prospectus dated [●], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Prospectus**), including the Conditions incorporated by reference in the Offering Circular. Full information on the Issuer[, the Guarantors] and the offer of the Bonds is only available on the basis of the combination of these Final Terms and the Prospectuses. The Prospectus has been published on [issuer's/financial Intermediaries'/regulated market's] website.

1	(i)	Issuer	Eversholt Funding plc
	(ii)	Guarantors:	European Rail Finance Holdings Limited, European Rail Finance Limited, European Rail Finance (GB) Limited, Eversholt Rail Holdings (UK) Limited, Eversholt Rail (UK) Limited, Eversholt Depot Finance (UK) Limited, Eversholt Rail (380) Limited, Eversholt Finance Holdings Limited, European Rail Finance (2) Limited, Eversholt Funding plc, Eversholt Investment Limited
2	(i)	Series Number	[●]
	(ii)	Tranche Number	[●]
	(iii)	Date on which the Bonds will be consolidated and form a single Series:	The Bonds will be consolidated and form a single Series with [●] on [the Issue Date/exchange of the Temporary Global Bond for interests in the Permanent Global Bond, as referred to in paragraph [●] below, which is expected to occur on or about [date]][Not Applicable]
3		Relevant Currency or Currencies:	[●]
4		Aggregate Nominal Amount of Bonds admitted to trading:	
	(i)	Series:	[●]
	(ii)	Tranche:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date]]
5	(i)	Issue Price:	[●]
	(ii)	Net proceeds (required only for listed issues):	[●]
6	(i)	Specified Denominations:	[]
	(ii)	Calculation Amount:	[●]
7	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[specify/Issue Date/Not Applicable]
8	(i)	Scheduled Redemption Date:	[Not Applicable/specify]
	(ii)	Maturity Date:	Interest Payment Date falling in or nearest to [●]/[●]

- 9 Instalment Date: [Not Applicable/*specify*]
- 10 Interest Basis: [[●] per cent. Fixed Rate]
[[specify reference] +/- [●] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest]
(see paragraph [15]/[16]/[17]/[18])
- 11 Redemption[/Payment] Basis: [Subject to any purchase and cancellation or early redemption, the Bonds will be redeemed on the Maturity Date at [] per cent. of their nominal amount]
[Index-Linked Redemption]
- 12 Change of Interest Basis: [Not Applicable]
- 13 Put/Call Options: [Investor Put]
[Change of Control Put]
[Issuer Call]
[(see paragraph [21]/[22] below)]
- 14 (i) Status and Ranking:

The Bonds rank *pari passu* among each other in terms of interest and principal payments and rank.
- (iii) [Status of Guarantee: [Senior/[Dated/Perpetual] Subordinated]]
- [(iii) [Date [Board] approval for issuance of Bonds obtained: [●] and [●] respectively]]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 15 Fixed Rate Bond Provisions: [Applicable/Not Applicable]
- (i) Interest Rate: [●] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [] in each year up to and including the Maturity Date
- (iii) Fixed Coupon Amount(s): [] per Calculation Amount
(Applicable to Bonds in definitive form)
- (iv) Broken Amount(s): [[] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []][Not Applicable]
(Applicable to Bonds in definitive form)

- (v) Day Count Fraction: [30/360]/[Actual/Actual (ICMA)]
- (vi) Determination Date(s): [[] in each year]/[Not Applicable]
- (vii) [Ratings Step-up/Step-down: [Applicable/Not Applicable]
- (viii) Reference Gilt/Comparable German Bund Issue: [[●]% Treasury Stock due [●]]/[●]%German Bundesanleihe Security due [●]]
- 16 Floating Rate Bond Provisions [Applicable/Not Applicable]
- (i) Specified Period(s)/Specified Interest Payment Dates: [], subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to any adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
- (ii) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention][Not Applicable]
- (iii) Additional Business Centre(s): []
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): []
- (vi) Screen Rate Determination:
- Relevant Rate: [] month [LIBOR/EURIBOR].
 - Interest Determination Date(s): []
 - Relevant Screen Page:
- (vii) ISDA Determination: [Applicable]/[Not Applicable]
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]

- (viii) Linear Interpolation: [Not Applicable/Applicable - the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
- (ix) Margin(s): [+/-] [] per cent. per annum
- (x) Minimum Rate of Interest: [] per cent. per annum
- (xi) Maximum Rate of Interest: [] per cent. per annum
- (xii) Day Count Fraction: [[Actual/Actual (ISDA)][Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360][360/360][Bond Basis] [30E/360][Eurobond basis] 30E/360 (ISDA)]
- (xiii) [Ratings Step-up/Step-down: [Applicable/Not Applicable]
- 17 Zero Coupon Bond Provisions: [Applicable/Not Applicable]
- (i) Accrual Yield: [●] per cent. per annum
- (ii) Reference Price: [●]
- (iii) Day Count Fraction in relation to Early Redemption Amounts: [30/360] [Actual/360] [Actual/365]
- (iv) Redemption Amount/premium for early redemption [●]
- 18 Indexed Bond Provisions: [Applicable/Not Applicable]
- (i) Index/Formula: [UK Retail Price Index]
- (ii) Interest Rate: [●]
- (iii) Screen Rate Determination:
- Relevant Rate: [●]
 - Interest Determination Date(s): [●]
 - Page: [●]
 - Relevant Time:
- ISDA Determination:
- Floating Rate Option: [●]

- Designated Maturity: [●]
- Specified Duration:
- Reset Date: [●]
- (iv) Step-Up Fixed Fee Rate: [●] per cent. per annum
- (v) Party responsible for calculating the Rate(s) of Interest, Interest Amount and Redemption Amount(s) (if not the Agent Bank): [Not Applicable/Calculation Agent]
- (vi) Provisions for determining Coupon in the event of changes in circumstances, disruptions, cessation or fundamental changes to the Index: Applicable – Condition 7(c) and 7(e)
- (vii) Interest or calculation period(s): [●]
- (viii) Interest Payment Dates: [●]
- (ix) First Interest Payment Date: [●]
- (x) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other]
- (xi) Business Centre: [●]
- (xii) Minimum Indexation Factor: [Not Applicable]
- (xiii) Maximum Indexation Factor: [Not Applicable]
- (xiv) Base Index Figure: [●]
- (xv) Limited Indexation Month(s): [●]
- (xvi) Reference Gilt/ Comparable German Bund Issue: [[●]% Treasury Stock due [●]]/[●]%German Bundesanleihe Security due [●]]
- (xvii) Day Count Fraction: [Actual/Actual (ICMA)] [Actual/365 or Actual/Actual] [Actual/365 Fixed] [Actual/360] [30/360 or 360/360 or Bond Basis] [30E/360 or Eurobond Basis]
- (xviii) Alternative Redemption Amount: [Not Applicable]
 - Reuters Screen: [●]

PROVISIONS RELATING TO REDEMPTION

- 19 Notice periods for Condition: Minimum period: [30] days
Maximum period: [60] days
- 20 Issuer Call Option: [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): []

- (ii) Optional Redemption Amount: [[] per Calculation Amount][[Spens Amount][Make-whole Amount]]
- (iii) If redeemable in part:
- (iv) Minimum Redemption Amount: []/[Not Applicable]
- (v) Maximum Redemption Amount: []/[Not Applicable]
- (vi) Notice period (if other than as set out in the Conditions): Minimum period: [15] days
Maximum period: [30] days
- 21 Change of Control Put Option: [Not Applicable]
- 22 (i) Investor Put: [Applicable/Not Applicable]
- (ii) Optional Redemption Date(s): []
- (iii) Optional Redemption Amount: [] per Calculation Amount
- (iv) Notice periods: Minimum period: [15] days
Maximum period: [30] days
- 23 Final Redemption Amount: [●] per Calculation Amount
- 24 Final Redemption Amount of each Bond In cases where the Redemption Amount is Index-Linked: [] per Calculation Amount
- (i) Index/Formula/variable: [UK Retail Price Index]
- (ii) Party responsible for calculating the Redemption Amount (if not the Agent Banks): [Not Applicable]/[[●] as Calculation Agent]
- (iii) Provisions for determining Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: The Redemption Amount of each Bond shall be determined in accordance with Condition 8(d)
- (iv) Determination Date(s): []
- (v) Provisions for determining Redemption Amount where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted: Applicable – Condition 7(c) and 7(e)
- (vi) Payment Date: [●]
- (vii) Minimum Redemption Amount: [] per Calculation Amount

- (viii) Maximum Redemption Amount: [] per Calculation Amount
- 25 Early Redemption Amount payable on redemption for taxation reasons or on event of default: [] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE BONDS

- 26 **Form of Bonds:** [Bearer/Registered]
- (i) If issued in Bearer form: [Temporary Global Bond exchangeable for a Permanent Global Bond which is exchangeable for Definitive Bonds in the limited circumstances specified in the Permanent Global Bond.]
[Temporary Global Bond exchangeable for Definitive Bonds on [●] days' notice.]
[Permanent Global Bond exchangeable for Definitive Bonds in the limited circumstances specified in the Permanent Global Bond.]
- (ii) If Registered Bonds: [Registered Global Bond registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg exchangeable for Individual Bond Certificates on [●] days' notice in the circumstances specified in the Registered Bond]
- 27 (i) New Global Note: [Yes][No]
- (ii) New Safekeeping Structure [Yes][No]
- 28 Additional Financial Centre(s): [Not Applicable/give name(s)]
- 29 Talons for future Coupons or Receipts to be attached to Definitive Bonds: [Yes, as the Bonds have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

DISTRIBUTION

- 30
- (i) If syndicated, names of Managers: [Not Applicable/give names]
- (ii) Stabilising Manager (if any): [Not Applicable/give name]
- 31 If non-syndicated, name of Dealer: [Not Applicable/give name]

- | | | |
|----|---|---|
| 32 | Additional selling and transfer restrictions: | [Not Applicable/give details] |
| 33 | U.S. Selling Restrictions: | [Reg. S Compliance Category [2];
TEFRA C/TEFRA D/Not Applicable] |

THIRD PARTY INFORMATION

[[*Relevant third party information*] has been extracted from [●]. The Issuer and each Obligor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By:

Duly authorised

PART B - OTHER INFORMATION

1 LISTING

- (i) Listing and admission to trading
- [Application has been made by the Issuer (or on its behalf) for the Bonds to be admitted to trading on the London Stock Exchange's regulated market and listing on the Official List of the UK Listing Authority with effect from [].]
- [Application is expected to be made by the Issuer (or on its behalf) for the Bonds to be admitted to trading on the London Stock Exchange's regulated market and listing on the Official List of the UK Listing Authority with effect from [].] [Not Applicable.]
- (iii) Estimate of total expenses related to admission to trading: [●]

2 RATINGS

- Ratings:
- [The Bonds to be issued [[have been]/[have not been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Bonds of this type issued under the Programme generally]:
- [●] by [●].
- [Each of [●] is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended by Regulation (EU) No 513/2011 and Regulation (EU) No 462/2013, collectively the **CRA Regulation**).]

3 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE]

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Bonds has an interest material to the offer. The [Managers]/[Dealers] and [their]/[its] affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantors] and [its/their] affiliates in the ordinary course of business]

4 REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) [Reasons for the offer: [●]
- (ii) [Estimated net proceeds: [●]
- (iii) [Estimated total expenses: []]

5 [Fixed Rate Bonds only – YIELD

Indication of yield: [●]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6 HISTORIC INTEREST RATES (Floating Rate Notes only)

Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters].

7 [PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING (Index Linked or other variable linked Bonds only)

Name of underlying index: [U.K. Retail Price Index (RPI) (all items published by the Office of National Statistics]

Information about the Index, its volatility and past and future performance can be obtained from: Information on RPI can be found at www.statistics.gov.uk

8 OPERATIONAL INFORMATION

ISIN Code: [●]

Common Code: [●]

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No]

[Note that the designation "yes" simply means that the Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] [and does not necessarily

mean that the Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECN being satisfied that Eurosystem eligibility criteria have been met.]

DESCRIPTION OF HEDGE COUNTERPARTIES

The Hedge Counterparties as at the date of this Prospectus are:

Barclays Bank PLC

Barclays Bank PLC (Bank) is a public limited company registered in England and Wales under number 1026167. The liability of the members of Barclays Bank PLC is limited. It has its registered head office at 1 Churchill Place, London, E14 5HP, United Kingdom (telephone number +44 (0)20 7116 1000). Barclays Bank PLC was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Acts 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, Barclays Bank was re-registered as a public limited company and its name was changed from 'Barclays Bank International Limited' to 'Barclays Bank PLC'.

Barclays Bank PLC (together with its subsidiary undertakings (Bank Group)) is engaged in personal banking, credit cards, corporate and investment banking, wealth and investment management services. The Bank Group is structured around four core businesses: Personal and Corporate Banking, Barclaycard, Africa Banking and the Investment Bank. Businesses and assets which no longer fit the Bank Group's strategic objectives, are not expected to meet certain returns criteria and/or offer limited growth opportunities to the Group, have been reorganised into Barclays Non-Core. These assets are designated for exit or run-down over time. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC. Barclays PLC (together with its subsidiary undertakings (Group)) is the ultimate holding company of the Group.

The short term unsecured obligations of Barclays Bank PLC are rated A-1 by Standard & Poor's Credit Market Services Europe Limited, P-1 by Moody's Investors Service Ltd. and F1 by Fitch Ratings Limited and the long-term unsecured unsubordinated obligations of Barclays Bank PLC are rated A by Standard & Poor's Credit Market Services Europe Limited, A2 by Moody's Investors Service Ltd. and A by Fitch Ratings Limited.

Based on the Bank Group's audited financial information for the year ended 31 December 2013, restated to reflect the offsetting amendments to IAS 32, the Bank Group had total assets (1) of £1,344,201m (2012 (restated): £1,512,777m), total net loans and advances (2) of £474,059m (2012 (restated): £472,809m), total deposits (3) of £487,647m (2012 (restated): £ 468,262m), and total shareholders' equity of £63,220m (2012: £59,923m) (including non-controlling interests of £2,211m (2012: £2,856m)). The profit before tax from continuing operations of the Bank Group for the year ended 31 December 2013 was £2,885m (2012: £650m) after credit impairment charges and other provisions of £3,071m (2012: £3,340m). The financial information in this paragraph is extracted from the audited consolidated financial statements of the Bank for the year ended 31 December 2013.

Based on the Bank Group's unaudited financial information for the six months ended 30 June 2014, the Bank Group had total assets (4) of £1,315,492m (30 June 2013 (restated): £1,568,544m), total net loans and advances (5) of £486,385m (30 June

2013 (restated): £522,026m), total deposits (6) of £505,873m (30 June 2013 (restated): £541,671m), and total shareholders' equity of £65,119m (30 June 2013: £59,394m) (including non-controlling interests of £ 2,130m (30 June 2013: £2,620m)). The profit before tax from continuing operations of the Bank Group for the six months ended 30 June 2014 was £2,504m (30 June 2013: £1,648m) after credit impairment charges and other provisions of £1,086m (30 June 2013: £1,631m). The financial information in this paragraph is extracted from the unaudited consolidated financial statements of the Bank for the six months ended 30 June 2014 and the unaudited consolidated financial statements of the Bank for the six months ended 30 June 2013 restated to reflect the offsetting amendments to IAS 32.

(1) The impact from the IAS 32 restatement was an increase of £31.4bn for 31 December 2013 and £24bn for 31 December 2012.

(1) Total net loans and advances include balances relating to both bank and customer accounts. The impact from the IAS 32 restatement was an increase of £5.4bn for 31 December 2013, £8bn for 31 December 2012.

(1) Total deposits include deposits from bank and customer accounts. The impact from the IAS 32 restatement was an increase of £4.9bn for 31 December 2013 and £5.8bn for 31 December 2012.

BNP Paribas

BNP Paribas is registered in France with the Registre du Commerce et des Sociétés in Paris under number 662 042 449 and is licensed to conduct banking operations under the Monetary and Financial Code. Its head office is located at 16 boulevard des Italiens, 75 009 Paris, France. BNP Paribas is a Société anonyme (Public Liability Company) with a capital of EUR 2,492,414,944. BNP Paribas is authorised by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and supervised by the ACPR and the Autorité des Marchés Financiers (AMF) in France.

Commonwealth Bank of Australia (acting through its office at 85 Queen Victoria Street, London EC4V 4HA)

Summary Information

Commonwealth Bank of Australia ("CBA") is a public company with a market capitalisation of A\$123,496 million as at 6 October 2014. CBA is governed by, and operates in accordance with the objects set out within its Constitution, the Corporations Act 2001 of the Commonwealth of Australia, the Listing Rules of the Australian Securities Exchange (which constitute the corporate governance regime of Australia) and certain provisions of the Commonwealth Banks Act 1959 of the Commonwealth of Australia (the "1959 Act").

CBA was incorporated on 17 April 1991 in the Australian Capital Territory and has Australian Business Number 48 123 123 124. Its registered office is Ground Floor, Tower 1, 201 Sussex Street, Sydney, NSW, Australia, 2000, telephone number +61 2 9118 1339.

At 30 June 2014, CBA and its consolidated subsidiaries had total assets of A\$791,000 million and international harmonised CET1 ratio of 12.1%. Net profit after income tax (statutory basis), for the year ended 30 June 2014 was A\$8,650 million.

As at the date of this Prospectus, CBA has been rated AA- by S&P, Aa2 by Moody's and AA- by Fitch.

Business Overview

CBA and its subsidiaries, with a full-time equivalent staff of over 52,000 at 30 June 2014, provides a comprehensive range of banking, financial, life and risk business insurance and funds management services in Australia, New Zealand, throughout Asia, the United States of America and in the United Kingdom. As at the date of this Prospectus, CBA was Australia's largest bank in terms of market capitalisation, loans and advances and deposits (source: Australian Prudential Regulatory Authority monthly Banking Statistics August 2014 (issued 30 September 2014) (Tables 2 and 4)).

History and Recent Developments

The origins of CBA lie in the former Commonwealth Bank of Australia which was established in 1911 by a Commonwealth Act of Parliament to conduct commercial and savings banking business. Its functions were later expanded to encompass those of a central bank. Subsequent legislative amendment in 1959 created a separate Reserve Bank of Australia to take over the central bank functions.

In December 1990, the Commonwealth Banks Restructuring Act 1990 was passed, which provided for:

- the conversion of CBA into a public company with a share capital, governed by its then Memorandum and Articles of Association but subject to certain overriding provisions of the 1959 Act – this conversion occurred on 17 April 1991;
- CBA to become the successor in law of the State Bank of Victoria – this occurred on 1 January 1991; and
- the issue of shares in CBA to the Australian public.

In October 1993, the Australian Government sold a portion of the Commonwealth of Australia's shareholding in CBA, reducing its shareholding to 50.4 per cent of the total number of issued voting shares.

In June/July 1996, the Australian Government made a public offer of its remaining 50.4 per cent shareholding in CBA. The offer was fully subscribed. In conjunction with this offer, CBA, pursuant to a buy-back Agreement between CBA and the Commonwealth of Australia, agreed to buy back 100 million shares in CBA from the Commonwealth of Australia. The public offer and buy-back were effected on 22 July 1996.

Crédit Agricole Corporate and Investment Bank

Crédit Agricole Corporate and Investment Bank is registered in France (SIREN No.304 187 701 RCS Nanterre). Registered Office: 9, Quai du Président Paul Doumer, 92920 Paris-La Défense Cedex, France. Crédit Agricole Corporate and Investment Bank is a company with Limited Liability with a capital of EUR 7,254,575,271. Crédit Agricole Corporate and Investment Bank is authorised by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and supervised by the ACPR and the Autorité des Marchés Financiers (AMF) in France and subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom. Details about the extent of our regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available from us on request.

ING Bank N.V.

ING Bank N.V.'s registered address is at Bijlmerplein 888, 1102 MG Amsterdam Zuidoost, The Netherlands.

ING Bank N.V. is the 100 per cent. owned, non-listed subsidiary of ING Groep N.V. ING Groep N.V. was incorporated as a Naamloze Vennootschap (public limited liability company) under the laws of the Netherlands on 21 January 1991 to effect the merger between Nationale-Nederlanden, which was the largest insurer in the Netherlands, and NMB Postbank Group, which was one of the largest banks in the Netherlands, by way of a public offering for the shares of the latter companies. This public offering was successfully completed on 4 March 1991. ING Groep N.V. is registered as number 33231073 in the Dutch Company Registry and its Articles of Association are available in the Netherlands. ING Groep N.V. operates under several commercial names, including "ING Groep N.V.", "ING Groep", "ING Group" and "ING". ING Groep has its statutory and head office in Amsterdam, the Netherlands and operates under Dutch law. Shares in ING Groep are traded on the Amsterdam Exchange and the New York Stock Exchange.

ING Groep is a global financial institution offering banking, investments, life insurance and retirement products and services. As of 30 June 2014, ING Groep had total assets of EUR 970.5 billion and shareholders' equity of EUR 48 billion. With a diverse workforce of about 65,000 people, ING is dedicated to setting the standard in helping their clients manage their financial future.

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 Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("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.”.

Mitsubishi UFJ Securities International plc

Mitsubishi UFJ Securities International plc ("MUSI") was incorporated in England and Wales on 11 February, 1983 pursuant to the Companies Act 1948 to 1985 as a company with liability limited by shares, and changed its name from Alnery No. 180 Limited to Mitsubishi Finance International Limited on 16 May, 1983 prior to commencing business on 3 October, 1983. MUSI was re-registered as a public limited company on 3 August, 1989. MUSI's registered office is located at Ropemaker Place, 25 Ropemaker Street, London EC2Y 9AJ, and its telephone number is 44 20-7628-5555. MUSI's registration number is 01698498. MUSI is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the UK.

On 1 April, 1996, MUSI changed its name from Mitsubishi Finance International plc to Tokyo-Mitsubishi International plc, following the merger of its then parent The Mitsubishi Bank, Limited with The Bank of Tokyo, Ltd., the merged entity being named The Bank of Tokyo-Mitsubishi, Ltd. ("BTM"), which is now known as The Bank of Tokyo-Mitsubishi UFJ, Ltd. ("BTMU"). BTM subsequently became a wholly owned subsidiary of Mitsubishi Tokyo Financial Group, Inc ("MTFG"), which is now known as Mitsubishi UFJ Financial Group, Inc. ("MUFG") following its merger with The Mitsubishi Trust and Banking Corporation ("MTBC") in 2001.

Further to the global merger between MTFG and UFJ Holdings, Inc., MUSI changed its name from “Mitsubishi Securities International plc” to “Mitsubishi UFJ Securities International plc” on 3 October, 2005.

MUSI is a principal part of the securities and capital markets arm of MUFG and provides a wide range of services in the worldwide securities and derivatives businesses to governments, their monetary authorities and central banks, state authorities, supranational organisations and corporations. MUSI is also engaged in market making and dealing in securities in the international securities markets, in swaps and various other derivative instruments and in the management and underwriting of issues of securities and securities investment.

MUSI continues to promote and develop its international capital markets business from London, dealing in its main areas of activity: debt and equity securities, derivatives and structured products.

The information in the preceding 5 paragraphs has been provided by Mitsubishi UFJ Securities International plc for use in this Prospectus and Mitsubishi UFJ Securities International plc is solely responsible for the accuracy of the preceding 5 paragraphs.

Except for the foregoing 5 paragraphs, Mitsubishi UFJ Securities International plc in its capacity as a Swap Counterparty, and its affiliates, have not been involved in the preparation of, and does not accept responsibility for, this Prospectus.

The Royal Bank of Scotland plc

The Royal Bank of Scotland plc (the "Bank") is a wholly-owned subsidiary of The Royal Bank of Scotland Group plc ("RBSG" or the "holding company"), a banking and financial services group. The "Group" comprises the Bank and its subsidiary and associated undertakings. The Group has a diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers. "RBS Group" comprises the holding company and its subsidiary and associated undertakings.

RBS Group had total assets of £1,011 billion and owners' equity of £61 billion as at 30 June 2014. RBS Group's capital ratios, as at 30 June 2014, were a total capital ratio of 12.4 per cent., a Common Equity Tier 1 capital ratio of 10.1 per cent. and a Tier 1 capital ratio of 10.1 per cent.

The Group had total assets of £1,006 billion and owners' equity of £50 billion as at 30 June 2014. As at 30 June 2014, the Group's capital ratios were a total capital ratio of 15.9 per cent., a Common Equity Tier 1 capital ratio of 9.0 per cent. and a Tier 1 capital ratio of 10.1 per cent.

SMBC Nikko Capital Markets Limited

SMBC Nikko Capital Markets Limited is the UK registered broker-dealer of Sumitomo Mitsui Banking Corporation ("SMBC"), a joint stock corporation with limited liability under the laws of Japan. SMBC's capital markets, derivatives and other investment banking activities may be performed by a combination of SMBC Nikko Securities America, Inc., SMBC Nikko Securities, Inc. SMBC Capital Markets, Inc. and SMBC Capital Markets Limited. Lending and other commercial banking activities are performed by Sumitomo Mitsui Banking Corporation and its banking affiliates. SMBC Nikko Capital Markets Limited is registered in England (No. 02418137) with its registered office at One New Change, London EC4M 9AF. SMBC Nikko Capital Markets Limited is authorised and regulated by the UK Financial Conduct Authority.

TAX CONSIDERATIONS

UNITED KINGDOM TAXATION

The following is a summary of the UK withholding taxation treatment in relation to payments of interest in respect of the Bonds and of certain information provision requirements, in each case, as at the date of this Prospectus. The comments do not deal with other UK tax aspects of acquiring, holding or disposing of the Bonds (including, for instance, income tax, capital gains tax, corporation tax or stamp duty). The comments are based on current law and HM Revenue & Customs ("HMRC") published practice, which may be subject to change, sometimes with retrospective effect, and relate only to the position of persons who are absolute beneficial owners of the Bonds. The summary set out below is a general guide and should be treated with appropriate caution. Prospective purchasers should be aware that the particular terms of issue of any Series of Bonds as specified in the relevant Final Terms may affect the tax treatment of such Bonds. Prospective purchasers who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK should consult their professional advisors. In particular, Bondholders should be aware that they may be liable to taxation under the laws of the UK (by direct assessment) or other jurisdictions in relation to payments in respect of the Bonds even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the UK.

UK Withholding Tax on UK source interest

The Bonds issued by the Issuer will constitute "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007 provided they are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange has been designated as a recognised stock exchange for these purposes. The Bonds will be treated as listed on the London Stock Exchange if they are admitted to the Official List of the UK Listing Authority and are admitted to trading on the London Stock Exchange. While the Bonds are and continue to be quoted Eurobonds, payments of interest on the Bonds may be made without withholding or deduction for or on account of UK income tax.

In cases falling outside the exemption described above, payments in respect of interest on the Bonds that has a United Kingdom source will be paid under deduction of UK income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty or, in certain circumstances, where an exemption contained in section 930 of the Income Tax Act 2007 applies (including in particular an exemption for payments to certain UK companies and partnerships).

However, this obligation to withhold on account of UK income tax will not apply if the relevant interest is paid on Bonds with a maturity of less than one year from the date of issue and which do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for a total term of a year or more.

If UK withholding tax is imposed, then the Issuer will be required to pay additional amounts in respect of the Bonds subject to certain exceptions set out in Condition 10 (*Taxation*).

Provision of Information

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 and of the persons to whom payments derived from the Bonds are or may be paid. Information may be obtained from a range of persons including 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 obtained by HMRC may be provided to tax authorities in other jurisdictions.

Other Rules relating to UK Withholding Tax

Bonds may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Bonds will not be subject to any UK withholding tax pursuant to the provisions mentioned in "*UK Withholding Tax on UK source interest*" above, but may be subject to reporting requirements as outlined in "*Provision of Information*" above.

Where Bonds are issued with a redemption premium, as opposed to being issued at a discount, then any element of such premium may constitute a payment of interest. Such payments of interest will be subject to UK withholding tax and reporting requirements as outlined above.

Where interest has been paid under deduction of UK income tax, Bondholders who are not resident in the UK may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "interest" above mean "interest" as understood in UK tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Bonds or any related documentation.

The above description of the UK withholding tax position assumes that there will be no substitution of the Issuer pursuant to Condition 16(g) (*Meetings of Bondholders, Modifications, Waiver and Substitution*) of the Bonds and does not consider the tax consequences of any such substitution.

Guarantee payments

If a Guarantor makes any payments in respect of interest on the Bonds (or other amounts due under the Bonds) such payments may fall to be paid under deduction of UK income tax at the basic rate (currently 20 per cent.) subject to such relief as may

be available under the provisions of any applicable double taxation treaty or to any other relief that may apply. Such payments by the Guarantor may not be eligible for any of the non-treaty exemptions mentioned in "*UK Withholding Tax on UK source Interest*" above.

EU SAVINGS DIRECTIVE

The European Union ("EU") has adopted Council Directive 2003/48/EC (the "**EU Savings Directive**") regarding the taxation of savings income. The EU Savings Directive requires member states of the EU ("**Member States**") to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain other entities established in that other Member State, except that Luxembourg and Austria are instead required to impose a withholding system (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request no tax be withheld) for a transitional period unless during such period they elect otherwise. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015. A number of third countries and territories including Switzerland have adopted similar measures to those required by the EU Savings Directive. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain dependent or associated territories in relation to payments made by a person in a Member State to or collected for an individual or certain other persons in such a territory.

The Council of the European Union has adopted a Directive (the "**Amending Directive**") amending the EU Savings Directive, which will, when implemented, amend and broaden the scope of the requirements of the EU Savings Directive described above. The Amending Directive will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory) that has adopted similar measures to the EU Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the EU Savings Directive, as amended. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017. Investors who are in any doubt as to their position should contact their professional advisers.

THE PROPOSED FINANCIAL TRANSACTIONS TAX ("FTT")

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 Bonds (including secondary market transactions) in certain circumstances. The issuance and subscription of Bonds should, however, be exempt.

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 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.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. The FTT, as initially implemented on this basis, may not apply to dealings in the Bonds.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate.

Prospective holders of Bonds are advised to seek their own professional advice in relation to the FTT.

FOREIGN ACCOUNT TAX COMPLIANCE ACT

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of the Issuer (a "Recalcitrant Holder"). The Issuer may be classified as an FFI.

The new withholding regime is currently in effect for payments from sources within the United States and will apply to "**foreign passthru payments**" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Bonds characterised as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued after the "**grandfathering date**", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any bonds characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Bonds are issued on or before the grandfathering date, and additional Bonds of the same series are issued on or after that date, the additional Bonds may not be treated as grandfathered, which may have negative consequences for the existing Bonds, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "IGA"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a **"Reporting FI"** not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **"FATCA Withholding"**) from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and the United Kingdom have entered into an agreement (the **"US-UK IGA"**) based largely on the Model 1 IGA.

If the Issuer is treated as a Reporting FI pursuant to the US-UK IGA, it does not anticipate being obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI or that it would in the future not be required to deduct FATCA Withholding from payments it makes. Accordingly, the Issuer and financial institutions through which payments on the Bonds are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Bonds is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Bonds are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Bonds by the Issuer, the Guarantors, any paying agent and the common depositary / common safekeeper, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Bonds. The documentation expressly contemplates the possibility that the Bonds may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Bonds will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Bonds.

SUBSCRIPTION AND SALE

Dealership Agreement

Bonds may be sold from time to time by the Issuer to any one or more of The Royal Bank of Scotland plc, Barclays Bank PLC, BNP Paribas, Commonwealth Bank of Australia, Cr dit Agricole Corporate and Investment Bank, ING Bank N.V., Lloyds Bank plc, Mitsubishi UFJ Securities International plc, RBC Europe Limited and SMBC Nikko Capital Markets Limited and any other dealer appointed from time to time (the "**Dealers**") in each case acting as principal or to subscribers from whom subscriptions have been procured by the Dealers, in each case pursuant to the dealership agreement dated 4 November 2010 made between, amongst others, the Issuer, the Guarantors, the Arrangers and certain of the Dealers, as such agreement was amended on 14 November 2014 (the "**Dealership Agreement**"). The arrangements under which a particular Tranche of Bonds may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers or subscribers are set out in the Dealership Agreement and the Subscription Agreements relating to each Tranche of Bonds. Any such agreement will, *inter alia*, make provision for the price at which such Bonds will be purchased by the Dealers or subscribers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Series or Tranche of Bonds.

In the Dealership Agreement, the Issuer, failing whom the Guarantors, have each agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and maintenance of the Programme and the issue of Bonds under the Dealership Agreement and each of the Obligor has agreed to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Bonds 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 certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S under 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. treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

The Bonds will be offered, sold and delivered only outside the United States, to persons who are not U.S. persons, in offshore transactions in reliance on Regulation S.

Each Dealer has agreed that it has offered and sold, and it will offer and sell, Bonds of any Series (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Bonds are a part, as determined and certified to the Principal Paying Agent by the relevant Dealer (or in the case of a sale of an identifiable tranche of Bonds to or through more than one relevant Dealer, by each of such relevant Dealers as to the Bonds of such identifiable tranche purchased by or through it, in which case the Principal Paying Agent shall notify each such relevant Dealer when all such relevant Dealers have so certified), only in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts in the United States with respect to Bonds, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer and its affiliates will also agree that, at or prior to confirmation of sale of Bonds to a distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Bonds from it during the distribution compliance period it will send to such purchaser a confirmation or notice stating that such purchaser is subject to the foregoing restrictions on offers and sales. Terms used in this paragraph have the meanings given to them by Regulation S.

Until 40 days after the commencement of the offering of any series of Bonds, any offer or sale of such Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Due to the restrictions set forth above and in the relevant Final Terms, purchasers of the Bonds are advised to consult legal counsel prior to making an offer to purchase or to re-sell, pledge or otherwise transfer the Bonds.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Bonds which are the subject of the offering contemplated under this Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Bonds to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression an **offer of Bonds to the public** in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and
- the expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that::

- (a) **No deposit-taking**: in relation to any Bonds having a maturity of less than one year:

- (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
- (ii) it has not offered or sold and will not offer or sell any Bonds other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Bonds would otherwise constitute a contravention of section 19 of the FSMA (as amended, including by the Financial Services Act 2012) by the Issuer;

- (b) **Financial Promotion**: 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

- (c) **General Compliance:** 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

Each Dealer has acknowledged that other than having obtained the approval of the Prospectus by the UKLA in accordance with Part VI of the FSMA for the Bonds to be admitted to listing on the Official List of the UKLA and to trading on the Market or the Professional Securities Market of the London Stock Exchange no action has been or will be taken in any jurisdiction by the Issuer or any of the other parties that would permit a public offering of Bonds, or possession or distribution of the Prospectus or any other offering material, in any jurisdiction where action for that purpose is required. Each Dealer shall to the best of its knowledge comply with all applicable laws and regulations in each jurisdiction in or from which they purchase, offer, sell or deliver Bonds or have in their possession or distribute the Prospectus or any other offering material, in all cases at their own expense.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific country or jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) in the official interpretation, after the date of the Dealership Agreement, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Bonds) or (in any other case) in a supplement to this Prospectus.

GENERAL INFORMATION

Authorisation

The update of the Programme was duly authorised by resolutions of the Board of Directors of the Issuer passed at a meeting of the Board held on 12 November 2014 and by resolution of the Board of Directors of each of the Guarantors on or around 12 and 13 November 2014. 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 and each Guarantor has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with its performance under the Guarantee.

Listing of Bonds

It is expected that each Tranche of Bonds which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a Global Bond or Bonds initially representing the Bonds of such Tranche. Application has been made to the UK Listing Authority for Bonds issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Bonds to be admitted to trading on the Market.

Documents Available

For the period of 12 months following the date of this Prospectus, copies of the following documents may (when published) be inspected during normal business hours (in the case of Bearer Bonds) at the specified office of the Principal Paying Agent, (in the case of Registered Bonds) at the specified office of the Registrar and the Transfer Agents and (in all cases) at the registered office of the Bond Trustee:

- (a) the Memorandum and Articles of Association of each of the Issuer and the Guarantors;
- (b) the audited consolidated financial statements of the Security Group for the year ended 31 December 2012 and 31 December 2013;
- (c) the audited non-consolidated financial statements of the Issuer and each Guarantor for the year ended 31 December 2012 and 31 December 2013;
- (d) a copy of this Prospectus;
- (e) each Final Terms relating to Bonds which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system;
- (f) each Investor Report; and
- (g) the Bond Trust Deed, the Agency Agreement, the Common Terms Agreement, the Security Trust and Intercreditor Deed and the forms of the Global Bonds, the Global Bond Certificates, the Bonds in definitive form, the Receipts, the Coupons and the Talons.

Clearing Systems

The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Bonds allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Bonds are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

Conditions for determining price

The price and amount of Bonds to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer since its date of incorporation and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2013, the date of the Issuer's last published audited financial statements.

There has been no significant change in the financial or trading position of the Guarantors or any of their subsidiaries (other than as specified below) since 31 December 2013 and there has been no material adverse change in the financial position or prospects of the Guarantors or any of their subsidiaries since 31 December 2013.

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in respect of the Issuer in the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Issuer.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Guarantors or any of its subsidiaries are aware) in respect of the Guarantors nor any of their subsidiaries within a period of 12 months preceding the date of this Prospectus which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Guarantors or any of its subsidiaries.

Availability of Financial Statements

The audited annual financial statements of the Issuer and each Guarantor will be prepared as of 31 December in each year. The Issuer does not intend to publish any

interim financial information, but each Guarantor shall provide semi-annual unaudited financial information to various parties under the terms of the Common Terms Agreement. The unaudited interim financial information of each Guarantor will be prepared as of 30 June in each year. All future audited annual financial statements (and any published interim financial information) of the Issuer and each Guarantor will be available free of charge in accordance with "- *Documents Available*" above.

Auditors

The auditors of the Issuer and the Guarantors are KPMG LLP, chartered accountants, of One Snowhill, Snow Hill, Queensway, Birmingham B4 6GH, and KPMG Dublin, chartered accountants of 1 Harbourmaster Place, IFSC, Dublin 1, who have audited each Guarantor's accounts, without qualification, in accordance with generally accepted International Standards of Auditing (UK and Ireland) for each of the financial years ended 31 December 2013 and 31 December 2012.

Legend

Bearer Bonds, Receipts, Talons and Coupons appertaining thereto will bear a legend substantially to the following effect: "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 in such legend provide that a United States person who holds a Bearer Bond, Coupon, Receipt or Talon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bearer Bond, Coupon, Receipt or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

Floating Rate Notes

Interest on Floating Rate Notes will accrue at a rate linked to either LIBOR or EURIBOR (each a "**FRN Reference Rate**"). The relevant FRN Reference Rate (including the relevant reference period and details of where it is published) that will apply to any particular Tranche of Bonds issued under the Programme will be disclosed in the relevant Final Terms.

Information in respect of the Bonds

The issue price and the amount of the relevant Bonds will be determined, before filing of the relevant Final Terms of each Tranche, based on then prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Bonds and the performance of the underlying collateral (except in respect of any information posted on the Designated Website).

Third party information

Third party information referred to in the sections entitled "*Business Description*" and "*Description of Hedge Counterparties*" has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information published by that third

party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Funded Non-Obligor information

Any information disclosed regarding Funded Non-Obligors has been accurately reproduced from information published by such Funded Non-Obligors. So far as the Issuer is aware and is able to ascertain from information published by the Funded Non-Obligor no facts have been omitted which would render the reproduced information inaccurate or misleading.

Dealers transacting with the Issuer and the Guarantors

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer, the Guarantors and their affiliated in the ordinary course of business.

GLOSSARY OF TERMS

2021 Debt	means the right of the 2021 Debt Provider to receive from ERFL GB in 2021 an amount of £5,000,000 plus interest from 3 November 2009 at a rate of interest equal to LIBOR plus one per cent. per annum.
2021 Debt Documents	means the documents in respect of the 2021 Debt.
2021 Debt Provider	means HSBC Bank plc.
365Co	means Eversholt Rail (365) Limited, a company incorporated in England and Wales with limited liability (registered number 05229687).
365Co Loan	means an on-demand loan in an amount not to exceed £30,000,000 with a zero per cent. rate of interest per annum between 365Co as lender and MaintCo as borrower.
380Co	means Eversholt Rail (380) Limited.
380Co Operating Account	means an account with the Account Bank in the name of the 380Co, designated as the 380Co operating account.
380Co Schedule 10 Tax Charge	means a Schedule 10 Tax Charge arising in 380Co on and as a direct consequence of the Acquisition in an amount not exceeding £8,500,000.
380 Fleet	the thirty-eight class 380 units of rolling stock manufactured by Siemens plc pursuant to a manufacture and supply agreement between, amongst others, Siemens plc and Assetfinance December (B) Limited (a company that changed its name to Eversholt Rail (380) Limited on 15 February 2010) dated 28 July 2010.
380 Fleet Disposal	means the potential disposal of the 380 Fleet pursuant to the 380 Fleet Finance and Pre-Delivery Termination Agreement.
380 Fleet Finance and Pre-	means the financing and pre-delivery termination agreement dated 28 July 2008

Delivery Termination Agreement	between, amongst others, First ScotRail Limited and Assetfinance December (B) Limited (a company that changed its name to Eversholt Rail (380) Limited on 15 February 2010), in connection with arrangements for the potential refinancing of the investment balance in respect of the 380 Fleet.
Acceptable Bank	means a bank or financial institution 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 A1 or higher by Moody's, or a comparable rating from an internationally recognised credit rating agency.
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 4 November 2010 between, among others, the Account Bank and the Security Trustee.
Accounting Principles	means IFRS.
Accounting Reference Date	means, subject to adjustment in accordance with the Common Terms Agreement (as described in " <i>Summary of the Financing Agreements – Common Terms Agreement – General Covenants – (v)</i> "), the last day of the annual accounting period of the Obligors, which in each case is 31 December.
Accounts	means the Lock-Up Account, the Bond Defeasance Account, the Disposal Proceeds Account, the Insurance Proceeds Account and/or the Acquisition Proceeds Account.
Acquisition	means the acquisition of the shares in ERFL Holdings pursuant to the terms of the Acquisition Agreement.
ACF Agreement	means the facility agreement dated 1 November 2013 between, amongst others, the ACF Lenders and the Issuer.
ACF Lender	means a Facility A Lender or a Facility B Lender.
AC Facility Providers	means the ACF Lenders.

Acquisition Agreement	means the sale and purchase agreement entered or to be entered into relating to the sale and purchase of shares in ERFL Holdings, Rail HoldCo and FinCo Parent and made between HAF and EIL.
Acquisition Capital Expenditure	means Capital Expenditure for the purchase of Railway Assets for use in connection with the Permitted Business that will be based in the United Kingdom.
Acquisition Claim Account	means an account with the Account Bank in the name of MaintCo (and any related custody account of such account opened to hold Authorised Investments and/or Cash Equivalent Investments), designated as the acquisition claim account.
Acquisition Claim Proceeds	<p>means any proceeds received by any member of the Security Group in respect of any claims against any person under or in connection with the Acquisition Agreement or any due diligence reports in connection therewith after deduction of:</p> <ul style="list-style-type: none"> (a) any reasonable expenses (including legal fees) which are incurred by any member of the Security Group with respect to that claim to persons who are not members of the EIL Group; and (b) any Tax incurred and required to be paid or reserved for by any member of the Security Group with respect to that claim, <p>but excluding any proceeds of a claim:</p> <ul style="list-style-type: none"> (c) applied or to be applied in payment to HAF pursuant to the Acquisition Agreement in adjustment to the purchase price of the Acquisition (except to the extent relating to a working capital adjustment); (d) applied or to be applied to satisfy a liability of a member of the Security Group arising as a result of the relevant claim within 12 months of the receipt of such proceeds by a member of the Security Group;

- (e) applied or to be applied in reinstatement of any asset of the Security Group or in amelioration of any loss of the Security Group that is the subject of the relevant claim within 12 months of the receipt of such proceeds by a member of the Security Group;
- (f) under paragraph 3 of Schedule 7 to the Acquisition Agreement; and;
- (g) in respect of employee bonuses and/or pension liabilities.

Acquisition Costs

means all fees, costs and expenses, stamp, registration and other Taxes incurred, directly or indirectly (including to the Initial Investors or the Initial Investor Affiliates), by any member of the EIL Group in connection with the Acquisition or the Finance Documents and/or the PPS Shares.

Acquisition Documents

means

- (a) the Acquisition Agreement; and
- (b) the Disclosure Letter (as referred to in the Acquisition Agreement).

Additional Contribution

means:

- (a) any loan made by a Subordinated Intragroup Creditor to a member of the Security Group and which will upon the making of such loan constitute a Subordinated Intragroup Liability or any other debt that is otherwise subordinated on terms satisfactory to the Security Trustee; and
- (b) the cash proceeds of any subscription for shares issued by any member of the Security Group to a Subordinated Intragroup Creditor.

Additional Debt

means Capital Expenditure Indebtedness, Working Capital Indebtedness, Other Indebtedness or Refinancing Indebtedness incurred by any Obligor pursuant to one or more facilities or bond issues.

Additional Secured Creditor	means any person not already a Secured Creditor which becomes a Secured Creditor pursuant to the provisions of the STID.
Additional Subordinated Debt Creditor	means any person not already a Subordinated Debt Creditor which becomes a Subordinated Debt Creditor pursuant to the provisions of STID.
Affiliate	means a Subsidiary or a Holding Company of a person or any other Subsidiary of that Holding Company.
Agency Agreement	means the agreement dated 4 November 2010 between the Issuer and the Agents referred to therein (as amended and/or supplemented from time to time) under which, amongst other things, the Principal Paying Agent is appointed as issuing agent, principal paying agent and agent bank for the purposes of the Programme.
Agent Bank	means HSBC Bank plc.
Agents	means the Agent Bank, the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent appointed by the Issuer pursuant to the Agency Agreement.
Applicable Accounting Principles	means, in the case of any Financial Statement or information relating to any Obligor other than the Irish Obligors, accounting principles, standards and practices generally accepted in the UK or, in respect of the Irish Obligors, the Republic of Ireland as applied from time to time and making such adjustments (if any) as the Auditors may consider appropriate arising out of changes to applicable accounting principles or otherwise from time to time.
Assigned Contracts	means: <ul style="list-style-type: none"> (a) all present and future Operating Leases; (b) all Shadow Leases entered into from time to time; (c) all present and future Rolling Stock Section 54 Undertakings; (d) all present and future Material Supply

Contracts;

(e) the York Fleet Head Lease;

(f) the Acquisition Documents; and

(g) all Hedging Agreements entered into from time to time.

Associate

means, in relation to a person, a person who is his associate and the question of whether a person is an associate of another will be determined in accordance with section 435 of the Insolvency Act.

Auditors

means KPMG or such other firm of accountants of international repute as may be appointed by the Obligors in accordance with the Common Terms Agreement as the Auditors for the Security Group.

Authorisations

means all present and future authorisations (statutory or otherwise), consents, approvals, resolutions, licences, exemptions, filings, notarisations or registrations held in connection with the business of any of the Chargors or the use of any Charged Assets.

Authorised Credit Facility

means any facility, agreement or Finance Lease entered into by an Obligor for Senior Debt as permitted by and in accordance with the terms of the Common Terms Agreement and the STID, the providers of which (or any agent or trustee on their behalf) are parties to or have acceded to the STID and the Common Terms Agreement, and includes:

(a) the Bond Trust Deed and the Bonds;

(b) the ACF Agreement;

(c) the Hedging Agreements;

(d) each Finance Lease; and

(e) the Operational Hedging Agreements;

and:

- A. any fee letter, commitment letter or certificate entered into in connection with the foregoing facilities or agreements or the transactions contemplated in the foregoing facilities; and
- B. 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 an Authorised Credit Facility for the purposes of this definition by the parties thereto (or any agent or trustee on their behalf) (including at least one Obligor or the Security Group Agent on its behalf);

For the avoidance of doubt, no Subordinated Debt or Subordinated Intragroup Liabilities shall be considered as incurred pursuant to an Authorised Credit Facility.

Authorised Credit Provider

means a lender or other provider of credit or financial accommodation under any Authorised Credit Facility.

Authorised Investments

means:

- (a) securities issued by the government of the UK; or
- (b) demand or time deposits, certificates of deposit and short-term unsecured debt obligations, including commercial paper, provided that the issuing entity or, if such investment is guaranteed, the guaranteeing entity, is rated the Minimum Short-term Rating; or
- (c) any other obligations, provided that in each case the relevant investment has the Minimum Short-term Rating and is either denominated in Sterling or (following the date on which the UK becomes a Participating Member State) euro or has been hedged in accordance with the Hedging Policy; or any money market funds or equivalent investments which have a rating of at least AAA by S&P,

AAA by Fitch/S&P or Aaa by Moody's;

For the avoidance of doubt, Authorised Investments shall not include:

- (i) any structured or asset-backed securities or instruments, including CDOs, securities or instruments backed by mortgages, mortgage-related instruments, home equity loans, credit card receivables, automobile receivables, student loans or other securities or assets;
- (ii) any derivatives, hedging instruments, credit linked notes or similar instruments; any securities or instruments issued by any structured vehicle, including any structured investment vehicle or limited purpose company generally formed for the purpose of undertaking arbitrage activities by purchasing mostly medium and long-term assets and funding itself with mostly short-term securities or instruments such as commercial paper and medium-term notes; or
- (iii) investments in any money market or liquidity funds that target investment in or hold any such securities or instruments referenced in paragraph (i) or (ii) above (for the avoidance of doubt, money market and liquidity funds that target investment in or hold such securities or instruments referenced in paragraph (a), (b) or (c) above are Authorised Investments).

Bank Facility

means any Authorised Credit Facility which is a bank facility.

Base Currency

means Sterling.

Bond Defeasance Account

an account with the Account Bank in the name of MaintCo (and any related custody account of such account opened to hold Authorised Investments and/or Cash Equivalent Investments), designated as the

bond defeasance account.

Bond Transaction Documents

means, in respect of a Tranche of Bonds, the Bonds and any Final Terms relating to the Bonds, the Bond Trust Deed, the Dealership Agreement, each Relevant Subscription Agreement, the Agency Agreement and the Calculation Agency Agreement.

Bond Trust Deed

means the bond trust deed dated 4 November 2010 (as supplemented on 14 November 2014 and as the same may be further amended, supplemented, restated and/or novated from time to time) between, among others, the Issuer and the Bond Trustee, under which Bonds will, on issue, be constituted and any bond trust deed supplemental thereto.

Bond Trustee

means, in respect of a Tranche of Bonds, The Law Debenture Trust Corporation p.l.c. or any successor trustee appointed pursuant to the Bond Trust Deed, for and on behalf of the relevant Bondholders, the Receiptholders and the Couponholders.

Bondholders

means the holders from time to time of a Tranche of Bonds.

Book Debts

of a Chargor means all book and other debts of any nature, and all other rights to receive money (excluding Security Group Accounts), now or in the future due, owing or payable to it and the benefit of all related negotiable instruments, rights, Security Interests, guarantees and indemnities of any kind.

Borrower

means any Obligor who is a borrower, issuer, hedge counterparty, lessee or equivalent pursuant to an Authorised Credit Facility and **Borrowers** means all of them.

Business Day

means:

- (a) in relation to any sum payable in sterling, a day on which commercial banks and foreign exchange markets settle payments in London;
- (b) in relation to any sum payable in euro, a TARGET Settlement Day;

- (c) in relation to any sum payable in a currency other than sterling and euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the currency in which such financial indebtedness is denominated (which in the case of a payment in US dollars shall be New York); and
- (d) otherwise, a day (other than a Saturday or a Sunday) on which banks are open for general business in London.

CAGR

means compound annual growth rate.

Calculation Agency Agreement

in relation to the Bonds of any Tranche, means an agreement in or substantially in the form appended to the Agency Agreement.

Calculation Date

means, subject to the Common Terms Agreement, 30 June and 31 December in each year starting on 31 December 2010.

Capital Expenditure

means any expenditure or obligation which, in accordance with the Applicable Accounting Principles, is treated as capital expenditure.

**Capital
Indebtedness**

Expenditure

means any Financial Indebtedness incurred for the purpose of or in order to refinance Acquisition Capital Expenditure or Refurbishment Capital Expenditure.

Cash

means, at any time, cash denominated in Sterling, euro or US\$ in hand or at bank and (in the latter case) credited to an account in the name of a member of the Security Group with an Acceptable Bank and to which a member of the Security Group is alone (or together with other members of the Security Group) beneficially entitled and for so long as:

- (a) that cash is repayable within 90 days after the relevant date of calculation;
- (b) repayment of that cash is not contingent on the satisfaction of any condition (for the avoidance of doubt, cash used to collateralise any Financial Indebtedness shall constitute Cash for the purposes of

this definition);

- (c) there is no security over that cash except for Security or any Permitted Security Interests constituted by a netting or set-off arrangement entered into by members of the Security Group in the ordinary course of their banking arrangements; and
- (d) the cash is freely and (except as mentioned in paragraphs (a) or (c) above) immediately available to be applied in repayment or prepayment of Senior Debt (subject to the terms thereof).

Cash Available for Distributions means, in respect of a Semi-Annual Period, an amount equal to the aggregate of (i) Excess Cashflow less any amounts mandatorily applied in repayment of any applicable Sweep Facilities pursuant to the Common Terms Agreement (as described in "*Summary of the Financing Agreements – Common Terms Agreement – Covenants – Trigger Event Consequences – Lock-Up and Mandatory Prepayments*") for that Semi-Annual Period and (ii) any Retained Excess Cashflow.

Cash Equivalent Investments means at any time:

- (a) certificates of deposit maturing no more than one year 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 the United States of America, the United Kingdom, any member state of the European Economic Area or any Participating Member State rated at least A- by S&P or an equivalent credit rating from Fitch or Moody's or by an instrumentality or agency of any of them having an equivalent credit rating, maturing no more than 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 the United States of America, the United Kingdom, any member state of the European Economic Area or any Participating Member State;
 - (iii) which matures no more than one year after the relevant date of calculation; and
 - (iv) which has a credit rating of either A-1 or higher by S&P or F1 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 F1 or higher by Fitch or P-1 or higher by Moody's, (ii) which invest substantially all their assets in securities of the types described in paragraphs (a) to (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 (acting in accordance with instructions received under the STID or (without obligation) in its absolute discretion),

in each case, denominated in Sterling, euro or US\$ and to which any member of the Security Group is alone (or together with other members of the Security Group) beneficially entitled at that time and which is not issued or guaranteed by any member of the Security Group or subject to any Security (other than Security arising under the Security Documents).

CC	means the UK Competition Commission.
Challenge Notice	means, in respect of a Challenge, a written notice sent by the Security Trustee.
Challenge Period	means the period starting on, but not including, the Posting Date of a Compliance Certificate and ending on, and including, the date falling 30 days from such date.
Charged Property	means the property, assets, rights and undertaking of each Obligor that are the subject of the security interests created in or pursuant to the Security Documents and includes, for the avoidance of doubt, each Obligor's rights to or interests in any chose in action, the Security Shares and each Obligor's rights under the Hedging Agreements.
Chargeable Real Property	means: <ul style="list-style-type: none"> (a) any freehold, leasehold, identifiable or immovable property, in each case with a value in excess of £25,000,000; and (b) any buildings, fixtures, fittings, fixed plant or machinery from time to time situated on or forming part of that freehold, leasehold, identifiable or immovable property.
Charged Assets	means the assets from time to time subject, or expressed to be subject, to the Charges or any part of those assets.
Charges	means all or any of the Security Interests created or expressed to be created by or pursuant to the English Law Security Agreement.
Chargors	means each of the Obligors.
Clearing Systems	means Euroclear and Clearstream, Luxembourg.
Clearstream, Luxembourg	means Clearstream Banking, société anonyme, Luxembourg.
Code of Practice	means each of the ROSCOs is required to have a Code of Practice that includes a set of commitments that govern the ROSCOs' relationship with existing and prospective

customers. Codes of Practice were introduced following a review of the rolling stock market by the ORR in 1998. Each ROSCO has published its own code, which differs slightly from one another.

Closing Date	means the day on which Completion took place.
Common Documents	means the Security Documents, the Common Terms Agreement, the Master Definitions Agreement, the Account Bank Agreement and the CP Agreement.
Common Terms Agreement	means the common terms agreement entered into between, among others, the Obligors, the Issuer and the Security Trustee on 4 November 2010, and such agreement was further amended on 12 December 2012 and 16 May 2014.
Completion	means the completion of the Acquisition in accordance with the Acquisition Agreement.
Compliance Certificate	means a certificate, substantially in the form appended to the Common Terms Agreement (and described in " <i>Summary of the Financing Agreements – Common Terms Agreement</i> ") (and such term shall include any revised Compliance Certificate delivered by, or on behalf of, the Obligors).
Conditions	means the terms and conditions of the Bonds and Condition means any of them.
Confirmed Certificate	means a report made by the Independent Expert that the statements in the Compliance Certificate are accurate in all respects.
Consolidated Adjusted EBITDA	<p>means, in respect of any Relevant Period or Relevant Forward Period:</p> <p>(a) Consolidated EBITDA;</p> <p>plus</p> <p>(b) the amount of any cash actually received by any member of the Security Group from any Tax Authority during such Relevant Period or due to be received in such Relevant Forward Period (as the case may be) in respect of any rebates or</p>

credits in respect of Taxes on income;

less

- (c) the amount of any cash actually paid by any member of the Security Group to any Tax Authority or to any other person (other than a member of the Security Group) in respect of surrenders of losses or other Tax reliefs and/or by way of contribution or reimbursement pursuant to a Group Payment Arrangement during such Relevant Period or due to be paid in the Relevant Forward Period (as the case may be) in respect of any Taxes on income.

Consolidated EBITDA

means, in respect of any Relevant Period or Relevant Forward Period, the consolidated operating profit (which shall include, without double counting, any amount in respect of finance lease income, whether capital or interest in nature) of the Security Group:

before

- (a) deducting any amount of tax on profits, gains or income paid or payable by any member of the Security Group or any liabilities for or on account of tax payable by a member of the Security Group pursuant to a Group Payment Arrangement which is a Permitted Tax Group or to a representative member of a VAT Group which is a Permitted Tax Group or any payments made for surrenders of Group Relief;
- (b) deducting any Finance Charges, including interest and costs on Subordinated Debt and Subordinated Intragroup Liabilities;
- (c) taking into account any one-off or Exceptional Items;
- (d) deducting any Acquisition Costs and Refinancing Costs;
- (e) taking into account any unrealised or realised gains or losses on any financial instruments and any cash income relating

to Operational Hedging Agreements;

- (f) taking into account any gain or loss arising from an upward or downward revaluation or on disposal of any asset (other than trading stock);

- (g) taking into account any Pension Items;

after

- (h) adding back the proceeds of any loss of profit or business interruption insurance received by the Security Group;

- (i) adding back any amount attributable to the amortisation (other than amortisation of goodwill or intangible assets), depreciation or impairment of assets of members of the Security Group; and

- (j) adding back any initial separation and integration costs incurred prior to the first anniversary of the Closing Date so long as the aggregate amount of the separation and integration costs does not exceed £10,000,000;

excluding

- (k) any costs or provisions relating to any share option or similar scheme,

provided that for the purposes of this and the Consolidated Adjusted EBITDA definitions only but not for the purposes of calculating Excess Cashflow, any company or business (an **Acquired Business**) which (as permitted by the Master Definitions Agreement) joined or became part of the Security Group during the Relevant Period, shall be deemed to have been a member or part of the Security Group for the 12 months ending on the Relevant Period and the Consolidated EBITDA shall be adjusted to include the actual EBITDA generated by the Acquired Business in the 12 months ending on the Relevant Period, but excluding any acquisition cost relating to it, so that no amount will be added (or deducted) more than once and in each case, to the extent added, deducted or taken into account as the

case may be for the purpose of determining operating profits of the Security Group before taxation.

Consolidated Net Debt

means: (a) for the purposes of the NPV Test and the Historical Ratios, as at any Calculation Date, the then current principal amount outstanding of all Senior Debt of any member of the Security Group, or (b) for the purposes of the Forward Ratios, as at any Calculation Date, the forecast principal amount outstanding of all Senior Debt, in each case:

including (for the avoidance of doubt only)

- (a) any Senior Debt or Financial Indebtedness ranking senior to or *pari passu* with the Senior Debt held by any Affiliate of any member of the Security Group (other than a member of the Security Group);
- (b) accretions by indexation to the notional amount under any index-linked Hedging Agreements;

excluding

- (c) any such obligations owing to any other member of the Security Group;
- (d) any unrealised gains or losses on any derivative instruments;
- (e) any Pension Liabilities;

deducting

- (f) the aggregate amount of Cash and Cash Equivalent Investments held by any member of the Security Group (other than Cash or Cash Equivalent Investments in respect of the Acquisition Claim Account);
- (g) all cash held in the Lock-Up Account, the Bond Defeasance Account, the Insurance Proceeds Account and the Disposal Proceeds Account,

	and so that no amount will be added or deducted more than once.
Couponholders	means the several persons who are, for the time being, holder of the Coupons.
CP Agreement	means the conditions precedent agreement to be entered into between, among others, the Bond Trustee, the Security Trustee and the Obligors on the Signing Date.
CRD	means the EU Capital Requirements Directive (Directive numbers 2006/48/EC and 2006/49/EEU, as amended).
Credit Rating Downgrade	means: <ul style="list-style-type: none"> (i) for so long as any Bonds are outstanding, that the long term rating of the Bonds by any Rating Agency is below BBB- or equivalent; (ii) until the first Bonds under the Programme have been issued, that the long term rating of the term Bank Facilities by a Rating Agency or either or both of the Take Out Ratings is below BBB- or equivalent.
Current Accounting Principles	means the Applicable Accounting Principles that were current as at the Signing Date.
Dealers	means Barclays Bank PLC, The Royal Bank of Scotland plc, BNP Paribas, Commonwealth Bank of Australia, Crédit Agricole Corporate and Investment Bank, ING Bank N.V., Lloyds Bank plc, Mitsubishi UFJ Securities International plc, SMBC Nikko Capital Markets Limited and RBC Europe Limited and any other entity which the Issuer and the Obligors may appoint as a Dealer and notice of whose appointment has been given to the Principal Paying Agent and the Bond Trustee by the Issuer in accordance with the provisions of the Dealership Agreement but excluding any entity whose appointment has been terminated in accordance with the provisions of the Dealership Agreement and notice of such termination has been given to the Principal Paying Agent and the Bond Trustee by the Issuer in accordance with the

provisions of the Dealership Agreement and references to a **Relevant Dealer** or the **Relevant Dealer(s)** mean, in relation to any Tranche of Bonds, the Dealer or Dealers with whom the Issuer has agreed the issue of the Bonds of such Tranche and **Dealer** means any one of them.

Dealership Agreement

means the agreement dated 4 November 2010 (as amended on 14 November 2014) between the Obligors and the Dealers named therein (or deemed named therein) concerning the purchase of Bonds to be issued pursuant to the Programme together with any agreement for the time being in force amending, replacing, novating or modifying such agreement and any accession letters and/or agreements supplemental thereto.

Decision Period

means the period of time within which the approval of the Security Trustee is sought as specified in relation to each type of voting matter in the STID.

Default

means:

- (a) an Event of Default; or
- (b) a Potential Event of Default.

Definitive Bonds

means a Bearer Bond in definitive form issued by the Issuer in accordance with the provisions of the Dealership Agreement or any other agreement between the Issuer and the relevant Dealer(s), the Agency Agreement and the Bond Trust Deed in exchange for either a Temporary Global Bond or part thereof or a Permanent Global Bond (all as indicated in the applicable Final Terms), such Bearer Bond in definitive form being in the form or substantially in the form appended to the Bond Trust Deed and having the Conditions endorsed thereon and having the relevant information supplementing, replacing or modifying the Conditions appearing in the applicable Final Terms endorsed thereon or attached thereto and (except in the case of a Zero Coupon Bond in bearer form) having Coupons and, where appropriate, Receipts and/or Talons attached thereto on issue.

DepotCo	means Eversholt Depot Finance (UK) Limited.
DepotCo Operating Account	means an account with the Account Bank in the name of the DepotCo, designated as the DepotCo operating account.
Designated Website	<p>means an electronic website (without password protection) designated by the Obligor for the purpose of delivering any information under the Common Terms Agreement to a Secured Creditor (including Bondholders) by posting it on to such a website.</p> <p>As at the date of this Prospectus, the Designated Website is accessible at:</p> <p>www.eversholtrail.co.uk/corporate</p>
DfT	means the Department for Transport. The DfT is the UK Government department responsible for transport. Transport for Scotland and Scottish Ministers have responsibility for transport for Scotland and for the award of future Scotrail franchises.
DfT White Paper	means the White Paper published by the DfT in July 2007 on the future of the UK mainland railway called "Delivering a Sustainable Railway".
Direct Agreement	means each direct agreement between the relevant government entity and the applicable lessor in relation to each Operating Lease in respect of Railway Assets for the purpose of carrying or hauling passengers.
Direction Notice	means, in respect of any matter which is not the subject of a STID Proposal, an Enforcement Instruction Notice or a Further Enforcement Instruction Notice or an Instruction Notice, a request made by the Security Trustee for an instruction from the Qualifying Secured Creditors as to whether the Security Trustee should agree to a consent, waiver or modification or exercise a right or discretion or make any determination under or pursuant to the Finance Documents and/or the Protection Documents and the

	manner in which it should do so.
Disclosure Letter	means the disclosure letter dated on or around the Signing Date from MaintCo to the Security Trustee providing disclosure against certain provisions contained in the Common Terms Agreement.
Discretion Matter	means a matter in which the Security Trustee may exercise its discretion to approve any request made in a STID Proposal without any requirement to seek the approval of any Secured Creditor or any of their representatives.
Disposal Proceeds Account	means an account with the Account Bank in the name of MaintCo (and any related custody account of such account opened to hold Authorised Investments and/or Cash Equivalent Investments), designated as the disposal proceeds account.
Dividends	means all present and future: <ul style="list-style-type: none"> (a) dividends and distributions of any kind and any other sum received or receivable in respect of any of the Security Shares or Investments (as applicable); (b) rights, shares, money or other assets accruing or offered by way of redemption, bonus, option or otherwise in respect of any of the Security Shares or Investments (as applicable); (c) allotments, offers and rights accruing or offered in respect of any of the Security Shares; and (d) other rights and assets attaching to, deriving from or exercisable by virtue of the ownership of, any of the Security Shares or Investments (as applicable).
DMUs	means Diesel Multiple Units. A multiple unit train consisting of multiple carriages powered by one or more on-board diesel engines.
Dry Lease	means a type of lease pursuant to which a ROSCO provides rolling stock to a TOC/FOC and also receives a maintenance reserve rental

calculated to provide the ROSCO with a suitable fund on expiry of the lease towards the costs of heavy maintenance undertaken after the end of the lease.

ECB

means the European Central Bank.

EIL Group

means EIL and its Subsidiaries from time to time.

EIL EIG Subordinated Loan

means the Subordinated Intragroup Loan advanced by EIL EIG to EIL dated on or around Completion.

EMUs

means Electric Multiple Units. A multiple unit train consisting of many carriages using electricity as the motive power, with traction equipment in each unit.

Enforcement Action

means any step (other than the exercise of any rights of inspection of any asset or other immaterial actions taken under any Finance Lease) that the Security Trustee (on behalf of a Secured Creditor) is entitled or a Secured Creditor would otherwise be entitled to take to enforce or exercise its rights against or in relation to an Obligor under a Finance Document, including:

- (a) the declaration of an Event of Default (for the avoidance of doubt the notification of the Security Trustee that an Event of Default has occurred as required by the STID shall not constitute Enforcement Action);
- (b) the institution of proceedings;
- (c) the making of a demand for payment under a guarantee or any Finance Document;
- (d) the making of a demand for cash collateral under a guarantee;
- (e) the acceleration of Secured Liabilities or declaring any Secured Liabilities due and payable as a result of an event of default;
- (f) the closing out or termination of any Permitted Treasury Transaction;

- (g) the exercise or performance or enforcement by or on behalf or to the order of the Security Trustee of any rights, privileges, benefits, duties or obligations under or pursuant to any Direct Agreement or any other Protection Document;
- (h) the exercise or enforcement of any Security;
- (i) the appointment of, or requirement to appoint a Receiver; and
- (j) the crystallisation of, or the requirement to crystallise, any floating charge under (and pursuant to the terms of) any Security Document.

Enforcement Period

means any period from and including the date of the delivery of a Enforcement Notice to and excluding the earlier of the date on which the Secured Liabilities have been discharged in full and the date on which the Security Trustee, acting in accordance with the instructions of the relevant Secured Creditors pursuant to the STID, notifies the Obligors that the Enforcement Period has ended.

English Law Security Agreement

means the deed of charge and guarantee governed by English law executed in favour of the Security Trustee by each of the Obligors on 4 November 2010 and any other deed of charge supplemental thereto.

English Obligors

means the Obligors incorporated in England and Wales and **English Obligor** means any one of them.

Entrenched Rights

means matters which:

- (a) would have the effect of adversely changing any of the Post-Enforcement Priority of Payments or application thereof in respect of a Secured Creditor or otherwise adversely affect the ranking of the Secured Creditor;
- (b) in respect of each Finance Lessor only, would have the effect of changing or

would relate to:

- (i) the creation or subsistence of any encumbrance, lien, mortgage or other Security Interest over any Equipment other than in favour of the Finance Lessor and the Secured Creditors or otherwise permitted to subsist as a Permitted Financial Indebtedness; or
 - (ii) the definition of Permitted Finance Lease Termination;
- (c) would change or would have the effect of changing:
- (i) any of the following definitions:
 - A. Discretion Matter,
 - B. Entrenched Right,
 - C. Extraordinary Voting Matter,
 - D. Ordinary Voting Matter,
 - E. Qualifying Secured Creditors,
 - F. Qualifying Secured Debt,
 - G. Reserved Matter,
 - H. Secured Liabilities,
 - I. STID Proposal,
 - J. Voted Qualifying Secured Debt;
 - (ii) any of the following:
 - A. the Decision Period,
 - B. the Quorum Requirement or Majority Requirement required in respect of any Ordinary Voting Matter,
 - C. an Extraordinary Voting Matter or Majority Requirement required in respect of any

Extraordinary Voting Matter,

D. an Enforcement Instruction Notice or Further Enforcement Instruction Notice;

provided that paragraphs (i)(A), (C), (D), (E), (F), (I), (J) and (ii)(B), (C) and (D) shall not apply in respect of the Pension Trustee;

- (iii) any of the matters that give rise to Entrenched Rights under the STID; or
 - (iv) clause 15.1 (*Scope of Entrenched Rights*) of the STID (as described in "*Summary of the Financing Agreements – Security Trust and Intercreditor Deed*");
- (d) in respect of the Secured Creditors other than the Pension Trustee would change or have the effect of changing the provisions of the STID in relation to the method and quantum of voting;
- (e) (other than in respect of the Pension Trustee) would change or have the effect of changing provisions of the STID relating to Reserved Matters;
- (f) in respect of a Hedge Counterparty and/or an Operational Hedge Counterparty only, would change or have the effect of changing:
- (i) the Hedging Policy;
 - (ii) the definition of Permitted Hedge Termination;
 - (iii) in respect of the relevant Hedge Counterparty only, the terms of a Hedging Agreement; and/or
 - (iv) in respect of the relevant Operational Hedge Counterparty only, the terms of an Operational Hedging Agreement;
- (g) would change or would have the effect of changing any matter which is the subject

of the relevant Secured Creditor's Entrenched Right;

(h) in the case of a Tranche of Bonds, constitute a Basic Terms Modification; and

(i) in respect of the Pension Trustee:

(i) may impose new, increased or additional obligations on or reduce the rights of the Pension Trustee in respect of the Post-Enforcement Priority of Payments (provided, however, that with regard to any reduction of rights relating to the Post-Enforcement Priorities of Payments, the right of the Pension Trustee shall be to rank *pari passu* with the repayments of principal in respect of the Senior Debt for an aggregate amount up to the Maximum Pension Liability Amount but the Post-Enforcement Priorities of Payments may otherwise be amended without the consent of the Pension Trustee except where sub-paragraph (iv) of this paragraph (i) applies);

(ii) would amend or vary or would have the effect of amending or varying the provision in the STID regulating the Pension Trustee's rights and obligations;

(iii) would amend or vary or would have the effect of amending or varying the provisions of the STID relating to the Pension Trustee;

(iv) would result in the Pension Trustee being entitled to be paid an aggregate amount under the STID of less than the Maximum Pension Liability Amount;

(v) would have the effect of granting security to any person that would rank in priority to the security granted to the Pension Trustee other

than (a) in respect of those classes of Secured Creditor ranking in priority to the Pension Trustee as at the Closing Date, or (b) in respect of security that is a Permitted Security Interest; or

- (vi) would amend or result in an amendment to this paragraph (i) or any other paragraph of this definition of Entrenched Rights which applies to the Pension Trustee or would change or would have the effect of changing the definitions of Pension Liabilities, Pension Documents, Pension Scheme or Maximum Pension Liability Amount or any defined term used in those definitions; or
- (vi) would result in any Pension Document being designated as a Finance Document or a Protection Document;
- (j) in respect of each Finance Lessor, would have the effect of changing or would relate to:
 - (i) any sale, transfer or other disposal (whether deemed or otherwise) of any of the Equipment which is the subject of such Finance Lease;
 - (ii) any of the covenants or representations and warranties set out in the Finance Documents which relate to the maintenance or condition of the Equipment; or
 - (iii) any provisions contained within the Finance Documents pertaining to any damage, destruction or total loss of any of the Equipment.

Equipment

means, in relation to a Finance Lease, any items of equipment, plant and/or machinery, system, asset, software licence, Intellectual Property Right, software and any other item leased under that Finance Lease.

Equivalent Amount	means the amount in question expressed in the terms of the Base Currency, calculated on the basis of the Exchange Rate.
ERFL	means European Rail Finance Limited.
ERFL 2	means European Rail Finance (2) Limited
ERFL Euro Operating Account	means an account with the Account Bank in the name of ERFL, designated as the ERFL Euro operating account.
ERFL GB	means European Rail Finance (GB) Limited.
ERFL GB Schedule 10 Tax Charge	means a Schedule 10 Tax Charge arising in ERFL GB as a direct consequence of the issue of the Relevant PPS Shares in an amount not exceeding £50,000.
ERFL Holdings	means European Rail Finance Holdings Limited.
ERFL Holdings Operating Account	means an account with the Account Bank in the name of ERFL Holdings, designated as the ERFL Holdings operating account.
ERFL Operating Account 1	means an account with the Account Bank in the name of ERFL, designated as the ERFL operating account 1.
ERFL Operating Account 2	means an account with the Account Bank in the name of ERFL, designated as the ERFL operating account 2.
EU	means the European Union.
EURIBOR	means the Euro-zone interbank offered rate.
Euroclear	means Euroclear Bank S.A./N.V. as operator of the Euroclear System.
Events of Default	means events specified as such in Schedule 4 (<i>Events of Default</i>) to the Common Terms Agreement (as described in " <i>Summary of the Financing Agreements – Common Terms Agreement – Events of Default</i> ").
Eversholt Rail Group	means EIL and its Subsidiaries from time to time.
Exceptional Items	means any material items of an unusual or non-recurring nature which represent gains or

losses including those arising on:

- (a) the restructuring of the activities of an entity and reversals of any provisions for the cost of restructuring;
- (b) disposals, revaluations or impairment of non-current assets;
- (c) disposals of assets associated with discontinued operations; and
- (d) any profit arising from below par purchases of Senior Debt.

Excess Acquisition Claim Proceeds means, in respect of a Financial Year, Acquisition Claim Proceeds which exceed £3,000,000 (RPI Indexed).

Excess Cashflow means, in respect of any Semi-Annual Period, Consolidated Adjusted EBITDA for that Semi-Annual Period, after:

adding (to the extent not already taken into account in the calculation of Consolidated Adjusted EBITDA):

- (a) the amount of any decrease in Working Capital (for that Semi-Annual Period);
- (b) the amount of any cash receipts in respect of any Exceptional Items (for that Semi-Annual Period) other than Relevant Proceeds to the extent required to be applied in prepayment or defeasance of Senior Debt and related Repayment Costs pursuant to the Common Terms Agreement (as described in "*Summary of the Financing Agreements – Common Terms Agreement – Events of Default*");
- (c) the amount of any dividends or other profit distributions actually received in cash (during that Semi-Annual Period) by any member of the Security Group from any entity which is not a member of the Security Group;
- (d) the amount of any payment received by a member of the Security Group upon termination of a hedging arrangement to the extent not required to be applied in

prepayment of Senior Debt;

deducting (to the extent not already taken into account in the calculation of Consolidated Adjusted EBITDA);

- (a) Net Interest Paid (during that Semi-Annual Period);
- (b) the aggregate positive net amounts (during that Semi-Annual Period) of (i) repayments and advances made by the Security Group to all Funded Non-Obligors; less (ii) repayments and advances made by all Funded Non-Obligors to the Security Group, in each case under any financing arrangements between the Security Group and any Funded Non-Obligor; provided that the amount so deducted shall not exceed £15,000,000 per annum (RPI Indexed);
- (c) the amount of any increase in Working Capital (for that Semi-Annual Period);
- (d) the amount of any cash payments in respect of any Exceptional Items (for that Semi-Annual Period);
- (e) the amount of any Capital Expenditure, or Permitted Acquisitions (including any acquisition costs related to it) actually made (during that Semi-Annual Period) by any member of the Security Group, except to the extent funded by:
 - (i) Retained Excess Cashflow;
 - (ii) any committed capex facility entered into by any Obligor or any Bank Facility from time to time; or
 - (iii) the proceeds of Additional Contributions and/or the proceeds of Subordinated Debt to a member of the Security Group (other than pursuant to the exercise of a Cure Right);
 - (iv) application of proceeds of the Bond Defeasance Account for Capital

Expenditure in accordance with the Common Terms Agreement (as described in "*Summary of the Financing Agreements – Common Terms Agreement – Bond Defeasance Account*");

- (v) amounts available for reinvestment in accordance with the Common Terms Agreement (as described in "*Summary of the Financing Agreements – Common Terms Agreement – Application of Excess Net Disposal Proceeds, Excess Acquisition Claim Proceeds and Excess Insurance Proceeds*");
- (f) the amount of any cash costs of Pension Items during the Semi-Annual Period;
- (g) the capital element of any payments in respect of Finance Leases;
- (h) the amount of any payment made by a member of the Security Group upon the termination of a hedging arrangement, to the extent not related to a mandatory prepayment of the Senior Debt;
- (i) (unless a Trigger Event has occurred and is continuing save in respect of any amounts paid prior to the Trigger Event) the amount payable in respect of interest on Subordinated Debt (during that Semi-Annual Period), provided that the amount so deducted shall not exceed £10,000,000 in any Financial Year (RPI Indexed);
- (j) the amount of all scheduled repayments (excluding repayment of revolving facilities, to the extent they are available for redrawing) and voluntary prepayments made in respect of any Senior Debt (during that Semi-Annual Period) save to the extent made from the proceeds of Subordinated Debt and/or Additional Contributions made after the Closing Date; and
- (k) any payments in respect of the PPS Shares or in connection with any

guarantee, indemnity or security given in respect of the PPS Shares in an amount not exceeding £3,000,000 in any Financial Year;

- (l) in 2021 only, an amount equal to the 2021 Debt,

and so that no amount shall be added or deducted more than once.

If other adjustments, not envisaged in the definition of Excess Cashflow above are required to ensure that Excess Cashflow does not exceed the cash generated by the Security Group in the relevant period (the "**Additional Adjustments**"), the Additional Adjustments shall be made to the definition of Excess Cashflow to the extent that they (i) are on a commercial arms-length basis and (ii) have been described by the Security Group Agent in reasonable detail in the relevant Compliance Certificate. Any payments made to any Affiliate of the EIL Group (other than a member of the EIL Group) which are not permitted under the Common Documents ("**Affiliate Payments**") shall not be allowed as Additional Adjustments, and so, to the extent Affiliate Payments are made, they must be funded through Additional Contributions, Subordinated Debt or Retained Excess Cashflow; and, provided further that Excess Cashflow shall be calculated before taking into account any Permitted Surplus Deposit made by an Obligor. "**Permitted Surplus Deposit**" means any amounts deposited into the LC Cash Collateral Account, which, when aggregated with all previous deposits into such account result in the credit balance on such account exceeding £26,417,500 (but not exceeding £30,000,000).

Excess Insurance Proceeds

means, in respect of a Financial Year, Insurance Proceeds which exceed £5,000,000 (RPI Indexed).

Excess Net Disposal Proceeds

means, in respect of a Financial Year, Net Disposal Proceeds which exceed £5,000,000 (RPI Indexed).

Exchange Rate

means the strike rate specified in any related cross-currency Hedging Agreement or, failing that, the spot rate at which the Non-Base Currency is converted to the Base Currency as quoted by the Agent Bank as at 11.00 a.m.:

- (a) for the purposes of a STID Voting Request, on the date that the STID Proposal is dated;
- (b) for the purposes of the provisions relating to meetings and voting of the Bond Trust Deed, on the relevant date determined by the Bond Trustee; and
- (c) in any other case, on the date as of which calculation of the Equivalent Amount of the Outstanding Principal Amount is required,

and, in each case, as notified by the Agent Bank to the Bond Trustee.

Existing Finance Leases

means the lease in respect of the following depot: all that leasehold property known as Bedford Light Maintenance Depot, Cauldwell Walk, Bedford registered with absolute leasehold title at the Land Registry under Title Number BD240396.

Extraordinary Resolution

means a resolution in respect of an Extraordinary Voting Matter which may be passed by 66.67 per cent. of the Voted Qualifying Secured Debt.

Facility

means:

- (a) Facility A; or
- (b) Facility B,

in each case made available under the ACF Agreement.

Facility Agent

means any facility agent under any Authorised Credit Facility.

Facility A Lender

means a provider of a Facility A Loan under the ACF Agreement.

Facility A Loan

means the principal amount outstanding of a

	borrowing under Facility A.
Facility B Lender	means a provider of a Facility B Loan under the ACF Agreement.
Facility B Loan	means the principal amount of a proposed borrowing under Facility B or the principal amount outstanding of that borrowing.
Facility Providers	means any provider of a Bank Facility
Failed Rolling Stock	means rolling stock that has not been maintained in accordance with its maintenance programme.
Final Terms	means each final terms issued in relation to each Tranche of Bonds and giving details of that Tranche of the Bonds on the basis of the pro forma set out in the Dealership Agreement or any other basis as may be agreed between the Issuer and the Relevant Dealer(s) and, in relation to any particular Tranche of the Bonds, " relevant Final Terms " means the Final Terms applicable to that Tranche.
Finance Charges	<p>means, for any applicable Relevant Period or Relevant Forward Period, the aggregate amount of the recurring accrued interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments in respect of Senior Debt whether paid, payable or capitalised by any member of the Security Group (calculated on a consolidated basis) in respect of that Relevant Period or Relevant Forward Period:</p> <ul style="list-style-type: none"> (a) including any upfront fees or costs which are included as part of the effective interest rate adjustments; (b) any commitment or other ongoing financing fees in respect of the Senior Debt; (c) taking into account any ongoing net payment in respect of any derivative instrument; (d) including the interest (but not the capital) element of payments in respect of

Finance Leases;

- (e) including any commission, fees, discounts and other finance payments payable by (and deducting any such amounts payable to) any member of the Security Group under any Hedging Agreement for hedging interest rates;
- (f) excluding any Acquisition Costs;
- (g) taking no account of any unrealised or realised gains or losses on any derivative instruments; and
- (h) excluding any interest (capitalised or otherwise) in respect of any Subordinated Intragroup Liabilities or Subordinated Debt,

and so that no amount shall be added (or deducted) more than once.

Finance Documents

means:

- (a) the Common Documents;
- (b) each Authorised Credit Facility;
- (c) each Bond Transaction Document other than the Dealership Agreement and each Relevant Subscription Agreement;
- (d) each agreement or other instrument between a Borrower and an Additional Secured Creditor or Additional Subordinated Debt Creditor (as the case may be);
- (e) each Subordinated Debt Guarantee;
- (f) the Account Bank Agreement and any fee letters ancillary thereto;
- (g) any amendment and/or restatement agreement relating to any of the above documents; and
- (h) any other document designated as such by the Security Trustee and the Security Group Agent.

Finance Lease

means any finance lease (as determined by the applicable generally accepted accounting principles) entered into by a Borrower in respect of which it is the lessee:

- (a) in respect of Railway Assets which on its own has a capitalised amount in excess of 5 per cent. of Consolidated EBITDA or when added to the capitalised amount of the then existing finance leases would exceed an aggregate capitalised amount of 25 per cent. of Consolidated EBITDA; and
- (b) the counterparty to which has acceded to the terms of the STID and the Common Terms Agreement as a Finance Lessor.

Finance Lease Documents

means each Finance Lease entered into on or after the Signing Date together with any related or ancillary documentation.

Finance Lease Out

means, in respect of Railway Assets owned by an Obligor, a lease or hire purchase contract of such Railway Assets to a third party lessee on arm's length terms in the ordinary course of business which would, in accordance with the Applicable Accounting Principles, be treated as a finance or capital lease except for the following (which shall not be classified as Finance Leases Out notwithstanding their characterisation as finance leases under Accounting Principles):

- (a) any lease or hire purchase contract of Railway Assets in which title to such Railway Assets is retained by an Obligor; and
- (b) any lease or hire purchase contract of Railway Assets where the length of such lease or hire purchase contract does not exceed the franchise period of the relevant TOC.

Finance Lessors

means any person entering into a Finance Lease with a Borrower, as permitted by the Common Terms Agreement and the STID, who accedes to the STID and the Common Terms Agreement as a Finance Lessor (each a

Finance Lessor).

Financial Covenant Ratio Level means:

- (a) The NPV Test as stated in the Compliance Certificate produced in respect of any Calculation Date is greater than 80%, subject to Cure Right;
- (b) The Leverage Test as stated in the Compliance Certificate produced in respect of the Relevant Period is greater than 8.00, subject to Cure Right; and/or
- (c) The Interest Cover Test as stated in the Compliance Certificate produced in respect of the Relevant Period is less than 1.50, subject to Cure Right.

Financial Covenant Trigger Event means:

- (a) the NPV Test as at any Calculation Date is greater than 70 per cent.;
- (b) the Leverage Test for any Relevant Period or Relevant Forward Period is or is forecast to be greater than 7.00 except in relation to the first and second Calculation Dates, the Leverage Test for the related Relevant Period is greater than 7.25; or
- (c) the Interest Cover Test for any Relevant Period or Relevant Forward Period is or is forecast to be less than 1.75.

Financial Indebtedness means (without double-counting) any indebtedness for or in respect of:

- (a) moneys borrowed or raised;
- (b) any documentary or standby letter of credit facility;
- (c) any acceptance credit;
- (d) any bond, note, debenture, loan stock or other similar instrument;
- (e) any finance or capital lease or hire purchase contract which would, in

accordance with Applicable Accounting Principles, be treated as such;

- (f) any amount raised pursuant to any issue of shares which are capable of redemption, other than in respect of the PPS Shares;
- (g) receivables sold or discounted (other than on a non-recourse basis);
- (h) the amount of any liability in respect of any advance or deferred purchase agreement if either one of the primary reasons for entering into such agreement is to raise finance or the relevant payment is advanced or deferred for a period in excess of 180 days or such longer period in respect of Railway Assets as is usual in the context of its supply;
- (i) any termination amount due from any member of the Security Group in respect of any Treasury Transaction that has terminated;
- (j) any other transaction (including any forward sale or purchase agreement) which has the commercial effect of a borrowing (other than any trade credit or indemnity granted in the ordinary course of a Borrower's trading and upon terms usual for such trade);
- (k) any counter-indemnity obligation in respect of any guarantee, indemnity, bond, letter of credit or any other instrument issued by a bank or financial institution; and

any guarantee, indemnity or similar assurance against financial loss of any person in respect of any item referred to in paragraphs (a) to (k) (inclusive) above (other than any guarantee or indemnity given in respect of obligations owed by one member of the Security Group to another).

Financial Ratios

means, the ratios to be calculated by reference to each Calculation Date and as set out in

each Compliance Certificate are as follows:

- (a) the NPV Test as at the Calculation Date;
- (b) the Leverage Test for the Relevant Period immediately preceding such Calculation Date and the Relevant Forward Period immediately following such Calculation Date; and
- (c) the Interest Cover Test immediately preceding such Calculation Date for the Relevant Period and the Relevant Forward Period immediately following such Calculation Date.

Financial Statements

means, at any time, the aggregated financial statements of the Security Group and the financial statements of a Relevant Obligor most recently delivered to the Security Trustee and each Rating Agency pursuant to the Common Terms Agreement.

Financial Year

means the 12 months ending on 31 December in each year or such other period as may be approved by the Security Trustee.

FinCo Parent

means Eversholt Finance Holdings Limited.

FinCo Transaction Account

means an account with the Account Bank in the name of the Issuer designated as the FinCo Transaction Account.

Fitch

means Fitch Ratings Limited and any successor to the rating agency business of Fitch Ratings Limited.

FOCs

means Freight Operating Companies.

Forward Ratios

means the Leverage Test and the Interest Cover Test as calculated by reference to any Relevant Forward Period.

FSMA

means the Financial Services and Markets Act 2000 as amended.

Funded Non-Obligors

means any member of the EIL Group, including 365Co, that is not an Obligor.

Further Enforcement Instruction

means a notice from the Security Trustee, following receipt by the Security Trustee of

Notice	an Instruction Notice, requesting an instruction from the Qualifying Secured Creditors (through their Secured Creditor Representatives) as to whether the Security Trustee should take any further Enforcement Action.
Global Bond	means a Temporary Global Bond or a Permanent Global Bond, as the case may be.
Group Payment Arrangements	means any arrangement for one member of such arrangement to discharge any liability of other members to pay Tax (including, for the avoidance of doubt, any arrangement of the type referred to in section 59F of the Taxes Management Act 1970).
Group Relief	means any right to surrender, allocate or reallocate Tax (including under section 171A of the Taxation of Chargeable Gains Act 1992) or reliefs, losses, allowances, exemptions, set-offs, deductions or credits in computing or against profits or Tax (including amounts eligible for surrender under section 99 of the Corporation Tax Act 2010 and section 411 of the Taxes Consolidation Act 1997 of Ireland) between members of a group or consortium or other association for Tax purposes.
Guarantee	means, in relation to each Obligor, the guarantee of such Obligor given by it pursuant to the English Law Security Agreement.
Guarantors	means each Obligor with respect to the Guarantee given by it.
HAF	means HSBC Asset Finance (UK) Limited.
Hedge Counterparties	means: <ul style="list-style-type: none"> (a) the Initial Hedge Counterparties; and (b) any counterparty which accedes as hedge counterparty to the STID and Common Terms Agreement as hedge counterparty and Hedge Counterparty means any of such parties.
Hedging Agreements	means any Treasury Transaction entered or to

be entered into by an Obligor with a Hedge Counterparty in compliance with the Hedging Policy.

Historical Ratios

means the Leverage Test and the Interest Cover Test as calculated by reference to any Relevant Period.

HLOS

means High Level Output Specification.

HMRC

means HM Revenue & Customs (including its predecessors, HM Inland Revenue and HM Customs & Excise).

Holding Company

means a holding company within section 1159 of the Companies Act or in respect of the Irish Obligors means a holding company within the meaning of section 155 of the Irish Companies Act 1963 as amended.

HSBCR

means HSBC Rail (UK) Limited.

HSI

means High Speed & Intercity.

HSTs

means High Speed Trains. The name given to British Rail's InterCity trains, manufactured in the late 1970s.

IEP

means Intercity Express Programme.

IFRS

means international accounting standards within the meaning of IAS Regulation 1606/2002.

Independent Expert

means one of:

- (a) Steer Davies Gleave (in respect of revenue projections);
- (b) KPMG (in respect of financial assumptions);
- (c) Interfleet (in respect of technical assumptions); or
- (d) such other expert as the Security Trustee and the Security Group Agent may agree from time to time in good faith.

to undertake a review of the relevant Compliance Certificate, and the assumptions and information on which the statements in

	such Compliance Certificate are made, to determine whether the statements made in the Compliance Certificate are accurate in all material respects (the " Investigation Mandate ").
Individual Bond Certificates	means, in relation to any Tranche of Regulation S Bonds which are Registered Bonds, an individual bond certificate representing the Regulation S Bonds of such Tranche in the form or substantially in the form set out in the Bond Trust Deed.
Initial Facilities	means each loan to be advanced by the Initial Facility Providers to the Issuer pursuant to the Initial Facility Agreement.
Initial Facility Agent	means Crédit Agricole Corporate and Investment Bank as facility agent for the Lenders.
Initial Facility Agreement	means the facility agreement dated 4 November 2010 between, amongst others, the Initial Facility Providers and the Issuer.
Initial Facility Finance Parties	means the Initial Facility Providers and the Initial Facility Agent.
Initial Facility Provider	means a provider of one or more Initial Facilities to the Issuer pursuant to the Initial Facility Agreement.
Initial Financial Indebtedness	means: <ul style="list-style-type: none"> (a) Financial Indebtedness incurred under any Finance Document entered into on or prior to the Closing Date; and (b) the 365Co Loan.
Initial Hedge Counterparty	means <ul style="list-style-type: none"> (i) Crédit Agricole Corporate and Investment Bank; (ii) ING Bank N.V.; (iii) Lloyds Bank plc (formerly Lloyds TSB Bank plc); (iv) Royal Bank of Canada;

(v) The Royal Bank of Scotland plc;

(vi) Société Générale ; and

(vii) SMBC Nikko Capital Markets Limited

with whom the Obligors (or any of them) entered into the Initial Hedging Agreements in accordance with the Hedging Policy on the Initial Hedging Date.

Initial Hedging Agreements

means the 1992 ISDA Master Agreements and the Schedules thereto entered into on the Signing Date between one or more Obligors and the Initial Hedge Counterparties.

Initial Hedging Date

means the date, following the Signing Date, on which confirmations were entered into pursuant to the Initial Hedging Agreements.

Insolvency Act

means the Insolvency Act 1986

Insolvency Event

means, in respect of any company:

- (a) the presentation of a petition or application for the making of an administration order which proceedings are not being contested in good faith and which is not discharged or struck out within 60 days of commencement or, in the case of a petition for administration, on or prior to the date fixed for the hearing thereof;
- (b) the giving of notice of appointment of an administrator or the making of an administration order or an administrator being appointed in respect of such company;
- (c) the giving of notice of appointment of an examiner or the making of an order for examinership being appointed in respect of such company;
- (d) an encumbrancer taking possession of the whole or a material part of the undertaking or assets of such company;
- (e) 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;

- (f) the making of an arrangement, composition, scheme of arrangement, reorganisation with or conveyance to or assignment for the creditors of such company generally or the making of an application to a court of competent jurisdiction for protection from the creditors of such company generally;
- (g) 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, administration, examinership, liquidation or dissolution of such company;
- (h) 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;
- (i) 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
- (j) 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, administrative receiver, receiver, manager, nominee, supervisor, trustee, conservator, guardian, examiner 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, administration or examinership 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.
Institutional Accredited Investor	means an institutional investor that qualifies as an “accredited investor” (as defined in Rule 501(a)(1), (2), (3), (7) or (8) under the Securities Act).
Instruction Notice	means a notice given by any Qualifying Secured Creditor which by itself or together with any other Qualifying Secured Creditor(s) is or are owed Qualifying Secured Debt having an aggregate Outstanding Principal Amount of at least 10 per cent of the aggregate Outstanding Principal Amount of all Qualifying Secured Debt then outstanding, to the Security Trustee to instruct the Security Trustee to exercise any of the rights granted to it under the Common Documents.
Insurance Proceeds	<p>means any proceeds in respect of any claim received by any member of the Security Group under or pursuant to any insurance policy (or equivalent) after the Signing Date, after deduction of:</p> <ul style="list-style-type: none"> (a) any reasonable expenses (including legal fees) which are incurred by any member of the Security Group with respect to that claim to persons who are not members or Associates of the EIL Group; and (b) any Tax incurred and required to be paid or reserved for by any member of the EIL Group with respect to that claim, <p>but excluding any proceeds of any claim:</p> <ul style="list-style-type: none"> (a) in relation to third party liabilities that are actually applied or to be applied to meet such liabilities; (b) in relation to consequential loss policies that are actually applied or to be applied to cover operating losses, loss of profits

or business interruption;

- (c) in relation to physical loss policies that are, or are to be, applied towards the repair, reinstatement or replacement of an asset to cover, or otherwise in amelioration of such loss;
- (d) paid directly by any insurer to a third party claimant.

Insurance Proceeds Account

means an account with the Account Bank in the name of MaintCo (and any related custody account of such account opened to hold Authorised Investments and/or Cash Equivalent Investments), designated as the insurance proceeds account.

Insurances

means, as the context may require, any or all of the insurances described in or taken out pursuant to the Common Terms Agreement and any other contract or policy of insurance taken out by an Obligor from time to time, including in each case any future renewal or replacement of any such insurance whether with the same or different insurers and whether on the same or different terms as further defined in the Common Terms Agreement.

Interest Cover Test

means, in respect of any Relevant Period or any Relevant Forward Period, the ratio of Consolidated Adjusted EBITDA to Net Interest Payable.

Intra-Security Group Loan

means the principal amount of all advances from time to time outstanding under an Intra-Security Group Loan Agreement.

Intra-Security Group Loan Agreement

means any loan agreement entered into between Obligors.

Investigation Period

means, in the event that a Challenge is made, the period from the date of such Challenge until the earlier of:

- (a) the date on which investigations in respect of that Challenge are completed to the reasonable satisfaction of the Security Trustee;

- (b) the date on which the Independent Expert announces its conclusions in respect of a Confirmed Certificate; and
- (c) the date following expiry of the re-stated Challenge Period after a re-stated Compliance Certificate has been delivered.

Investment Company Act

means the Investment Company Act of 1940 of the USA.

Investments

means:

- (a) securities and investments of any kind (including shares, stock, debentures, units, depositary receipts, bonds, notes, commercial paper and certificates of deposit);
- (b) warrants, options or other rights to subscribe for, purchase or otherwise acquire securities and investments;
- (c) all rights relating to securities and investments which are deposited with, or registered in the name of, any depositary, custodian, nominee, clearing house or system, investment manager,³⁰⁷ chargee or other similar person or their nominee, in each case whether or not on a fungible basis (including rights against any such person); and
- (d) all other rights attaching or relating to securities or investments and all cash or other securities or investments in the future deriving from Investments or such rights,

in each case now or in the future owned by it or (to the extent of its interest) in which it now or in the future has an interest (excluding the Security Shares).

Investor Report

means the report delivered to the Security Trustee, the Issuer, the Bond Trustee and each Rating Agency by the Security Group Agent (on behalf of each Obligor) pursuant to the Common Terms Agreement.

Irish Obligors	means the Obligors incorporated in Ireland and Irish Obligor means any one of them.
Issue Date	means the date of issue of any Tranche of Bonds or the date upon which all conditions precedent to a utilisation under any Authorised Credit Facility have been fulfilled or waived and the Issuer makes a utilisation of that facility.
Issuer	means Eversholt Funding plc.
KPMG (Ireland)	means KPMG, 1 Harbourmaster Place, IFSC, Dublin 1.
LC Cash Collateral Account	means an account of a Chargor with any bank or financial institution held in connection with paragraph (v) of the definition of Permitted Security Interest.
Leverage Test	means, in respect of any Relevant Period or any Relevant Forward Period, the ratio of Consolidated Net Debt to Consolidated EBITDA.
LIBOR	means the London interbank offered rate.
Listing	means a listing on any investment exchange or any other sale or issue by way of flotation or public offering or any equivalent circumstances in relation to any member of the Security Group or any holding company of any member of the Security Group in any jurisdiction or country.
Lock-Up Account	means an account with the Account Bank in the name of MaintCo (and any related custody account of such account opened to hold Authorised Investments or Cash Equivalent Investments), designated as the lockup account by the Security Group Agent and the Security Trustee.
London Stock Exchange	means The London Stock Exchange plc.
MaintCo	means Eversholt Rail (UK) Limited.

Maintenance Procurement Contract

means the maintenance and procurement contracts listed at Schedule 1 of the English Law Security Agreement and any maintenance procurement contract entered into after the date hereof with train operating companies or freight operating companies whereby any member of the Security Group agrees to procure heavy maintenance in relation to Rolling Stock, in each case, as may be amended from time to time.

Majority Lenders

means:

(a) if there is no Loan then outstanding, Lender(s) whose Commitments then aggregate 66 2/3 per cent. or more of the Total Commitments;

(b) if there is no Loan then outstanding and the Total Commitments have been reduced to zero, Lender(s) whose Commitments aggregated 66 2/3 per cent. or more of the Total Commitments immediately before the reduction; or

(c) at any other time, Lender(s) whose participation in the outstanding Loans and whose Available Commitments then aggregate 66 2/3 per cent. or more of the aggregate of all the outstanding Loans and the Available Commitments of all the Lenders,

provided that where a decision is to be made by relevant Majority Lenders the references to Loans, Commitments, Total Commitments and Available Commitments shall be construed as references to Loans, Commitments, Total Commitments and Available Commitment in respect of Facility A or Facility B only (as applicable).

Majority Requirement

means:

(a) in respect of an Ordinary Voting Matter, a simple majority of the Voted Qualifying Secured Debt;

(b) in respect of an Extraordinary Voting Matter, at least 66.67 per cent of the Voted Qualifying Secured Debt;

(c) in respect of an Enforcement Instruction Notice or Further Enforcement Instruction Notice:

- (i) at least 66.67 per cent of the Voted Qualifying Secured Debt, in respect of any Enforcement Instruction Notice or Further Enforcement Instruction Notice delivered prior to 6 months from the date of the occurrence of the unremedied Event of Default;
- (ii) 50 per cent. of the Voted Qualifying Secured Debt in respect of any Enforcement Instruction Notice or Further Enforcement Instruction Notice delivered on or after 6 months but prior to 12 months from the date of the occurrence of the unremedied Event of Default; or
- (iii) 20 per cent. of the Voted Qualifying Secured Debt in respect of any Enforcement Instruction Notice or Further Enforcement Instruction Notice delivered on or after 12 months from the date of the occurrence of the unremedied Event of Default, as the case may be,

provided that, in each case, as soon as the Security Trustee has received votes in favour of a STID Proposal in respect of an Enforcement Instruction Notice or Further Enforcement Instruction Notice from the Qualifying Secured Creditors representing the minimum majority percentage of the aggregate Outstanding Principal Amount of all Qualifying Secured Debt as specified in this sub-clause, no further votes will be counted by the Security Trustee or taken into account notwithstanding the fact that the Security Trustee has yet to receive votes from all Qualifying Secured Creditors (through their Secured Creditor Representatives) in respect of the relevant Qualifying Secured Debt.

Mandatory Prepayment Amounts Ledger	means the ledger of the Bond Defeasance Account entitled "Mandatory Prepayment Amounts" to which amounts are credited/debited in accordance with the Common Terms Agreement (as described in the <i>"Summary of the Financing Agreements – Common Terms Agreement"</i>).
Manufacturing and Supply Agreement	means the manufacturing and supply agreements listed at Schedule 1 of the English Law Security Agreement and any manufacturing and supply agreement entered into after the date hereof in respect of the manufacture of new Rolling Stock acquired or to be acquired by the Security Group and related train services agreements, in each case, as may be amended from time to time.
Material Adverse Effect	<p>means the effect of any event or circumstance which is materially adverse to:</p> <ul style="list-style-type: none"> (a) the business, assets or financial condition of the Security Group taken as a whole; or (b) (taking into account the resources available to it from other members of the Security Group) the ability of an Obligor to perform its payment obligations under any Finance Document or to comply with the Financial Covenant Ratio Levels; or (c) the legality, validity or enforceability (subject to the Reservations) of any Finance Documents in a manner which is prejudicial in any material respect to the interests of the Secured Creditors.

provided that, to the extent the Security Trustee is instructed to take any action pursuant to a STID Proposal or Extraordinary Voting Matters or Ordinary Voting Matters and any such action requires the determination of whether an event or occurrence having a Material Adverse Effect, the Security Trustee shall have no duty to enquire or satisfy itself as the existence of an event or occurrence has a Material Adverse Effect and shall be entitled to rely conclusively upon such instructions regarding the same (subject always to the provisions of the STID).

Material Maintenance Contract

means any agreement for the supply of heavy maintenance services to any member of the Security Group which (a) are necessary in order to enable any member of the Security Group to perform its obligations under Operating Leases or Maintenance Procurement Contracts to procure heavy maintenance in relation to Rolling Stock and (b) under which the total contract value is in excess of £10,000,000.

Material Supply Contracts

means:

- (a) any Maintenance Procurement Contract;
- (b) any Manufacturing and Supply Agreement; and
- (c) any Material Maintenance Contract.

Maximum Pension Liability Amount

means the aggregate amount payable to the Pension Trustee from the proceeds of realisation or enforcement of all or part of the Security which shall not exceed £20,000,000.

Member States

means the member states of the EU.

Minimum Short-term Rating

means, in respect of any person, such person's short-term unsecured debt obligations being rated, in the case of S&P, "A-2", in the case of Moody's, "P-1" and in the case of Fitch, "F1" or at least any two of the above.

Month

means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next

calendar month, except that:

- (a) subject to paragraph (c) below, if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day;
- (b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month; and
- (c) if an Interest Period begins on the last Business Day of a calendar month, that Interest Period shall end on the last Business Day in the calendar month in which that Interest Period is to end.

Moody's

means Moody's Investors Service Limited and any successor to the rating agency business of Moody's Investors Service Limited.

Network Rail

means Network Rail, the organisation owning and managing the fixed assets (tracks, signals, stations etc.) of the railway network.

Net Disposal Proceeds

means the net cash consideration received by any member of the Security Group (including any amount receivable in repayment of intercompany debt owed to the seller permitted by the terms of the Finance Documents where such repayment of intercompany debt is reflected in the purchase price) for any disposal made by any member of the Security Group pursuant to paragraphs (a), (b), (i), (k), (l) and (p) of the definition of Permitted Disposal after deducting without double counting:

- (a) any reasonable expenses (including legal fees, agents' commissions, auditors' fees, redundancy costs, closure costs, re-structuring costs and re-organisation costs) which are:

- (i) incurred by any member of the Security Group in a bona fide arm's length basis directly in connection with such Permitted Disposal; and
 - (ii) actually paid by such members of the Security Group to persons who are not members or Affiliates of the EIL Group;
- (b) any Tax incurred and required to be paid or reserved for by any member of the Security Group with respect to that Permitted Disposal; and
- (c) any Tax which a member of the Security Group could become liable for with respect to that Permitted Disposal under (i) section 190 of the Taxation of Chargeable Gains Act 1992, (ii) section 795 of the Corporation Tax Act 2009, (iii) paragraph 8 of Schedule 34 to the Finance Act 2002, (iv) paragraph 5 of Schedule 7 to the Finance Act 2003, or (v) any other equivalent provision in the United Kingdom or Ireland that the relevant company is able to demonstrate, to the satisfaction of the Security Trustee (including providing any necessary supporting legal and/or tax opinions addressed to and satisfactory in form and substance to the Security Trustee), could realistically give rise to a material tax liability of a member of the Security Group, in each case in respect of which and to the extent that reserves are required to be maintained in accordance with the Applicable Accounting Principles until such time as such liability is no longer capable of arising;
- (d) any deferred consideration (but only until received, at which point such consideration shall constitute Net Disposal Proceeds);
- (e) any amounts held in escrow or held in an account for warranty claims (but only until released from escrow or such accounts, at which point such amounts

shall constitute Net Disposal Proceeds);

- (f) any amount owing to the Pension Trustee in connection with that Permitted Disposal;
- (g) any amount of reserve or any provisions made on account of any indemnity claim or other purchase price adjustment until such amount is released from such reserve or provision or the relevant indemnity claim is discharged or no longer applicable or the relevant purchase price adjustment is no longer applicable, at which point the amount of such reserve or provision or purchase price adjustment shall constitute Net Disposal Proceeds; and
- (h) other provisions for liability in connection with disposal of such assets until such time as such provision for the relevant liability is no longer required, at which point the amount of such provision shall constitute Net Disposal Proceeds.

Net Interest Paid

means, for any Semi-Annual Period, Finance Charges for such Semi-Annual Period, save that only Finance Charges actually paid (and not payable or capitalised) will be taken into account in the calculation of such amount.

Net Interest Payable

means, for any Relevant Period, Relevant Forward Period or Semi-Annual Period, the aggregate of Finance Charges (whether paid or payable by any member of the Security Group) for that Relevant Period, Relevant Forward Period or Semi-Annual Period:

deducting

- (a) any interest accrued in that Relevant Period or Relevant Forward Period to any member of the Security Group on Cash, Cash Equivalent Investments or the Accounts (unless such interest is not permitted to be withdrawn from such Accounts and therefore is not able to be taken into account in determining Excess Cashflow of the Obligors);

- (b) any interest accrued in that Relevant Period or Relevant Forward Period to any member of the Security Group from a Third Party;

excluding

- (c) any upfront fees or costs (including any Refinancing Cost);
- (d) any capitalised interest on any debt and any other non-cash Finance Charges during the Relevant Period, Relevant Forward Period or Semi-Annual Period, as the case may be;
- (e) any interest payments or receipts in respect of Financial Indebtedness between Obligors;
- (f) any non-cash income accrued during the Relevant Period, Relevant Forward Period or Semi-Annual Period, as the case may be;
- (g) any interest or other costs payable in respect of Subordinated Debt and/or Additional Contributions,

and so that no amount will be added or deducted more than once.

Non-Base Currency

means a currency other than Sterling.

NPV Deemed Trigger Event

means an event which shall occur if the NPV Test as at any Calculation Date is greater than:

- (i) from (and including) 30 June 2011, to (but excluding) 30 June 2012, 69 per cent.;
- (ii) from (and including) 30 June 2012, to (but excluding) 30 June 2013, 68 per cent.;
- (iii) from (and including) 30 June 2013, to (but excluding) 30 June 2014, 67 per cent.;
- (iv) from (and including) 30 June 2014, to (but excluding) 30 June 2015, 66 per cent.;

cent.; and

- (v) from (and including) 30 June 2015, 65 per cent.

NPV of Capital Rentals

will at any time be:

- (a) the present value (discounted at the then current weighted average cost of Senior Debt, including hedging arrangements) of the actual and expected capital (non maintenance) rentals to be generated by the Railway Assets of the Security Group and any new rolling stock units on order, provided any such new units on order are to be owned by a member of the Security Group

less

- (b) the present value (discounted at the then current weighted average cost of the Senior Debt, including hedging arrangements) of capital expenditure on rolling stock assumed in arriving at the actual and expected capital (non-maintenance) rentals referred to in paragraph (a) above over the same period, as calculated by the Security Group Agent.

NPV Test

means, in respect of any Calculation Date, the ratio, expressed as a percentage, of Consolidated Net Debt to NPV of Capital Rentals.

Obligor

means any of EIL, the Issuer, FinCo Parent, Rail HoldCo, MaintCo, DepotCo, 380Co, ERFL Holdings, ERFL, ERFL 2 or ERFL GB and any other person who accedes to, *inter alia*, 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.

Obligor Account

means each of the:

- (i) the Bond Defeasance Account;
- (ii) the Disposal Proceeds Account;

- (iii) the Insurance Proceeds Account;
- (iv) the Acquisition Claim Account; and
- (v) the Lock-Up Account.

Off-lease means rolling stock which is not currently leased.

Operating Lease means a lease of Rolling Stock by a member of the Security Group to a TOC or FOC, (or, in the case of any Track Maintenance Equipment, to a track maintenance contractor), as amended from time to time.

Operational Hedge Counterparties means any counterparty to an Operational Hedging Agreement and **Operational Hedge Counterparty** means any of such parties.

Operational Hedging Agreements means any Permitted Treasury Transaction entered or to be entered into by an Obligor in compliance with the Hedging Policy to hedge operational risk (but not in respect of Financial Indebtedness).

Ordinary Course of Business Indebtedness

- (a) Financial Indebtedness incurred between Obligors;
- (b) the endorsement of negotiable instruments in the ordinary course of trade;
- (c) guarantees in favour of regulatory authorities, local authorities or customs authorities given in the ordinary course of business and not in respect of Financial Indebtedness;
- (d) cash pooling arrangements between Obligors;
- (e) any Financial Indebtedness arising under any counter-indemnity in respect of any letters of credit or advance payment bond by any Obligor in the ordinary course of business (including in respect of the PPS shares);
- (f) any guarantee in respect of Permitted Financial Indebtedness (other than Subordinated Debt and Subordinated

Intragroup Liabilities);

- (g) any guarantee of the performance of any member of the Security Group under any contract or given pursuant to any contract (not being in respect of Financial Indebtedness) entered into in the ordinary course of business;
- (h) pension fund commitments;
- (i) any guarantee given in connection with any remuneration scheme or management incentive plan run by an Obligor (subject to an aggregate maximum liability of £3,000,000 (RPI Indexed));
- (j) any Financial Indebtedness of a person acquired by a member of the Security Group after the Closing Date which is incurred under arrangements in existence at the date of acquisition but not incurred or increased or its maturity date extended in contemplation of, or since, the acquisition, and outstanding only for a period of 6 months following the date of acquisition;
- (k) any indemnities given or liabilities incurred in connection with the sale of any Obligor or any assets of any Obligor (provided that such sale is in accordance with the terms of the Common Terms Agreement and is on arm's length commercial terms);
- (l) any guarantees prior to the Closing Date which have been disclosed in the Disclosure Letter and in respect of which the liabilities or duration of such guarantee have not been increased;
- (m) any guarantee given in respect of a director's or an employee's obligations provided it does not exceed £3,000,000 (RPI Indexed);
- (n) any existing Financial Indebtedness of the Obligors which is outstanding which is to be refinanced on or around the Closing

Date;

- (o) any Financial Indebtedness incurred pursuant to a Permitted Finance Lease;
- (p) any Financial Indebtedness under any standby letter of credit facility of similar ancillary facility issued in relation to Permitted Financial Indebtedness;
- (q) Financial Indebtedness incurred by a member of the Security Group not otherwise allowed by the preceding exceptions under which the aggregate liability of the members of the Security Group does not exceed £20,000,000 (RPI Indexed), including any Financial Indebtedness constituted by the guarantee of Permitted Joint Ventures or loans from Funded Non-Obligors;
- (r) any guarantees or indemnities given to the Pension Trustee in the Pension Documents; and
- (s) any exposure under Operational Hedging Agreements to the extent that such exposure arises under Operational Hedging Agreements where the relevant Operational Hedge Counterparty has not acceded to the Common Documents.

Ordinary Resolution

means, where the Quorum Requirement for an Ordinary Voting Matter is satisfied, a resolution in respect of an Ordinary Voting Matter which may be passed by a simple majority of the Voted Qualifying Secured Debt in accordance with the STID.

ORR

means the Office of Rail Regulation. The ORR oversees overall regulation of the UK rail industry to protect the interests of rail users and to promote efficiency in the provision of railway services.

Other Indebtedness

means any Financial Indebtedness (including under any Finance Lease) incurred in accordance with the Additional Debt Incurrence Tests which is not Capital Expenditure Indebtedness, Working Capital Indebtedness or Refinancing Indebtedness but

excluding Ordinary Course of Business Indebtedness.

Outstanding Principal Amount

means, as at any date that the same falls to be determined in accordance with the STID:

- (a) in respect of any Tranche of Bonds, the principal amount outstanding (or the Equivalent Amount) of the Bonds constituting such Tranche of Bonds; and, in respect of a Bond, the principal amount outstanding (or the Equivalent Amount) of such Bond;
- (b) in respect of any Authorised Credit Facility which is a loan:
 - (i) in respect of an Enforcement Instruction Notice, Further Enforcement Instruction Notice or if an Enforcement Period is continuing the principal amount outstanding (or the Equivalent Amount) of such Authorised Credit Facility;
 - (ii) in respect of an Ordinary Resolution, Extraordinary Resolution, Instruction Notice or Direction Notice when, in each case, an Enforcement Period is not continuing, the aggregate of (i) principal amount outstanding (or the Equivalent Amount) of such Authorised Credit Facility and (ii) the total undrawn commitments under such Authorised Credit Facility;
- (c) in respect of any Hedging Agreement or Operational Hedging Agreement:
 - (i) if an Enforcement Period is not continuing, zero;
 - (ii) if an Enforcement Period is continuing, the greater of zero and the net aggregate amount (or Equivalent Amount) owed (or deemed owed) by the Obligors to such Hedge Counterparty or

Operational Hedge Counterparty as the case may be in respect of the mark-to-market value of all Transactions (as defined in the Hedging Agreement or Operational Hedging Agreement as the case may be) between such Obligors and the Hedge Counterparty on the basis that an Early Termination Date (as defined in the Hedging Agreement or Operational Hedging Agreement as the case may be) resulting from an Event of Default with the Obligors as the Defaulting Party (each as defined in the Hedging Agreement or Operational Hedging Agreement as the case may be) occurred (or is deemed to have occurred):

A. in the case of Hedging Agreements or Operational Hedging Agreements as the case may be in respect of which an Early Termination Date (as defined in the Hedging Agreement or Operational Hedging Agreement as the case may be) has not actually occurred, on the first day of such Enforcement Period; and

B. in the case of Hedging Agreements or Operational Hedging Agreements as the case may be) in respect of which an Early Termination Date (as defined in the Hedging Agreement or Operational Hedging Agreement as the case may be)) has actually occurred, on the date of such occurrence;

(d) in respect of each Finance Lease, the Equivalent Amount outstanding of either:

(i) prior to the delivery of an Enforcement Notice and subject to any increase or reduction calculated in accordance with the STID, the highest termination value which

may fall due during the Rental Period encompassing such date, calculated upon the assumptions set out in the cashflow report provided by the relevant Finance Lessor on the first day of each such Rental Period (or in the most recently generated cashflow report which is current on such date); or

- (ii) following the delivery of an Enforcement Notice (other than a Permitted Finance Lease Termination), the actual amount (if any) that would be payable to the relevant Finance Lessor in respect of a termination of the leasing of the Equipment on the date on which such Enforcement Notice is delivered (other than a Permitted Finance Lease Termination); and
- (e) in respect of any other Senior Debt, the Base Currency Equivalent Amount of the principal amount outstanding of such debt;
- (f) in respect of the Subordinated Debt, the Base Currency Equivalent Amount of the principal amount outstanding of such Subordinated Debt,

all as most recently certified or notified to the Security Trustee, where applicable, pursuant to the STID.

Participating Member State

means any member state of the European Communities that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Community relating to Economic and Monetary Union.

Payment Date

means 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 any Authorised Credit Facility.

Pension Documents

means the Pension Trust (as set out in the Schedule to the Railways Pension Scheme Order 1994 (SI No. 1433)), the Rules of the HSBC Rail (UK) Limited Shared Cost

Section of the Pension Scheme, the Schedule of Contributions, a deed of participation and cessation of participation and change of designated employer between, amongst others, the Pension Trustee and MaintCo dated on or about the Signing Date (the "**Participation Deed**") and the deed of undertaking and guarantee between, amongst others, Finco Parent and the Pension Trustee (the "**Deed of Undertaking**" and, together with the Participation Deed, the "**Pension Deeds**").

Pension Items

means any income or charge attributable to a post-employment benefit scheme.

Pension Liabilities

means all present and future liabilities actually or contingently due to the Pension Trustee whether owed jointly or severally and in any capacity whatsoever, howsoever arising whether under the governing documentation of the Pension Scheme, Pension Documents or under legislation, the calculation of such sums (as required under the Pension Documents or under law shall include an amount conclusively determined by a certificate from the actuary of the Pension Scheme setting out the amounts that would be payable to the Pension Scheme pursuant to section 75 of the Pensions Act 1995 if the Pension Scheme had by then commenced winding up for the purposes of section 75(2)(b) (for the avoidance of doubt, whether or not the Pension Scheme has commenced winding up in whole or in part and whether or not the Pension Trustee has designated a date under section 75(2)(b) at the point that the actuarial certificate is provided for these purposes).

Pension Scheme

means the Railways Pension Scheme, a defined benefits occupational scheme governed by:

- (a) the Pension Trust (as set out in the Schedule to The Railways Pension Scheme Order 1994 (SI No. 1433)); and
- (b) the Rules of the following:
 - (i) if the certificate delivered to the

Security Trustee in accordance with the STID is in the form agreed for the purposes of the STID specifying the Pension Scheme as such, the HSBC Rail (UK) Limited Shared Cost Section of the Railways Pension Scheme;

- (ii) if the certificate delivered to the Security Trustee in accordance with the STID is in the form agreed for the purposes of the STID specifying the Pension Scheme as such, either the Eversholt Rail (UK) Limited Shared Cost Section of the Railways Pension Scheme or the Omnibus Section of the Railways Pension Scheme, as may be specified in such certificate,

in each case, as amended from time to time.

Pension Trustee

means Railways Pension Trustee Company Limited or any successor trustee(s) from time to time of the Pension Scheme which accede(s) to the STID and MDA on or after the date hereof in accordance with the STID.

Pensions Regulator

means the UK Pensions Regulator (established by the Pensions Act 2004).

Permanent Global Bond

means, in relation to any Tranche of Bearer Bonds, a permanent global bond in the form or substantially in the form appended to the Bond Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s), together with the copy of each applicable Final Terms annexed thereto, comprising some or all of the Bearer Bonds of the same Tranche, issued by the Issuer pursuant to the Dealership Agreement or any other agreement between the Issuer and the relevant Dealer(s) relating to the Programme, the Agency Agreement and the Bond Trust Deed, in exchange for the whole or part of any Temporary Global Bond issued in respect of such Bearer Bonds.

Permitted Acquisitions

means:

- (a) the Acquisition;
- (b) any acquisition of or investment in any assets (other than shares) for use in the Permitted Business funded entirely by a Subordinated Intragroup Creditor pursuant to Subordinated Intragroup Liabilities;
- (c) any acquisition of or investment in any asset (not being Railway Assets) which is intended for use in or to form part of the Permitted Business (subject to such acquisition being made on arm's length terms);
- (d) any acquisition of or investment in Railway Assets that will be based in the United Kingdom and, in relation to Railway Assets falling within paragraph (a) of that definition and used for the purpose of hauling passengers, is made in response to a written request from or on behalf of:
 - (i) the Secretary of State for Transport, or any other governmental, state or local authority; or
 - (ii) a TOC;
- (e) any acquisition of or investment in or lease of office premises from which the Permitted Business is to be conducted;
- (f) any transaction specifically permitted by the Finance Documents including the acquisition of assets acquired as part of Acquisition Capital Expenditure and/or Refurbishment Capital Expenditure or as approved by the Secured Creditors by way of an Extraordinary Voting Matter in accordance with the terms of the STID;
- (g) any acquisition of or investment in any assets required to replace obsolete, worn out, damaged or destroyed assets which in the reasonable opinion of the applicable Obligor are required for the

efficient operation of its business or in accordance with the Finance Leases or finance leases more generally;

- (h) the buying and holding of Cash or Cash Equivalent Investments or Authorised Investments;
- (i) shares issued to other members of the Security Group;
- (j) any acquisition of or investment in Secured Liabilities to the extent permitted by the Finance Documents;
- (k) acquisitions from another Obligor;
- (l) the incorporation of a limited liability company or the acquisition of all the shares in an off-the shelf limited liability company which is established in connection with any Permitted Business or any acquisition or disposal thereof or which becomes an Obligor;
- (m) the acquisition of treasury shares in any member of the Security Group in connection with the EIL Group's management incentive plans; provided that the aggregate amount of shares acquired of under this paragraph (m) does not exceed 5 per cent. of the share capital of the member of the Security Group;
- (n) acquisition of shares in a Permitted Joint Venture;
- (o) the acquisition of the 365Co Fleet in accordance with the terms of the 2021 Debt Documents; or
- (p) the acquisition of any PPS Shares subject to and in accordance with the Common Documents.

Permitted Additional Debt

means:

- (a) Financial Indebtedness incurred under a Hedging Agreement or Operational Hedging Agreement in compliance with the Hedging Policy; and

- (b) any Capital Expenditure Indebtedness, Working Capital Indebtedness, Refinancing Indebtedness or Other Indebtedness incurred by an Obligor which, in each case, complies with the Additional Debt Incurrence Tests.

Permitted Disposal

means any disposal which is:

- (a) of Railway Assets (including by the share sale of an Obligor) in the ordinary course of business for fair market value, provided that:
 - (i) the aggregate value (as calculated at the fair market value) of Railway Assets disposed of in any Financial Year does not exceed £150,000,000 (RPI Indexed);
 - (ii) the aggregate value (as calculated at the fair market value) of Railway Assets disposed of in any 3 year rolling year period does not exceed £300 million (RPI Indexed);
- (b) of any non-Railway Assets for fair market value;
- (c) of cash or trading stock (other than Railway Assets) in the ordinary course of trading or to make any payment in respect of the PPS Shares;
- (d) of any asset (other than shares or partnership interests in a member of the Security Group) on arm's length terms in exchange for any other asset equivalent to or superior as to value and quality (where a meaningful comparison can be made) to be used in the Permitted Business of the Security Group, whether pursuant to a lease or otherwise;
- (e) of assets made on arm's length terms entered into for bona fide commercial purposes to a company or partnership which will, upon the acquisition of such assets, become an Obligor;
- (f) of Cash Equivalent Investments or

Authorised Investments in exchange for cash or other Cash Equivalent Investments or Authorised Investments;

- (g) of cash where such disposal does not breach the other terms of the Finance Documents;
- (h) arising as a result of any Permitted Security Interests;
- (i) of any surplus assets on arm's length terms including any real estate (but excluding Railway Assets and shares or partnership interests in a member of the Security Group);
- (j) of amounts comprising customer rebates in the ordinary course of trade (including discounts on lease rates);
- (k) a mandatory disposal of assets arising as a result of an order or direction by any court, governmental authority or public body;
- (l) of assets compulsorily acquired by any governmental authority;
- (m) of a lease or licence of Real Property or Intellectual Property in the ordinary course of business, unless it would be likely to result in a Material Adverse Effect;
- (n) of receivables on non-recourse terms, subject to a maximum of £10,000,000 (RPI Indexed) in respect of uncollected receivables in any two consecutive Relevant Periods;
- (o) from an Obligor to another Obligor;
- (p) the 380 Fleet Disposal;
- (q) of treasury shares in any member of the Security Group in connection with the EIL Group's management incentive plans; provided that the aggregate amount of shares disposed of under this paragraph (q) does not exceed 5 per cent. of the share capital of the member of the

Security Group;

- (r) by way of any lease (including a Finance Lease Out) or licence, novation or assignment of Railway Assets and their related assets in the ordinary course of business in respect of the Permitted Business, unless it would be likely to result in a Material Adverse Effect (for the avoidance of doubt this paragraph is not intended to permit a disposal of a lease or licence of Railway Assets by an Obligor or an assignment or novation by an Obligor of its rights or obligations under such a lease or licence but without prejudice to the ability of an Obligor to agree to an assignment or novation by any other party to such a lease or licence or the ability of an Obligor to terminate any such lease or licence);
- (s) subject to paragraph (a) of this definition, a disposal in respect of which the Obligors elect to Reinvest the Excess Net Disposal Proceeds in accordance with the Common Terms Agreement;
- (t) subject to paragraph (a) of this definition, a disposal in respect of which the Obligors elect to pay or repay Senior Debt or make market purchases of Senior Debt from amounts standing to the credit of the Bond Defeasance Account in accordance with the Common Terms Agreement (as described in the "*Summary of the Financing Agreements – Common Terms Agreement – Covenants – Disposals, Acquisition Claim Proceeds and Insurance Proceeds – Application of Excess Net Disposal Proceeds, Excess Acquisition Claim Proceeds and Excess Insurance Proceeds*");
- (u) the capitalisation of any intercompany loan (other than an Intra-Security Group Loan relating to the proceeds of an Authorised Credit Facility), any Subordinated Debt or any Subordinated Intragroup Liability;

- (v) a surrender of Group Relief in compliance with the terms of the Finance Documents;
- (w) to a Permitted Joint Venture in accordance with paragraph (c) of that definition; and
- (y) any disposals not permitted by the preceding paragraphs which do not in aggregate exceed £5,000,000 (RPI Indexed) in any Financial Year.

Permitted Finance Lease

means:

- (a) finance leases in respect of Railway Assets below the threshold set out in limb (a) of the definition of Finance Leases; and
- (b) Existing Finance Leases.

Permitted Finance Lease Termination

means any termination of the leasing under a Finance Lease of all or any part of the Equipment (or the prepayment of the Rentals whether or not arising by reason of such termination) in the following circumstances:

- (a) *Total Loss*: Pursuant to any provision of a Finance Lease whereby the leasing of all or any part of the Equipment thereunder will terminate following a total loss of such or such relevant part of such Equipment save that the relevant Obligor will not make payment to the relevant Finance Lessor of any sums due and payable under the relevant Finance Lease in respect of such total loss if an Enforcement Notice has been delivered;
- (b) *Illegality*: Pursuant to any provision of a Finance Lease which permits the relevant Finance Lessor to terminate the leasing of the Equipment thereunder and to require payment of a termination sum or sums where it is unlawful for such Finance Lessor to continue to lease the relevant Equipment save that the relevant Obligor will not make payment to the relevant Finance Lessor of any sums due and payable under the Finance Lease in

respect of such circumstances if an Enforcement Notice has been delivered;

- (c) *Voluntary Prepayment/Termination:* Pursuant to any provision of a Finance Lease whereby the relevant Obligor is or will be entitled to voluntarily terminate (and require payment of a termination sum), or prepay the Rentals relating to the leasing of the relevant Equipment under such Finance Lease provided that no Enforcement Notice has been delivered;
- (d) *Incorrect Tax Assumptions:* Pursuant to any provision of a Finance Lease which permits the relevant Finance Lessor to terminate the leasing of the Equipment thereunder and to require payment of a termination sum or sums where any of the tax assumptions contained in such Finance Lease prove to be incorrect save that the relevant Obligor will not make payment to the relevant Finance Lessor of any sums due and payable under the Finance Lease in respect of such circumstances if an Enforcement Notice has been delivered;
- (e) *Non-Payment:* Pursuant to any provision of a Finance Lease which permits the relevant Finance Lessor to terminate the leasing of the Railway Assets thereunder for non-payment by the Obligor lessee; provided that, 20 days have elapsed from the later of the date of such non-payment or the last day of the grace period (if any) in respect of such non-payment.

Permitted Financial Indebtedness means:

- (a) any Initial Financial Indebtedness;
- (b) any Permitted Additional Debt;
- (c) any Ordinary Course of Business Indebtedness;
- (d) any Financial Indebtedness approved by the Security Trustee (acting in accordance with instructions received under the STID or (without obligation) in its absolute

discretion); and/or

(e) any Permitted Subordinated Debt.

Permitted Hedge Termination means the termination of a Hedging Agreement or an Operational Hedging Agreement in accordance with the Hedging Policy.

Permitted Inter-Company Loan means:

(a) any loan made by an Obligor to another Obligor;

(b) any loan made by an Obligor to any Funded Non-Obligor, provided that the aggregate positive net amounts of:

(i) repayments and advances made by the Security Group to all Funded Non-Obligors; less

(ii) repayments and advances made by all Funded Non-Obligors to the Security Group, in each case under such financing arrangements between the Security Group and any Funded Non-Obligor,

does not exceed £15 million per annum (RPI Indexed);

(c) any loan made to an Affiliate subject to compliance with the Restricted Payment provisions at the time of the making of such loan; and

(d) any loan to a Permitted Joint Venture in accordance with paragraph (c) of the definition thereof.

Permitted Joint Venture means any joint venture:

(a) where the joint venture is incorporated, or established, and carries on its principal business in the United Kingdom, the European Union or any other jurisdiction approved by the Security Trustee (acting in accordance with instructions received under the STID or (without obligation) in its absolute discretion);

- (b) where the joint venture is engaged in a business substantially the same as that carried on by the Security Group; and
- (c) where the aggregate of:
 - (i) all amounts subscribed for shares in, lent to, or invested in all such joint ventures by any member of the Security Group;
 - (ii) the contingent liabilities of any member of the Security Group under any guarantee given in respect of the liabilities of any such joint venture; and
 - (iii) the higher of the book value and the market value of any assets transferred by any member of the Security Group to any such joint venture,

at any time does not exceed £20,000,000 (RPI Indexed) (or its Equivalent Amount) at any time.

Permitted Security Interest

means:

- (a) any Security Interest created under the Security Documents or expressly contemplated by the Finance Documents;
- (b) any lien arising by operation of law or pursuant to a contractual arrangement and in the ordinary course of trading and not as a result of any default or omission by any member of the Security Group;
- (c) any netting or set-off arrangement entered into by any member of the Security Group in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances of members of the Security Group but only so long as:
 - (i) such arrangement does not permit credit balances of Obligors to be netted or set off against debit balances of any person which is not

an Obligor; and

- (ii) such arrangement does not give rise to other Security Interests over the assets of Obligors in support of liabilities of any person which is not an Obligor;
- (d) any netting or set-off arrangements under Permitted Treasury Transactions;
- (e) any netting or set-off arrangements under the Acquisition Agreement;
- (f) any Security Interest or Quasi-Security over any rental deposits in respect of leasehold premises provided that the aggregate amount of deposits subject to such Security Interest or Quasi-Security does not exceed £5,000,000 (RPI Indexed) (or the Equivalent Amount);
- (g) any Security Interest or Quasi-Security over documents of title in the ordinary course of trade;
- (h) a Security Interest arising under or contemplated by (i) any Finance Lease where the counterparty becomes party to the STID as a Finance Lessor or (ii) a Permitted Finance Lease;
- (i) any Security Interest or Quasi-Security over or affecting any asset of any company which becomes a member of the Security Group after the Signing Date, where the Security Interest or Quasi-Security is created prior to the date on which that company becomes a member of the Security Group if:
 - (i) the Security Interest or Quasi-Security was not created in contemplation of the acquisition of that company;
 - (ii) the principal amount secured has not been increased in contemplation of or since the acquisition of that company; and

- (iii) the Security Interest of Quasi-Security is removed or discharged within 6 months of that company becoming a member of the Security Group;
- (j) any Security Interest or Quasi-Security over or affecting any asset acquired on arm's length terms by a member of the Security Group after the Signing Date if:
 - (i) the Security Interest or Quasi-Security was not created in contemplation of the acquisition of that asset by a member of the Security Group;
 - (ii) the principal amount secured has not been increased in contemplation of or since the acquisition of that asset by a member of the Security Group; and
 - (iii) the Security Interest of Quasi-Security is removed or discharged within 6 months of the date of acquisition of such asset;
- (k) any Security Interest arising under any retention of title, hire purchase or conditional sale arrangement or arrangement having similar effect in respect of assets acquired by a member of the Security Group in the ordinary course of trading and on the supplier's standard and usual terms and not arising as a result of any default or omission by any member of the Security Group;
- (l) any Quasi-Security arising as a result of a disposal which is a Permitted Disposal (other than in relation to the permission to dispose in Schedule 13 of the Common Terms Agreement as described in *"Summary of the Financing Agreements - Common Terms Agreement - Disposals, Acquisition Claim Proceeds and Insurance Proceeds - Application of Excess Net Disposal Proceeds, Excess Acquisition Claim Proceeds and Excess*

Insurance Proceeds";

- (m) any Security Interest or Quasi-Security arising as a consequence of any financial or capital lease permitted pursuant to paragraph (o) of Ordinary Course of Business Indebtedness or under any Finance Lease which is Other Indebtedness;
- (n) any Security Interest or Quasi-Security disclosed in the Disclosure Letter;
- (o) any netting or set-off arrangements under Supply Contracts;
- (p) any Security Interest permitted by the Security Trustee (acting in accordance with instructions received under the STID or (without obligation) in its absolute discretion);
- (q) any Security Interest or Quasi-Security (existing as at the date of the Master Definitions Agreement) over assets of any member of the Security Group so long as the Security or Quasi-Security is irrevocably released or discharged by no later than the Closing Date unless such Security Interest or Quasi-Security is permitted under any other paragraph of this definition;
- (r) any Security Interest or Quasi-Security provided to a finance lessor to the extent such finance lessor does not accede to the STID and Common Terms Agreement, provided that the aggregate of all such Security or Quasi-Security shall not exceed £5,000,000 (RPI Indexed) (or its Equivalent Amount);
- (s) any Security Interest or Quasi-Security 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 an Obligor in good faith and with a reasonable prospect of success;

- (t) any Security Interest or Quasi-Security arising in the ordinary course of an Obligor's banking arrangements (including any right of set-off, banker's liens or other Security Interests arising by operation of law or pursuant to the standard terms of any bank account);
- (u) any Security Interest arising as a result of a lessee lien permitted pursuant to a lease by an Obligor;
- (v) any Security Interest over cash held in the LC Cash Collateral Account, or any other account held by an Obligor at any bank or financial institution (and/or Authorised Investments and/or Cash Equivalent Investments made from such cash) which either:
 - (i) supports any letter of credit issued to the holder of the PPS Shares; or
 - (ii) is in favour of the holder of the PPS Shares,

provided that, in each case, such Security Interest shall not exceed £30,000,000 (excluding any accruals and/or investment gains and any amounts funded from Retained Excess Cashflow);
- (w) any Security Interest (other than Security Interests over shares or partnership interest in a member of the Security Group) securing indebtedness the outstanding principal amount of which (when aggregated with the outstanding principal amount of any other indebtedness which has the benefit of Security Interests given by any member of the Security Group other than any permitted under paragraphs (a) to (v) above) does not exceed £5,000,000 (RPI Indexed) (or its Equivalent Amount); and
- (x) any Security Interest over cash held in the Indemnification Account (and/or Authorised Investments and/or Cash Equivalent Investments made from such cash) supporting the indemnity of the

Obligors to the Security Trustee in the STID; provided that such Security Interest shall not extend beyond the balance of £500,000 (plus any accruals thereon).

Permitted Tax Group

means an arrangement for one member of such arrangement to discharge any liability of other members to pay Tax or VAT (including, for the avoidance of doubt, any arrangement of the type referred to in section 59F of the Taxes Management Act 1970 and/or a VAT Group) where the only members of such arrangements are Obligors.

Permitted Treasury Transactions

means Hedging Agreements and Operational Hedging Agreements entered into in compliance with the Hedging Policy.

pkms

means passenger kilometres.

Porterbrook

means Porterbrook Leasing Company Limited.

Posting Date

means, in respect of a Compliance Certificate and an Investor Report, the date on which such a Compliance Certificate or Investor Report is posted on the Designated Website in accordance with the provisions of the Common Terms Agreement.

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 any test as to materiality is met), will become an Event of Default.

Principal Paying Agent

means HSBC Bank plc as principal paying agent under the Agency Agreement, or its successors thereto.

Proceeds Amounts Ledger

means the ledger of the Bond Defeasance Account entitled "Proceeds Amounts" to which amounts are credited and debited in accordance with the Common Terms Agreement.

Programme	means the £3,000,000,000 bond programme established by the Issuer admitted to the Official List and authorised to trade on the London Stock Exchange.
Prospectus	means this prospectus, as revised, supplemented, updated or amended (including by way of drawdown prospectus) from time to time by the Issuer and, in relation to each Tranche of Bonds, the applicable Preliminary Final Terms and/or Final Terms shall be deemed to be included in the Prospectus.
Prospectus Directive	means Directive 2003/71/EC.
Protection Documents	means : <ul style="list-style-type: none"> (i) the Direct Agreements to which the Security Trustee has acceded from time to time and the relevant connected deeds of accession; (ii) the Contracts (as defined in the Direct Agreement); and (iii) the Leases, and in each case any quiet enjoyment, conduct of claims, confidentiality or similar or related undertakings executed by the Security Trustee in connection with (i) to (iii) above.
Purchaser	means EIL.
Qualifying Secured Creditor	means: <ul style="list-style-type: none"> (a) prior to the Senior Discharge Date and for so long as an Enforcement Period is not continuing, the following Senior Creditors (in each case acting through their Secured Creditor Representative): <ul style="list-style-type: none"> (i) in respect of a Tranche of Bonds, the Bondholders; (ii) the AC Facility Providers; (iii) the Finance Lessors; and (iv) any Senior Creditor (other than the Pension Trustee) which, from time

to time, accedes to the STID, and specifies in the relevant accession document that it is a Qualifying Secured Creditor (for the avoidance of doubt, prior to the Senior Discharge Date, no Hedge Counterparty or Operational Hedge Counterparty shall be a Qualifying Secured Creditor);

- (b) prior to the Senior Discharge Date and for so long as an Enforcement Period is continuing, the Senior Creditors (in each case acting through their Secured Creditor Representative) listed in (a) above and, in addition, the Hedge Counterparties and the Operational Hedge Counterparties; and
- (c) following the Senior Discharge Date, the Subordinated Debt Creditors.

Qualifying Secured Debt

means at any time the Outstanding Principal Amount from the Obligors of the Qualifying Secured Creditor.

Quasi-Security

means any arrangement which effectuates:

- (a) a sale, transfer or otherwise disposal of any assets of any Obligor on terms whereby they are or may be leased to or re-acquired by any member of the Security Group;
- (b) a sale, transfer or otherwise disposal of any receivables of any Obligor on recourse terms;
- (c) an entry 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
- (d) an entry 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.

Quorum Requirement

means:

- (a) in respect of Ordinary Voting Matters one or more Qualifying Secured Creditors representing, in aggregate, at least 20 per cent. of the entire Outstanding Principal Amount of all Qualifying Secured Debt. In the event that, in respect of a STID Proposal in respect of an Ordinary Voting Matter, the initial Quorum Requirement is not met in respect of a Decision Period then, following the expiry of such Decision Period, the STID Proposal may be re-instigated by the Security Group Agent and the Quorum Requirement for such re-instigated STID proposal shall be one or more Qualifying Secured Creditors representing, in aggregate, at least 10 per cent. of the entire Outstanding Principal Amount of all Qualifying Secured Debt;
- (b) in respect of Extraordinary Voting Matters, one or more Qualifying Secured Creditors representing, in aggregate, at least 20 per cent. of the entire Outstanding Principal Amount of all Qualifying Secured Debt. In the event that in respect of a STID Proposal in respect of an Extraordinary Voting Matter, the initial Quorum Requirement is not met in respect of the relevant Decision Period then, following the expiry of such Decision Period, the STID Proposal may be re-instigated by the Security Group Agent and the Quorum Requirement for such re-instigated STID Proposal shall be one or more Qualifying Secured Creditors representing, in aggregate, at least 10 per cent. of the entire Outstanding Principal Amount of all Qualifying Secured Debt; and
- (c) in respect of an Enforcement Instruction Notice or Further Enforcement Instruction Notice,
 - (x) one or more Qualifying Secured Creditors representing, in aggregate, at least 40 per cent. of the entire

Outstanding Principal Amount of all Qualifying Secured Debt in respect of any Enforcement Instruction Notice or Further Enforcement Instruction Notice delivered prior to 6 months from the date of the occurrence of the Event of Default, which Event of Default has continued unremedied for that period;

(y) one or more Qualifying Secured Creditors representing, in aggregate, at least 33.33 per cent. of the entire Outstanding Principal Amount of all Qualifying Secured Debt in respect of any Enforcement Instruction Notice or Further Enforcement Instruction Notice delivered on or after 6 months but prior to 12 months from the date of the occurrence of the Event of Default, which Event of Default has continued unremedied for that period; and

(z) one or more Qualifying Secured Creditors representing, in aggregate, at least 10 per cent. of the entire Outstanding Principal Amount of all Qualifying Secured Debt in respect of any Enforcement Instruction Notice or Further Enforcement Instruction Notice delivered on or after 12 months from the date of the occurrence of the Event of Default, which Event of Default has continued unremedied for that period, as the case may be.

Rail HoldCo	means Eversholt Rail Holdings (UK) Limited.
Rail Holdco Operating Account	means an account with the Account Bank in the name of the Rail HoldCo with account number 70178547, designated as the Rail HoldCo operating account.
Rail Holdco Schedule 10 Tax Charge	means a Schedule 10 Tax Charge arising in Rail Holdco on and as a direct consequence of the Acquisition in an amount not exceeding £50,000.

Railway Assets

means:

- (a) any train, vehicle or locomotive being used or for use on a network, whether for the purpose of carrying or hauling passengers or goods by railway or for any other purpose whatsoever and any track maintenance equipment;
- (b) any railway network;
- (c) any station;
- (d) any railway depot; or
- (e) any equipment or spares used in connection with the assets set out in subparagraphs (a) and (d) above.

Rated Debt

means debt that is rated pursuant to a rating obtained pursuant the Common Terms Agreement.

Rating Agencies

means, in relation to any Rated Debt, any of Moody's, Fitch and S&P and any further or replacement rating agency appointed by the Issuer to provide a public credit rating or ratings for the Rated Debt for so long as the Issuer seeks such public credit rating and they are willing and able to provide credit ratings generally (and **Rating Agency** means any one of them) (and, in respect of any further rating agency, the identity of that rating agency is approved by the Security Trustee).

Real Property

means:

- (a) any freehold, leasehold, identifiable 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, identifiable or immovable property;

provided that such Real Property does not constitute Railway Assets.

Receipts

means a receipt attached on issue to a Definitive Bond redeemable in instalments for the payment of an instalment of principal and

includes any replacements for Receipts and Talons issued pursuant to Condition 14 (*Replacement of Bonds, Coupons, Receipts and Talons*).

Receiver

means any receiver, manager, receiver and manager or administrative receiver who (in the case of an administrative receiver) is a qualified person in accordance with the Insolvency Act or in respect of the Irish Obligors under the Irish Companies Acts 1963 to 2013 and who is appointed by the Security Trustee under the Security Documents in respect of the whole or any part of the Security.

Refinancing Costs

means any upfront fees or other costs incurred by any member of the Security Group in connection with the raising or refinancing of Financial Indebtedness.

Refinancing Indebtedness

means any Financial Indebtedness incurred for the express purpose of repaying or prepaying Senior Debt of an Obligor (and so used for such purpose).

Refurbishment Capital Expenditure

means Capital Expenditure for the refurbishment or modification of Railway Assets of an Obligor that are or will be based in the United Kingdom, and with respect to the refurbishment or modification of Railway Assets falling within limb (a) of the definition of Railway Assets and used for hauling passengers, for which (at the time of the incurrence of the Capital Expenditure or, in the case of refinancing of such Capital Expenditure, at the time of such refinancing) a contract with a train operating company has been signed in respect of a lease of such Railway Assets prior to the utilisation date of the relevant Authorised Credit Facility used to fund or refinance such Refurbishment Capital Expenditure, provided that:

- (a) such lease has an outstanding term of not less than two years and there is an agreement with a train operating company in connection with such Refurbishment Capital Expenditure to:

- (i) amend such lease or enter into a new lease (with a term of not less than two years) so as to increase the lease rentals in respect of the relevant Railway Assets following completion of the refurbishment or modification (as the case may be); or
 - (ii) together with the period of support under an undertaking pursuant to section 54 of the Railways Act 1993 granted by the Secretary of State for Transport in respect of the relevant Railway Assets, extend the lease term by, or enter into a new lease with an outstanding term of not less than two years; or
- (b) in respect of Refurbishment Capital Expenditure, the relevant Obligor certifies to the Security Trustee that, in its reasonable opinion, such refurbishments or modifications have a reasonable prospect of maintaining or enhancing rental incomes on the next renewal of the lease (notwithstanding that no such renewal lease has been signed).

Registered Bonds

means those Bonds which are for the time being in registered form.

Registrar

means HSBC Bank plc.

Regulation S

means Regulation S adopted by the SEC under the Securities Act.

Regulators

means any governmental authority which may from time to time formally regulate any of the Obligors' businesses or in respect of which any Obligor is required to comply.

Reinvest and Reinvested

means, with respect to any Excess Net Disposal Proceeds, Excess Insurance Proceeds and/or Excess Acquisition Claim Proceeds, that such proceeds will be invested by the Obligors in the Permitted Business in accordance with the reinvestment provisions in the Common Terms Agreement.

Relevant Compliance Date	means, in respect of a Calculation Date, the date upon which the Compliance Certificate, Investor Report and financial statements in respect of such Calculation Date are delivered to the relevant parties.
Relevant Forward Period	means, in respect of the Leverage Test or the Interest Cover Test or in respect of any Calculation Date, the immediately subsequent 12 month period ending on the anniversary of such Calculation Date, provided that the first Relevant Forward Period shall be the 12 month period starting on 31 December 2010.
Relevant Obligor	means any Obligor (other than an intermediate holding company within the Security Group) whose EBITDA amounts to at least 10 per cent. of Consolidated EBITDA (determined by reference to the most recent Financial Statements produced in respect of the Security Group) provided that individual Financial Statements in respect of Obligors must be provided so as to result in individual Financial Statements for Obligors which contribute in aggregate at least 80 per cent. of Consolidated EBITDA of the Security Group from time to time being provided to the Secured Creditors.
Relevant Payment Date	means, in respect of a Compliance Certificate, the meaning ascribed to "Relevant Payment Date" in the relevant Sweep Facility.
Relevant Period	<p>means, in respect of the Leverage Test or the Interest Cover Test in respect of any Calculation Date, the period of 12 months ending on such Calculation Date, and, for the purposes of determining Excess Cashflow (and every item included in the determination of Excess Cashflow) shall be the Semi-Annual Period.</p> <p>In relation to any Relevant Period ending prior to the first anniversary of the Relevant Date:</p> <p>(i) in determining the Interest Cover Test, Consolidated Adjusted EBITDA shall be calculated as annualised Consolidated Adjusted EBITDA generated by the Security Group for the period from the</p>

Relevant Date to the Calculation Date and Net Interest Payable shall be determined by annualised Net Interest Payable for the same period;

- (ii) in determining the Leverage Test, Consolidated EBITDA shall be calculated as annualised Consolidated EBITDA generated by the Security Group for the period from the Relevant Date to the Calculation Date;
- (iii) in determining the Excess Cashflow, the first Semi-Annual Period shall be the period from the Closing Date to 31 December 2010 (or if the Closing Date falls after 31 December 2010, then from the Closing Date to 30 June 2011).³

Relevant Proceeds

means amounts which are to be applied in actual prepayment or defeasance of Senior Debt pursuant to Schedule 13 (*Disposals, Acquisition Claim Proceeds and Insurance Proceeds*) of the Common Terms Agreement.

Relevant Securities

means securities offered and sold by an Obligor to one or more Institutional Accredited Investors pursuant to an Authorised Credit Facility in a transaction exempt from the registration requirements of the Securities Act pursuant to Section 4(2) of such Act.

Relevant Senior Debt

means any other Authorised Credit Facilities, from time to time, which contain mandatory prepayment provisions and, as part of their terms, are nominated as Relevant Senior Debt (excluding any working capital facilities).

Relevant Subscription Agreement

means an agreement between, among others, each Obligor and any Dealer(s) for the sale by the Issuer and the purchase or, as the case may be, subscription as principal by such Dealer(s) (or on such basis as may be agreed between the Obligors and the relevant Dealer(s) at the relevant time) of any Bonds, including any agreement in the form or based on the form set out in the Dealership

³ This will need to be annualised for the first Relevant Period for the purposes of calculating interest

Agreement.

Rental

means any scheduled payment of rental, periodic charge or equivalent sum under a Finance Lease.

Rental Payment Date

means any date on which Rental is scheduled to be paid under any Finance Lease.

Rental Period

means, in respect of a Finance Lease, each period falling between two consecutive Rental Payment Dates under such Finance Lease.

Repayment Costs

means:

- (a) in respect of repayment in connection with a Tranche of Bonds, Spens as calculated in accordance with Condition 8 (*Redemption, Purchase and Cancellation*); and
- (b) in respect of the repayment or prepayment of all or part of an Authorised Credit Facility which is not a Tranche of Bonds, the associated costs of such prepayment (including any related swap termination amounts, break costs and redemption premium payable by the Issuer).

Repayment Gains

means, in respect of the repayment or prepayment of all or part of an Authorised Credit Facility (other than in connection with a Tranche of Bonds), any gains arising from any swap terminations to the extent required to be terminated in order to maintain compliance with the Hedging Policy.

Reservations

means the assumptions, qualifications or reservations contained in the opinions as to matters of law (and not fact) including, without limitation as to (i) the nature of the remedies available in the relevant jurisdictions in which the relevant enforcement occurs (including the power to stay proceedings), (ii) the provisions of the Limitations Act 1980, (iii) any limitations resulting from applicable laws of bankruptcy, insolvency, reorganisation or other similar laws relating to or affecting the enforcement of creditors' rights generally, (iv) general

equitable principles regardless of whether such enforceability is considered in a proceeding in equity or at law, (v) any filing or registration requirements of the opened documents under applicable laws, and (vi) the priority or characterisation of any security interest.

Reserved Matter

means those matters which each Secured Creditor reserves to itself to decide are each and every right, power, authority and discretion of, or exercisable by, each such Secured Creditor at any time:

- (a) to receive any sums owing to it for its own account in respect of premia, fees, costs, charges, liabilities, damages, proceedings, claims and demands in relation to any Authorised Credit Facility to which it is a party as permitted pursuant to the terms of the Common Terms Agreement and this Deed;
- (b) to make determinations of payments due and payable to it under the provisions of the Authorised Credit Facilities to which it is a party as permitted by the terms of the Common Terms Agreement and the STID;
- (c) to receive notices, certificates, communications or other documents or information under the Finance Documents or the Protection Documents or otherwise;
- (d) to assign its rights or transfer any of its rights and obligations under any Authorised Credit Facility to which it is a party subject always to the STID;
- (e) in the case of each Hedge Counterparty and each Operational Hedge Counterparty, subject to the STID, (i) to terminate the relevant Hedging Agreement or Operational Hedging Agreement provided such termination is a Permitted Hedge Termination or to terminate the relevant Hedging Agreement or Operational Hedging Agreement (as the case may be) in part

and amend the terms of the Hedging Agreement or Operational Hedging Agreement (as the case may be) to reflect such partial termination or (ii) to exercise rights permitted to be exercised by it under a Hedging Agreement or Operational Hedging Agreement; and

- (f) in the case of a Finance Lessor, to terminate a relevant Finance Lease pursuant to a Permitted Finance Lease Termination.

Restricted Payment

means any payments (including any payments of distributions, dividends, bonus issues, return of capital, fees, interest, principal or any other amounts whatsoever) (by way of loan or repayment of any loan) (in cash or kind) to any Affiliate of the EIL Group (excluding Obligor),

other than

- (a) fees payable for advisory, broking, banking or other services provided on arm's length terms (and provided that such amounts do not exceed £5,000,000 in aggregate in any Financial Year (RPI Indexed) (provided that such £5,000,000 cap shall not apply to bank and frontrunner fees in respect of Morgan Stanley & Co International Plc or its Affiliates ("MS") in connection with any financing or refinancing provided by MS in the ordinary course of business);
- (b) payments made pursuant to arm's length contracts with the Initial Investor or the Initial Investor's Affiliates other than Acquisition Costs (and provided that such amounts do not exceed £1,000,000 in aggregate in any Financial Year (RPI Indexed));
- (c) an amount up to £15,000,000 per annum (RPI Indexed) in respect of the aggregate positive net amount of:
 - (i) repayments and advances made by the Security Group to all Funded

Non-Obligors; less

- (ii) repayments and advances made by all Funded Non-Obligors to the Security Group,

in each case under any financing arrangement between the Security Group and a Funded Non-Obligor;

- (d) payments by an Obligor to any other Obligor;

- (e) Acquisition Costs;

- (f) payments in respect of Senior Debt purchased in accordance with the provisions of the STID;

- (g) payments made for surrenders of Group Relief provided such payments are in accordance with the covenant set out in the Common Terms Agreement;

- (h) payments made prior to Completion to the representative member of any VAT Group which is a Permitted Tax Group of which the relevant Obligor making the payment is a member by way of a recharge of VAT by or on behalf of such representative member on that Obligor in relation to supplies (such term to include self supplies) made or deemed to have been made by that Obligor less any deductible input tax as is properly attributable to such supplies (other than to the extent such input tax has been taken into account in determining the amount of the recharge payment) (and the deeming provisions of section 43(1)(b) and (c) of the Value Added Tax Act 1994 shall be disregarded for the purpose of determining what supplies have been made or deemed to have been made by or to any person);

- (i) payments made by any Obligor prior to Completion to another company in respect of corporation tax which is properly attributable to that Obligor and is to be or has been discharged by that

other company on behalf of the Obligor under any Group Payment Arrangement which is a Permitted Tax Group to which that Obligor is a party provided that such payments are made no earlier than the date on which the relevant instalment of corporation tax falls due;

- (j) payments in respect of the 2021 Debt in accordance with the terms of the 2021 Debt Documents.

Retained Excess Cashflow

means, in respect of a Semi-Annual Period, an amount equal to the aggregate of Cash Available for Distributions arising in each previous Semi-Annual Period which has not been used to make Restricted Payments or otherwise spent by any member of the Security Group during the current or any previous Semi-Annual Period; provided that, if an amount of Retained Excess Cashflow has been spent in financing Capital Expenditure, and such amount has subsequently been refinanced by a committed capital expenditure facility, Retained Excess Cashflow shall be increased by the amount of such refinancing and shall include, for the avoidance of doubt, (i) amounts released from the Lock-Up Account in respect of a Lock-Up Remedy Date (during that Semi-Annual Period) which have not been used to make Restricted Payments, to the extent not required to be applied in prepayment of Senior Debt and (ii) application of proceeds of the Mandatory Prepayment Amounts Ledger, as permitted, to the extent not applied for Capital Expenditures or repayment of Senior Debt.

Rolling Stock

means any train, vehicle or locomotive being used or for use on a network (including any spares or equipment attached thereto), whether for the purpose of carrying or hauling passengers or goods by railway or for any other purpose whatsoever and any Track Maintenance Equipment.

Rolling Stock Section 54 Undertaking

means any Section 54 Undertaking relating to an Operating Lease.

ROSCOs	means rolling stock owning companies (in the UK).
RPI Indexed	means, in respect of an amount, that such amount shall be indexed upwards from the Closing Date to the retail prices index issued by the Office for National Statistics.
S&P	means Standard & Poor's Rating Services and any successor to the rating agency business of Standard & Poor's Rating Services.
Schedule 10 Tax Charge	means a liability to UK corporation tax which arises (or ignoring any tax reliefs would arise) as a result of a person being deemed, pursuant to Schedule 10 of the Finance Act 2006 or Chapter 3 of Part 9 of the Corporation Tax Act 2010, to receive an amount of income pursuant to Schedule 10 of the Finance Act 2006 or Chapter 3 of Part 9 of the Corporation Tax Act 2010.
Scottish Ministers	means the franchising authority that selects the TOC to run the Scottish franchise.
Secretary of State	means the Secretary of State for Transport, the head of the DfT.
Section 30	means Section 30 of the Railways Act 1993, which states that the Secretary of State has a statutory duty to ensure the continuity of passenger railway services in the UK.
Section 54 Undertaking	means an undertaking granted by the Secretary of State (under the powers vested in the Secretary of State under Section 54 of the Railways Act 1993) in relation to specific fleets, under which the Secretary of State undertakes that at the end of a franchise period, the Secretary of State will provide a replacement train operator to use the rolling stock on substantially the same terms as those in place with the outgoing TOC. Section 54 Undertakings have been used by the DfT to encourage ROSCOs to invest in new or improved vehicles, by mitigating the risk that the scheduled termination of a franchise may result in vehicles coming off lease.
Secured Creditors	means:

- (a) the Security Trustee (in its own capacity and on behalf of the other Secured Creditors);
- (b) the Bond Trustee (in its own capacity and on behalf of the Bondholders);
- (c) the Bondholders;
- (d) the Agents;
- (e) the AC Facility Providers;
- (f) each Hedge Counterparty under each Hedging Agreement;
- (g) each Operational Hedge Counterparty under each Operational Hedging Agreement;
- (h) the Account Bank;
- (i) the Pension Trustee;
- (j) any Additional Secured Creditors;
- (k) any Subordinated Debt Creditor; and
- (l) any Additional Subordinated Debt Creditor.

Secured Creditor Representative means the representative of Secured Creditor appointed in accordance with the STID.

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) (i) of each Obligor to any Secured Creditor under each Finance Document to which such Obligor is a party and (ii) of each Obligor to the Pension Trustee in respect of the Pension Liabilities provided that the total amount recoverable by the Pension Trustee under the Security Documents shall not exceed the Maximum Pension Liability Amount.

Securities Act means the United States Securities Act of 1933, as amended.

Security means the security constituted by the Security Documents including any guarantee or

obligation to provide cash collateral or further assurance thereunder.

Security Documents

means:

- (a) the English Law Security Agreement;
- (b) the Irish Law Security Agreement;
- (c) the Scottish Law Security Agreement;
- (d) any legal charge and any other deed of charge supplemental thereto;
- (e) the STID and each deed of accession thereto, together with any deed supplemental to the STID and referred to in the STID as a Supplemental Deed; and
- (f) any other document to which the Security Trustee is a party 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 (including the 2012 Irish Law Security Agreements).

Security Group

means each Obligor.

Security Group Accounts

means all current, deposit, or other accounts (including related custody accounts) of a Chargor with any bank or financial institution in which it now or in the future has an interest and (to the extent of its interest) all balances now or in the future standing to the credit of or accrued or accruing on those Security Group Accounts, including the following accounts (but excluding any LC Cash Collateral Account):

- (a) Acquisition Claim Account;
- (b) Bond Defeasance Account;
- (c) Disposal Proceeds Account;
- (d) Insurance Proceeds Account;
- (e) Lock-Up Account; and
- (f) Finco Transaction Account.

Security Group Agent

means MaintCo in its capacity as the agent of the Security Group or any duly authorised replacement thereof.

Security Group Insurances

means all contracts and policies of insurance of any kind in the future taken out by or any Chargor but excluding any third party liability insurances, and any directors and officers insurances.

Security Interest

means:

- (a) any mortgage, pledge, lien, charge, assignment, assignation or hypothecation or other encumbrance securing any obligation of any person;
- (b) 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 so as to effect discharge of any sum owed or payable to any person; or
- (c) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect.

Security Shares

means:

- (a) all present and future shares in each member of the EIL Group (save for EIL);
- (b) all warrants, options or other rights to subscribe for, purchase or otherwise acquire any of the shares referred to in paragraph (a) above; and
- (c) all rights relating to any of the shares referred to in paragraph (a) above which are deposited with, or registered in the name of, any depositary, custodian, nominee, clearing house or system, investment manager, chargee or other similar person or their nominee, in each case whether or not on a fungible basis (including rights against any such person), in each case now or in the future owned by any Chargor or (to the extent of its interest) in which each Chargor now or

	in the future has an interest.
Senior Creditor	means any person to whom Senior Debt is owed.
Senior Debt	means: <ul style="list-style-type: none"> (a) the following initial financial accommodation: <ul style="list-style-type: none"> (i) the Bonds; (ii) the Hedging Agreements; (iii) the Operational Hedging Agreements; (iv) the Finance Leases; and (b) any further Financial Indebtedness that is, from time to time, for the purposes of the STID, to be treated as Senior Debt, including Financial Indebtedness incurred under the ACF Agreement.
Senior Discharge Date	means the date on which the Security Trustee is satisfied acting reasonably that all Senior Debt has been fully and irrevocably paid or discharged and all commitments of the Secured Creditors in relation to the Senior Debt have expired or been cancelled.
Shadow Lease	means a binding lease or a legally binding agreement to lease in respect of rolling stock in the United Kingdom to a DfT or Scottish Ministers selected shadow operator based in the United Kingdom.
Signing Date	means 4 November 2010.
Soggy lease	means a type of lease pursuant to which a ROSCO provides rolling stock to a TOC/FOC but the ROSCO has no responsibility for maintenance during the lease. However, the TOC/FOC pays a maintenance reserve rental calculated so as to provide for the costs of heavy maintenance not only for the period after the end of the lease (as is the case with Dry leases) but also for the costs of such maintenance during the term of the lease. This element of the rental reserve is then paid back to the TOC/FOC on receipt of confirmation

(which is verified by the ROSCO) that the heavy maintenance relating to that amount of the reserve has been carried out.

Specified Currency

has the meaning given to it in the relevant Final Terms.

Sterling and £

each means the lawful currency of the United Kingdom.

STID/Security Trust and Intercreditor Deed

means the security trust and intercreditor deed entered into between, among others, the Issuer, the Secured Creditors and the Security Trustee on 4 November 2010.

STID Direct Voting Mechanic

means the mechanic for voting directly through the Clearing Systems as described in Schedule 6 of the Bond Trust Deed.

STID Proposal

means a proposal or request made by the Security Group Agent in accordance with the STID proposing or requesting the Security Trustee to concur in making any modification, giving any consent or granting any waiver under or in respect of any Common Document.

STID Voting Request

means a request sent by the Security Trustee to each Secured Creditor (through its Secured Credit Representative), no later than five Business Days following receipt of a STID Proposal (provided that the Security Trustee has received from the Security Group Agent any updated details of the relevant Secured Creditor Representatives of each Secured Creditor), which:

- (a) in respect of any Ordinary Voting Matter or Extraordinary Voting Matter sets out the relevant Exchange Rate;
- (b) requests the following from each Qualifying Secured Creditor (delivered by its Secured Creditor Representative on behalf of such Qualifying Secured Creditor) in respect of the related STID Proposal:
 - (i) a vote in writing on the STID Proposal from such Qualifying Secured Creditor (through its

Secured Creditor Representative) in accordance with the STID no later than the expiry of the Decision Period for or against implementation of that STID Proposal; and

- (ii) a certificate from such Qualifying Secured Creditor (through its Secured Creditor Representative) that it is entitled under the terms of the STID to vote on the STID Proposal and stating the Outstanding Principal Amount of its Voted Qualifying Secured Debt (in the case of the Qualifying Secured Debt denominated in a currency other than the Base Currency, expressed in the Base Currency on the basis of the Exchange Rate set out in the STID Voting Request).

Subordinated Creditor

means a Subordinated Debt Creditor or a Subordinated Intragroup Creditor (as the case may be).

Subordinated Debt

means any Financial Indebtedness of (i) a Subordinate Debt Borrower or (ii) an Obligor under a Subordinated Debt Guarantee (whether by way of loan, guarantee or otherwise) to a Subordinated Debt Creditor.

Subordinated Debt Borrower

means any Holding Company of EIL (in each case which is not part of the Security Group) which is a borrower or issuer in respect of Subordinated Debt.

Subordinated Debt Creditor

means any arm's length credit provider in respect of Subordinated Debt (which may or may not be supported by a Subordinated Debt Guarantee and when it is to be supported by a Subordinated Debt Guarantee, the relevant credit provider or its representative on its behalf is a party to or has acceded to the STID as a Subordinated Debt Creditor) where such credit provider is not an Affiliate of any member of the EIL Group.

Subordinated Debt Guarantee

means a guarantee in favour of a Subordinated Debt Creditor from the Obligors

	in respect of Subordinated Debt which contains an absolute prohibition on such Subordinated Debt Creditor making any claim or demand in respect of the guarantee prior to the Senior Discharge Date save to the extent permitted by the STID.
Subordinated Intragroup Creditor	means any Holding Company of EIL (in each case which is not part of the Security Group) (as lenders) to whom Subordinated Intragroup Liabilities are owed by a member of the Security Group and which is a party to or has acceded to the STID as a Subordinated Intragroup Creditor, and includes EIL EIG in respect of the EIL EIG Subordinated Loan.
Subordinated Intragroup Liabilities	means all present and future liabilities at any time of any Obligor to a Subordinated Intragroup Creditor in respect of any Financial Indebtedness.
Subordinated Intragroup Loan	means a loan made under a Subordinated Intragroup Loan Agreement.
Subordinated Intragroup Loan Agreement	means any loan agreement entered into in respect of Subordinated Intragroup Liabilities.
Subsidiary	means: <ul style="list-style-type: none"> (a) a subsidiary within the meaning of section 1159 of the Companies Act; (b) unless the context otherwise requires, a subsidiary undertaking within the meaning of section 1162 of the Companies Act; and (c) in respect of the Irish Obligors, a subsidiary within the meaning of section 155 of the Irish Companies Act 1963 as amended.
Supply Contracts	means all the commercial contracts entered into by any Obligor (including any agreement for the purchase of Railway Assets entered into by an Obligor).
Talons	means the talons (if any) appertaining to, and exchangeable in accordance with the provisions therein contained for further Coupons appertaining to, the Definitive

Bonds (other than Zero Coupon Bonds), such talons being in the form or substantially in the form appended to the Bond Trust Deed or in such other form as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) and includes any replacements for Talons issued pursuant to Condition 5 (*Replacement of Bonds, Receipts, Coupons and Talons*).

Tax

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.

Tax Authority

means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function, including without limitation HM Revenue & Customs and the Irish Revenue Commissioners.

TEFRA C Rules

means United States Treasury Regulation §1.163-5(c)(2)(i)(C).

TEFRA D Rules

means United States Treasury Regulation §1.163-5(c)(2)(i)(D).

Temporary Global Bond

means, in relation to any Tranche of Bearer Bonds, a temporary global bond in the form or substantially in the form set out in the Bond Trust Deed together with the copy of the applicable Final Terms annexed thereto, with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s), comprising some or all of the Bearer Bonds of the same Tranche, issued by the Issuer pursuant to the Dealership Agreement or any other agreement between the Issuer and the relevant Dealer(s) relating to the Programme, the Agency Agreement and the Bond Trust Deed.

Third Party

means a person that is not a member of the Security Group or an Associate of any member of the Security Group.

TOCs	means train operating companies.
Total Commitments	means the aggregate of the commitments of all the ACF Lenders, being £600,000,000 at the date of the ACF Agreement.
Total Purchase Price	means the total consideration (including associated costs and expenses) for the acquisition and any Financial Indebtedness or other assumed actual or contingent liability as shown on the balance sheet.
Track Maintenance Equipment	means any vehicle being used or for use in relation to the maintenance of any railway network.
Tranche	means, in respect of Bonds, Bonds constituting a series of Bonds which are identical in all respects (save for the issue date, interest commencement date and issue price).
Transfer Agent	means HSBC Bank plc.
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, gilt lock, foreign exchange or currency purchase or sale agreement, interest rate swap, currency swap, reverse swap or combined similar agreement or any derivative transaction protecting against or benefiting from fluctuations in any rate or price.
Turbostars	means the brand name for a design of diesel modular train manufactured by Bombardier in the UK. It is normally configured as two, three and four-car train sets. These trains are mostly used for regional and commuter services and are the most widely used DMUs in the UK. Includes Class 168s, 170s, 171s and 172s.
U.S. Person	means a US Person as defined in Regulation S under the Securities Act.
UK	means United Kingdom of Great Britain and Northern Ireland. Please note that where the term UK has been used in relation to the

	<p>railway industry, it may not include the railway industry in Northern Ireland as railway infrastructure and organisation in Northern Ireland is different to that in the rest of the UK.</p>
UK Listing Authority	<p>means the Financial Conduct Authority in its capacity as competent authority under FSMA.</p>
VAT	<p>means within the European Union such taxation as may be levied in accordance with (but subject to derogations from) Directive 2006/112/EC and, outside the European Union any taxation levied by reference to value added or sales.</p>
VAT Group	<p>means a group as defined for the purposes of VAT Grouping Legislation.</p>
VAT Grouping Legislation	<p>means (a) section 43 to 43D (inclusive) of VATA and the Value Added Tax (Groups: eligibility) Order 2004, (b) the Irish Value Added Tax Acts and supplemental legislation thereto; and (c) any equivalent provision in any jurisdiction outside the UK or Ireland.</p>
VATA	<p>means the Value Added Tax Act 1994.</p>
Voted Qualifying Secured Debt	<p>means, in respect of a STID Proposal, Enforcement Instruction Notice, Further Enforcement Instruction Notice or Direction Notice, the Outstanding Principal Amount (in the case of the Bonds, for the time being outstanding) actually voted thereon by Qualifying Secured Creditors.</p>
Voting Date	<p>means in respect of a Decision Period (including as such Decision Period may be extended in accordance with the STID), the last day of such Decision Period.</p>
Voyager	<p>means Voyager Leasing Limited.</p>
Wet Leases	<p>A type of lease pursuant to which the ROSCO provides rolling stock to the TOC/FOC and undertakes responsibility for heavy maintenance for which the TOC/FOC pays non-capital rentals. The non-capital rentals are calculated by reference to the whole life costs associated with the provision of heavy maintenance, smoothed on a monthly basis</p>

	over the future life of the asset in accordance with the whole life model developed by ERG.
Working Capital	means, on any date, Current Assets less Current Liabilities.
Working Capital Facilities	means the facilities made available to any Obligor to fund its working capital needs.
Working Capital Indebtedness	means any Financial Indebtedness incurred for the purposes of working capital (as determined in accordance with Applicable Accounting Principles).
York Fleets	means those Railway Assets which are, as at the Signing Date, owned by ERFL Holdings and leased to ERFL by way of the York Fleets Head Leases.
York Fleets Head Leases	means the head lease, dated 13 August 2007, the forward starting lease dated 13 August 2007 and the overriding lease dated 16 August 2007 originally entered into between HSBCR as lessor and ERFL as lessee and now between ERFL Holdings as lessor and ERFL as lessee, as amended and/or novated from time to time.

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