

Eversholt Funding plc
(incorporated with limited liability in England and Wales with registered no. 07329930)
(the "Issuer")

Legal entity identifier (LEI): 5493002X7O83FCJVYO69

£3,000,000,000

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

Eversholt UK Rails (Holding) Limited
(incorporated with limited liability in England and Wales with registered no. 10783654)
("HoldCo")

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

Eversholt Finance Holdings Limited
(incorporated with limited liability in England and Wales with registered no. 07327371)
("FinCo Parent")

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

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

Eversholt Rail Leasing Limited (formerly European Rail Finance (GB) Limited)
(incorporated with limited liability in England and Wales with registered no. 02720809)
("LeaseCo")

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

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

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

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

The Issuer has established a multicurrency programme (the "**Programme**") for the issuance of a single class of bonds designated as the Bonds (the "**Bonds**"). 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 HoldCo, EIL, Rail HoldCo, FinCo Parent, MaintCo, DepotCo, LeaseCo, ERFL Holdings, ERFL and ERFL 2.

Application has been made to the UK Financial Conduct Authority in its capacity as competent authority (the "**FCA**") 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 FCA (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 2014/65/EU.

This Prospectus has been approved as a base prospectus by the FCA, as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). The FCA only approves the Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the FCA should not be considered as an endorsement of the Issuer, the Guarantors, each Obligor or of the quality of the Bonds that are the subject of the Prospectus. Investors should make their own assessment as to the suitability of investing in the Bonds.

This Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date in relation to the Bonds which are to be admitted to trading on the London Stock Exchange's regulated market. The obligation to supplement this Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Prospectus is no longer valid.

Notice of the aggregate nominal amount of the Bonds, interest (if any) payable in respect of the Bonds, the issue price of the 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 FCA and, where listed, the London Stock Exchange. Copies of Final Terms in relation to the 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 "*Key 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 on-going 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 is currently rated Baa2 by Moody's Investors Service Ltd ("**Moody's**") and BBB+ by Fitch Ratings Limited ("**Fitch**" and, together with Moody's, the "**Rating Agencies**"). Fitch downgraded the rating of the Programme from A- to BBB+ on 23 September 2019. Each of Moody's and Fitch is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (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.

Amounts payable on Floating Rate Bonds will be calculated by reference to one of LIBOR, EURIBOR or SONIA (as specified in the relevant Final Terms), the administrators of which are ICE Benchmark Administration Limited ("**ICE**"), the European Money Markets Institute (the "**EMMI**") and the Bank of England, respectively. As at the date of this Prospectus, each of ICE and the EMMI are included in ESMA's register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the "**Benchmarks Regulation**") and the Bank of England is not included in ESMA's register of administrators under Article 36 of the Benchmarks Regulation. As far as the Issuer is aware, SONIA does not fall within the scope of the Benchmarks Regulation by virtue of Article 2 of that regulation, such that the Bank of England is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).

Amounts payable on Indexed Bonds may be calculated or otherwise determined by reference to an index or combination of indices. Any such index may constitute a benchmark for the purposes of the Benchmarks Regulation. If any such index does constitute a benchmark, the relevant Final Terms will indicate whether or not the benchmark is provided by an administrator included in ESMA's register of administrators under Article 36 of the Benchmarks Regulation. Not every index will fall within the scope of the Benchmarks Regulation. Furthermore, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that the administrator of a particular benchmark may not currently be required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence) at the date of the relevant Final Terms. The registration status of any administrator under the Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the relevant Final Terms to reflect any change in the registration status of the administrator.

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 not be offered, sold or transferred at any time within the United States or to or for the account or benefit of "U.S. persons" as defined in Regulation S under the Securities Act ("**Regulation S**") (each, a "**U.S. person**"). The Issuer has not been, and will not be, registered as an investment company as defined in Section 3(a)(1) of the Investment Company Act of 1940, as amended. The Bonds are subject to certain transfer restrictions. 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.

Arranger

RBC Capital Markets

Dealers

Barclays

BNP PARIBAS

CIBC Capital Markets

Crédit Agricole CIB

HSBC

**Lloyds Bank
Corporate Markets**

MUFG

NatWest Markets

RBC Capital Markets

Prospectus dated 25 October 2019

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 FCA 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. 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 the Rating Agencies and any further or replacement rating agency appointed by the Issuer. 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 Regulation (as amended or superseded), the minimum specified denomination shall be 100,000 euro or not less than the equivalent of 100,000 euro 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 depository (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 depository (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 "*Terms and Conditions of the Bonds*" and "*Subscription and Sale*" below.

IMPORTANT NOTICES

This Prospectus is being distributed only to, and is directed only at, persons who are 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, being 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 Arranger, 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 Eversholt UK Rails Group 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 Eversholt UK Rails Group, the Arranger, 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. If a jurisdiction requires that the offering be made by a licensed broker or dealer and Barclays Bank Ireland PLC, Barclays Bank PLC, BNP Paribas, CIBC World Markets plc, Crédit Agricole Corporate and Investment Bank, HSBC Bank plc, Lloyds Bank Corporate Markets plc, MUFG, RBC Europe Limited and NatWest Markets Plc, (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.

IMPORTANT – EEA RETAIL INVESTORS – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIPs Regulation.

MiFID II product governance / target market – The Final Terms in respect of any Bonds may include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Bonds and which channels for distribution of the Bonds are appropriate. Any person subsequently offering, selling or recommending the Bonds (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Bonds is a manufacturer in respect of such Bonds, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

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 any Stabilising Manager(s)) 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.

The requirement to publish a prospectus under the Prospectus Regulation only applies to Bonds which are to be admitted to trading on a regulated market in the EEA and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 1(4) and/or 3(2) of the Prospectus Regulation. References in this Prospectus to "**PR Exempt Bonds**" are to Bonds for which no prospectus is required to be published under the Prospectus Regulation. The FCA has neither approved nor reviewed information contained in this Prospectus in connection with any PR Exempt Bonds.

If you are in any doubt about the contents of this Prospectus you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. 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 Prospectus 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 the 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 Obligor 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 8 of the Prospectus Regulation 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 the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission 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, 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 of each Guarantor, the Guarantor Information is in accordance with the facts and the Guarantor Information makes no omission 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.

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents Incorporated By Reference*"), the information on the websites to which this Prospectus refers does not form part of this Prospectus and has not been scrutinised or approved by the FCA.

None of the Arranger, 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) has 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 Arranger, 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 Arranger, the Dealers, the Hedge Counterparties, the Authorised Credit Providers, the Agents, the Account Bank, 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 Arranger, 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 Arranger, 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 Arranger, 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 Guarantors 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 Arranger, 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 Guarantors during the life of the Programme or to advise any investor in the Bonds of any information coming to their attention.

None of the Obligors, the Arranger, the Dealers, the Bond Trustee or any other transaction party (or any of their respective affiliates or advisers) accept responsibility to investors for the regulatory treatment of their investment in the Bonds (including, but not limited to, whether the Bonds or any transaction or transactions pursuant to which Bonds are issued from time to time is or will be regarded as constituting a "securitisation" or a "securitisation position" for the purposes of Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 (the "**Securitisation Regulation**") in any jurisdiction or by any regulatory authority. Prospective investors should note that the Issuer is of the opinion that the requirements of the Securitisation Regulation do not apply to the Bonds. It should also be noted that changes to the regulatory capital requirements have been implemented for insurance and reinsurance undertakings such as the framework in Solvency II (Directive 2009/138/EC, as amended by Directive 2014/51/EU) and its applicable delegated regulations. 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 are referred to the "*RISK FACTORS*" section of this Prospectus for further information on the Securitisation Regulation and certain related considerations.

VOLCKER RULE

Under Section 619 of the U.S. Dodd-Frank Act and the corresponding implementing rules (the "**Volcker Rule**"), "banking entities" as defined under the Volcker Rule are prohibited from, among other things, (i) conducting proprietary trading activities in a wide variety of financial instruments and (ii) acquiring or retaining any ownership interest in, or acting as sponsor in respect of, "covered funds" as defined under the Volcker Rule as covered funds, except as may be permitted by an applicable exclusion or exception from the Volcker Rule.

If the Issuer is deemed to be a covered fund, then in the absence of regulatory relief, the provisions of the Volcker Rule and its related regulatory guidance will prohibit or severely limit the ability of banking entities to hold an ownership interest in the Issuer or enter into certain financial transactions with the Issuer. This may adversely impact the market price and liquidity of the Bonds.

Each investor is responsible for analysing its own position under the Volcker Rule and any other similar laws and regulations and none of the Issuer, the Guarantors, any member of the Security Group, any member of Eversholt UK Rails Group, the Arranger, the Dealers, the Bond Trustee, the Security Trustee, any Hedge Counterparty nor any of their respective affiliates makes any representation to any prospective investor or purchaser of the Bonds regarding the application of the Volcker Rule to the Issuer, or to such investor's investment in the Bonds on any Issue Date or at any other time.

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 the 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 FCA such number of copies of such supplement hereto or replacement prospectus as may be required by the FCA 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 FCA 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 Arranger, 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 Arranger, 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 Belgium, 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 (or, where the question is not based on legal considerations, any other financial, tax and/or other adviser that such investor deems appropriate) 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. The Issuer has not been and will not be registered as an investment company as defined in Section 3(a)(1) of the Investment Company Act of 1940, as amended (the “**Investment Company Act**”). The Bonds may not be offered, sold or transferred at any time within the United States or to, or for the account or benefit of, U.S. persons (see “*Subscription and Sale*”).

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus 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 HoldCo 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 UK Rails Group*" below) for the financial year ended 31 December 2018 (<https://eversholttrail.co.uk/investors>), including the information set out at the following pages in particular:

Security Group

Independent Auditor's report	Pages 9 to 11
Consolidated Income statement	Page 12
Consolidated Statement of comprehensive income	Page 12
Consolidated Statement of financial position	Page 13
Consolidated Statement of cash flows	Page 14
Consolidated Statement of changes in equity	Page 15
Notes to the Annual financial statements	Pages 16 to 52

(b) the auditors' report and non-consolidated annual financial statements for the financial year ended 31 December 2018 of the Issuer and each Guarantor (<https://eversholttrail.co.uk/investors>), including the information set out at the following pages in particular:

HoldCo

Independent Auditor's Report	Pages 5 to 7
Income Statement	Page 8
Statement of comprehensive income	Page 8
Statement of financial position	Page 9
Statement of cash flows	Page 10
Statement of changes in equity	Page 11
Notes to the Annual financial statements	Pages 12 to 22

The Issuer

Independent Auditor's report	Pages 6 to 12
Income statement	Page 13
Statement of comprehensive income	Page 13
Statement of financial position	Page 14
Statement of cash flows	Page 15
Statement of changes in equity	Page 16
Notes to the Annual financial statements	Pages 17 to 33

Rail HoldCo

Independent Auditor's report	Pages 5 to 7
Income statement	Page 8
Statement of comprehensive income	Page 8
Statement of financial position	Page 9
Statement of cash flows	Page 10
Statement of changes in equity	Page 11
Notes to the Annual financial statements	Pages 12 to 20

FinCo Parent

Independent Auditor's report	Pages 6 to 8
Income statement	Page 9
Statement of comprehensive income	Page 9
Statement of financial position	Page 10
Statement of cash flows	Page 11
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MaintCo

Independent Auditor's report	Pages 6 to 8
Income statement	Page 9
Statement of comprehensive income	Page 9
Statement of financial position	Page 10
Statement of cash flows	Page 11
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Notes to the Annual financial statements	Pages 13 to 39

DepotCo

Independent Auditor's report	Pages 5 to 7
Income statement	Page 8
Statement of comprehensive income	Page 8
Statement of financial position	Page 9
Statement of cash flows	Page 10
Statement of changes in equity	Page 11
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LeaseCo

Independent Auditor's report	Pages 7 to 9
Income statement	Page 10
Statement of comprehensive income	Page 10
Statement of financial position	Page 11
Statement of cash flows	Page 12
Statement of changes in equity	Page 13
Notes to the Annual financial statements	Pages 14 to 35

EIL

Independent Auditor's report	Pages 5 to 7
Income statement	Page 8
Statement of comprehensive income	Page 8
Statement of financial position	Page 9
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ERFL Holdings

Independent Auditor's report	Pages 5 to 7
Income statement	Page 8
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Statement of cash flows	Page 10
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ERFL

Independent Auditor's report	Pages 5 to 7
Income statement	Page 8
Statement of comprehensive income	Page 8
Statement of financial position	Page 9
Statement of cash flows	Page 10
Statement of changes in equity	Page 11
Notes to the Annual financial statements	Pages 12 to 20

ERFL 2

Independent Auditor's report	Pages 5 to 7
Income statement	Page 8
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Statement of financial position	Page 9
Statement of cash flows	Page 10
Statement of changes in equity	Page 11
Notes to the Annual financial statements	Pages 12 to 19

(c) the auditors' report and audited consolidated annual financial statements of the Security Group (i.e. consolidated among HoldCo 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 and Structure of Eversholt UK Rails Group*" below) for the financial year ended 31 December 2017 (<https://eversholttrail.co.uk/investors>), including the information set out at the following pages in particular:

Security Group

Independent Auditor's report	Pages 7 to 9
Consolidated Income statement	Page 10
Consolidated Statement of comprehensive income	Page 10
Consolidated Statement of financial position	Page 11
Consolidated Statement of cash flows	Page 12
Consolidated Statement of changes in equity	Page 13
Notes to the Annual financial statements	Pages 14 to 43

(d) the auditors' report and non-consolidated annual financial statements for the financial year ended 31 December 2017 of the Issuer and each Guarantor (<https://eversholttrail.co.uk/investors>), including the information set out at the following pages in particular:

HoldCo

Independent Auditor's report	Pages 5 to 7
Income statement	Page 8
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The Issuer

Independent Auditor's report	Pages 6 to 11
Income statement	Page 12
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Rail HoldCo

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FinCo Parent

Independent Auditor's report	Pages 6 to 8
Income statement	Page 9
Statement of comprehensive income	Page 9
Statement of financial position	Page 10
Statement of cash flows	Page 11

Statement of changes in equity	Page 12
Notes to the Annual financial statements	Pages 13 to 18

MaintCo

Independent Auditor's report	Pages 5 to 7
Income statement	Page 8
Statement of comprehensive income	Page 8
Statement of financial position	Page 9
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Notes to the Annual financial statements	Pages 12 to 34

DepotCo

Independent Auditor's report	Pages 6 to 8
Income statement	Page 9
Statement of comprehensive income	Page 9
Statement of financial position	Page 10
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Notes to the Annual financial statements	Pages 13 to 23

LeaseCo

Independent Auditor's report	Pages 7 to 9
Income statement	Page 10
Statement of comprehensive income	Page 10
Statement of financial position	Page 11
Statement of cash flows	Page 12

Statement of changes in equity	Page 13
Notes to the Annual financial statements	Pages 14 to 30

EIL

Independent Auditor's report	Pages 5 to 7
Income statements	Page 8
Statement of comprehensive income	Page 8
Statement of financial position	Page 9
Statement of cash flows	Page 10
Statement of changes in equity	Page 11
Notes to the Financial statements	Pages 12 to 22

ERFL Holdings

Independent Auditor's report	Pages 5 to 7
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ERFL

Independent Auditor's report	Pages 5 to 7
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Statement of changes in equity	Page 11
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ERFL 2

Independent Auditor's report	Pages 5 to 7
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(e) the interim non-consolidated financial statements for the financial half-year ended 30 June 2019 of the Security Group, the Issuer, LeaseCo and MaintCo (<https://eversholtrail.co.uk/investors>), including the information set out at the following pages in particular:

Security Group

Income statement	Page 2
Statement of comprehensive income	Page 2
Statement of financial position	Page 3
Statement of cash flows	Page 4
Statement of changes in equity	Page 5
Notes to the financial statements	Pages 6 to 25

The Issuer

Income statement	Page 2
Statement of comprehensive income	Page 2
Statement of financial position	Page 3
Statement of cash flows	Page 4

Statement of changes in equity	Page 5
Notes to the financial statements	Pages 6 to 15

LeaseCo

Income statement	Page 2
Statement of comprehensive income	Page 2
Statement of financial position	Page 3
Statement of cash flows	Page 4
Statements of changes in equity	Page 5
Notes to the financial statements	Pages 6 to 16

MaintCo

Income statement	Page 2
Statement of comprehensive income	Page 2
Statement of financial position	Page 3
Statement of cash flows	Page 4
Statement of changes in equity	Page 5
Notes to the financial statements	Pages 6 to 18

any other information incorporated by reference pursuant to paragraphs (a) to (e) (inclusive) above that is not included in a cross-reference list set out in one of paragraphs (a) to (e) (inclusive) above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Delegated Regulation; and

(f) the sections entitled "*Terms and Conditions of the Bonds*" from the prospectus dated 11 November 2010 (at pages 164 to 220 (inclusive)), from the prospectus dated 14 November 2014 (at pages 163 to 219 (inclusive)) and from the prospectus dated 13 July 2017 (at pages 179 to 235 (inclusive)) relating to the Programme (<https://eversholtrail.co.uk/investors>) 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 FCA in accordance with Article 23 of the Prospectus Regulation. 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.

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 25(1) of Commission Delegated Regulation (EU) No 2019/980 (the "**Delegated Regulation**").

Words and expressions defined in "*Forms of the Bonds*", "*Terms and Conditions of the Bonds*" and/or "*Glossary of Terms*" shall have the same meanings in this Overview.

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 Issuer will meet its payment obligations in respect of the Bonds from its general corporate funds.

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

Structure of Eversholt UK Rails Group

On the privatisation of British Rail between 1994 and 1996, passenger rolling stock was allocated to three newly formed rolling stock companies ("**ROSCOs**"): Eversholt UK Rails Group, Angel Trains Limited ("**Angel**") and Porterbrook Leasing Company Limited ("**Porterbrook**"). These three ROSCOs are referred to collectively as the "**Full Service ROSCOs**" as they have traditionally offered asset management, heavy maintenance and modification procurement services to their customers in contrast to Finance Only ROSCOs, which do not. Eversholt UK Rails Group was owned by HSBC from 1997-2010. In November 2010, HSBC Asset Finance (UK) Limited, being an indirectly wholly owned subsidiary of HSBC Bank plc, disposed of its interests in Eversholt UK Rails Group in the following manner: the shares held by HSBC in ERFL Holdings, Rail HoldCo and FinCo Parent were sold to EIL, a company ultimately owned by a consortium consisting of STAR Capital Partners, 3i Infrastructure plc and Morgan Stanley Infrastructure Partners (the "**Consortium**").

The Consortium owned Eversholt UK Rails Group until April 2015, when it sold its shares in Eversholt Investment Group (Luxembourg) S.A.R.L. ("**EIG S.A.R.L.**") (a former holding company of EIL) to (a company that is now called) UK Rails S.A.R.L. UK Rails S.A.R.L. is a company ultimately owned by CK Hutchison Holdings Limited ("**CKHH**"). CKHH is the parent company of CK Infrastructure Holdings Limited ("**CKIHL**") and Cheung Kong (Holdings)

Limited. CKIHL is the infrastructure arm of CKHH. As at 31 December 2018, CKHH held this investment as "held for sale" in anticipation of transferring the investment to another part of the CK Group. The Structure Diagram below reflects the current corporate and debt structure of Eversholt UK Rails Group and therefore includes the entities HoldCo and TopCo (both as defined below) which were not incorporated at the time of the sale of the shares by the Consortium.

CKIHL is a global infrastructure company with diversified investments in energy infrastructure, transportation infrastructure, water infrastructure, waste management, waste-to-energy and infrastructure related businesses. Its investments and operations span Hong Kong, Mainland China, the United Kingdom, the Netherlands, Portugal, Australia, New Zealand and Canada. In the United Kingdom, CKHH is the leading independent foreign direct investor. It owns investments in Eversholt UK Rails Group, UK Power Networks, Northumbrian Water, Northern Gas Networks, Wales & West Gas Networks, Seabank Power and Southern Water.

CKHH is listed on the stock exchange of Hong Kong and has a market capitalisation of about HK\$267 billion as of 30 September 2019. As of 31 December 2018, CKHH had liquid assets of HK\$145 billion and a net debt to net total capital ratio of 26 per cent. CKHH is rated A stable by Standard & Poor's Credit Market Services Europe Limited ("**S&P**") , A-stable by Fitch and A2 stable by Moody's.

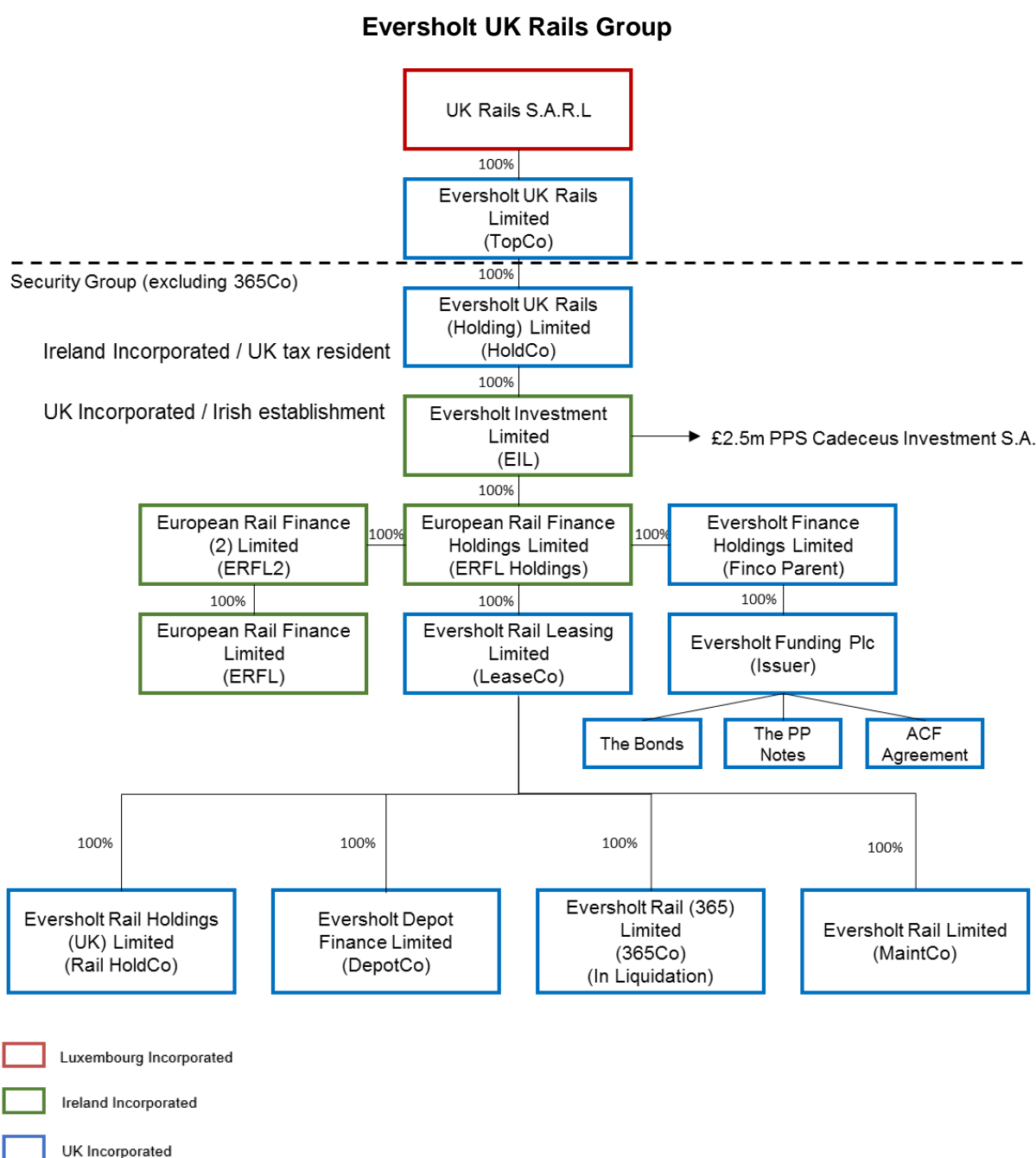
CKIHL has been listed on the stock exchange of Hong Kong since 1996 and has a market capitalisation of about HK\$140 billion as of 30 September 2019. As of 31 December 2018, CKIHL had bank balances and deposits of HK\$6 billion and a net debt to net total capital ratio of 16.5 per cent. CKIHL is rated A stable by S&P and A- stable by Fitch.

In recent years cash profits have been substantially reinvested by Eversholt UK Rails Group in order for Eversholt UK Rails Group to (a) fund the purchase of £1.1 billion of new rolling stock (see "*Business Description*" for further details on Eversholt UK Rails Group's purchase of new trains) and (b) make a significant capital investment in the upgrade and enhancement of certain middle aged C321 vehicles. CKHH's support of its investment in Eversholt UK Rails Group was recognised by S&P when in March 2017 it upgraded the Bonds from 'BBB' to 'BBB+' on the basis of Eversholt UK Rails Group's continued stable performance under its supportive parent and CKHH's good credit quality.

Eversholt UK Rails (Holding) Limited ("**HoldCo**") is a wholly owned subsidiary of Eversholt UK Rails Limited ("**TopCo**") which is in turn ultimately owned by CKHH. TopCo and HoldCo were incorporated in 2017 as new UK holding companies to simplify the Group ownership structure. As part of an on-going restructuring process in order to further simplify and consolidate the Group, solvent liquidations are planned for each of UK Rails S.A.R.L., FinCo Parent, ERFL Holdings, ERFL 2 and Rail HoldCo (in accordance with the provisions of the Finance Documents) and for the avoidance of doubt any assets held by such entities will be retained within the Security Group.

The Structure Diagram below represents the current corporate and debt structure of Eversholt UK Rails Group.

Structure Diagram



Source: Eversholt UK Rails Group

Security and intercreditor arrangements

Each Obligor, on 4 November 2010 (and in the case of ERFL 2, on 13 March 2012 and in the case of HoldCo, 28 June 2017), 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 Agreements – Voting Under the Intercreditor Arrangements*".

Other matters

MaintCo has been appointed as Eversholt UK Rails Group's agent to perform, inter alia, cash management, related treasury services, asset management and certain other services for members of Eversholt UK Rails Group.

The Security Group is required to ensure that a proportion of outstanding Senior Debt is maintained, at a fixed rate of interest, either directly or through hedging. The Security Group has the right to enter into other hedging arrangements including to hedge currency risks in relation to capital expenditure, refurbishment, upgrade and maintenance work, 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 the HoldCo Group are incorporated in the United Kingdom except for EIL, ERFL Holdings, ERFL and ERFL 2 which are incorporated in Ireland but, like all other members of the HoldCo Group, are tax resident in the United Kingdom. The entities that comprise the Security Group are the Issuer, HoldCo, Rail HoldCo, FinCo Parent, MaintCo, DepotCo, LeaseCo, EIL, ERFL Holdings, ERFL and ERFL 2.

HoldCo is the entity at the top of the Security Group and is 100 per cent. owned by TopCo. EIL's share capital comprises of 12,000 allotted, called up and fully paid Ordinary Shares (as defined below) which are held by HoldCo and 2,500,000 profit participating shares of £1 each held by Caduceus Investment S.A. (such profit participating shares and/or replacement shares in respect thereof, the "**PPS Shares**"). EIL is sole owner of ERFL Holdings. ERFL Holdings' share capital comprises (i) 50,500,000 ordinary shares of £1 each of which 500,001 are allotted, called up and fully paid ("**Ordinary Shares**") and held by EIL, and (ii) 49,500,000 fixed rate preference shares of £1 each held by EIL. Each other entity within the HoldCo Group in the Structure Diagram is a 100 per cent. owned subsidiary of ERFL Holdings.

Use of proceeds

The net proceeds from each issue of Bonds will be applied by the Issuer for its general corporate purposes and committed capital expenditure. If, in respect of an issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

Where indicated in the applicable Final Terms, the net proceeds from a series of Bonds (such Bonds, "**Green Bonds**") will be used to finance and/or refinance investments or activities (the "**Eligible Green Projects and Assets**") that comply with the categories and criteria (the "**Eligibility Criteria**") set out in the Eversholt UK Rails Group Green Bond Framework, as published on its website from time to time (the "**Green Bond Framework**"). Pending allocation of the net proceeds of an issue of Green Bonds to Eligible Green Projects and Assets, the Security Group will hold such net proceeds, at its discretion, in the form of cash or cash equivalent investments. The Issuer will monitor and account for the net proceeds for investment in the Eligible Green Projects and Assets meeting the Eligibility Criteria.

No Dealer nor any other person makes any representation as to the suitability of the Green Bonds to fulfil environmental and sustainability criteria required by the prospective investors. No Dealer is responsible for: (i) any assessment of any criteria prepared by the Issuer or Eversholt UK Rails Group as set out in any Green Bond Framework; or (ii) the monitoring of the use of proceeds of any Green Bonds.

KEY CHARACTERISTICS OF THE PROGRAMME

The Issuer	Eversholt Funding plc
Issuer Legal Entity Identifier (LEI)	5493002X7O83FCJVYO69
Guarantors	Each Obligor with respect to the Guarantee given by it pursuant to the English Law Security Agreement.
Obligors	The Issuer, HoldCo, Rail HoldCo, FinCo Parent, MaintCo, DepotCo, LeaseCo, EIL, ERFL Holdings, ERFL and ERFL 2, 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 risks relating to the Security Group, other business and financing risks, risks relating to the rail industry, tax risks, insolvency considerations, risks relating to security, other legal risks and risks relating to the Bonds and the market in which they trade. 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 risks relating to the Security Group, other business and financing risks, risks relating to the rail industry, tax risks, insolvency considerations, risks relating to security, other legal risks and risks relating to the Bonds and the market in which they trade. 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 Bonds and the market in which they trade and certain other business and financing 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**").

Arranger

RBC Europe Limited.

Dealers

Barclays Bank Ireland PLC, Barclays Bank PLC, BNP Paribas, CIBC World Markets plc, Crédit Agricole Corporate and Investment Bank, HSBC Bank plc, Lloyds Bank Corporate Markets plc, MUFG Securities EMEA plc, RBC Europe Limited and NatWest Markets Plc (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 arrears, 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 (*Interest and other Calculations*).

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 arrears, interest in respect of Floating Rate Bonds will be payable quarterly in arrears and interest in respect of Indexed Bonds is or will be payable semi-annually in arrears (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) (*Redemption, Purchase and Cancellation*)), 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 100,000 euro (and higher integral multiples of a smaller amount if specified in the applicable Final Terms) or not less than the equivalent of 100,000 euro 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) (*Taxation*)) 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 among 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 originally dated 4 November 2010, as supplemented on 14 November 2014, on 13 July 2017 and on or around 25 October 2019 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 – Security Trust and Intercreditor Deed*" and "*Summary of the Financing Agreements – Security Agreements*".

Intercreditor Agreement

Claims of the Bond Trustee (on behalf of the Bondholders) and other Secured Creditors will be regulated by the STID. See "*Summary of the Financing Agreements*".

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

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. 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.

The risk factors set out below are presented in categories where the most material risk factor in a category is presented first under that category. Subsequent risk factors in the same category are not ranked in order of materiality or probability of occurrence. Where a risk factor may be categorised in more than one category, such risk factor appears only once and in the most relevant category for such risk factor.

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.

1. RISKS RELATING TO THE SECURITY GROUP

The Security Group could be negatively impacted by a failure to fully utilise rolling stock or achieve forecast rentals over the useful life of rolling stock

The Security Group's business strategy depends on generating rental income from the leasing of rolling stock for the whole of its useful life. The rolling stock is expected to have a useful life of approximately 25-40 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 useful life of a significant portion of the rolling stock 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**") and Freight Operating Companies ("**FOCs**") of the rolling stock when compared with alternatives (either newly built or existing alternatives). In this assessment of which rolling stock best meets its requirement, an operator may consider the all-in operating cost, operating characteristics, reliability and utility of an alternative fleet. The utility of rolling stock may be influenced by the following factors:

- its ability to operate on different routes – self-powered trains can generally "go anywhere" although, as with all types of trains, may be subject to mass, gauge or length constraints. Bi-mode trains can operate on routes that are partially electrified. Dual-voltage electric trains can operate using either of the electrification systems in the UK, whereas single voltage trains are more restricted. In addition, different routes

may have different rail infrastructure (e.g. signalling, bridge or tunnel dimensions) limiting rolling stock specifications;

- 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 versatile 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 of fixed formation;
- its top speed and acceleration – inner-urban routes with shorter distances between stations have different top speed and acceleration requirements from inter-city routes;
- its capacity and operational flexibility - trains where the interior layout can be changed easily and at lower cost provide better operational flexibility, for example changing vehicles from first class to standard class 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 do not provide an optimal passenger layout for comfort on longer distance travel. Conversely, doors at the ends of a vehicle with an enclosed vestibule are well-suited to intercity trains, but slow passengers down when they are boarding and alighting from a commuter train.

Other factors that could impact the ability to re-lease a fleet of rolling stock include its compliance with regulation and its environmental impact. In particular, rolling stock must comply with The Railways (Interoperability) Regulations 2011 from 1 January 2020. In addition, the UK Government has set aspirational targets for the removal of diesel-only powered trains from the UK network by 2040. Eversholt UK Rails Group mitigates the cost of converting rolling stock to maintain regulatory compliance and meet operator requirements by seeking to maximise the value of future rentals.

Between the start of 2010 and the end of June 2019 Eversholt UK Rails Group has had at least 98 per cent. of its passenger rolling stock fleet on lease.

Capital rentals are typically fixed over the term of a lease, whilst non-capital rentals are periodically varied according to inflation and actual mileages. Rentals are agreed between Eversholt UK Rails Group and the TOC or FOC and documented in the lease prior to its commencement. These negotiations are influenced by, amongst other things, the balance of supply versus demand for rolling stock with specifications meeting the operator's requirements.

The current programme of new rolling stock being delivered into the UK will lead to the displacement of existing rolling stock. Whilst much of the displaced rolling stock will have reached the end of its operational life, some has the capacity to continue in operation and be cascaded to alternative routes. The existence of spare rolling stock capacity could lead to downward pressure on re-leasing rates and challenge the ability to re-lease certain fleets.

Failure to achieve anticipated re-leasing rates for a significant part of the fleets may result in a material adverse effect on the future income of the Security Group.

Limitations to Direct Agreements and OPRAF/ROSCO Agreements

The Secretary of State (or the Scottish Ministers in Scotland and the Welsh Government in Wales) has certain duties under Section 30 of the Railways Act 1993 ("**Section 30**") to ensure the continuity of railway services in the UK (see "*Industry Overview*") and these duties are supported by direct agreements (for rolling stock acquired after privatisation) and OPRAF/ROSCO agreements for ex-British Rail rolling stock (hereafter referred to collectively as "**Direct Agreements**") between the relevant franchising authority and Eversholt UK Rails Group. They provide various contractual options to lease rolling stock from Eversholt UK Rails Group in the event of an early termination of a lease between Eversholt UK Rails Group and a TOC. However, the relevant franchising authority is not obliged to take on a lease and, if it does take on a lease, it is not required to take on any rolling stock that is not maintained in accordance with its maintenance programme. The Security Group has detailed maintenance tracking and reporting arrangements and skilled in-house engineers to oversee the maintenance requirements of Eversholt UK Rails Group rolling stock to help protect it in relation to this risk (see "*Business Description – Management*" for further details of Eversholt UK Rails Group's engineering expertise). The Security Group's in-house engineers follow clear processes 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 relevant franchising authority has the right but not the obligation, in the event of a TOC failure (see "*Business Description – How the factors of rolling stock utilisation, re-leasing rates and TOC failures influence financial performance*"), to require Eversholt UK Rails Group to continue to lease the rolling stock to the new operator on the same terms as the existing lease. The provisions prevent Eversholt UK Rails Group's right to call a default under the lease and repossess the rolling stock.

If the relevant franchising authority exercises its option then Eversholt UK Rails Group will enter into a new agreement 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 relevant franchising authority 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", Eversholt UK Rails Group 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 Eversholt UK Rails Group where the relevant franchising authority exercises this option and the ROSCO is therefore subject to the risk described above.

Environmental, health and safety

The Security Group's business is subject to a number of environmental, health and safety laws and regulations. These principally relate to the safe supply of rolling stock at lease commencement, the communication of safety hazards and the safe disposal of rolling stock at the end of its operational life.

TOCs and FOCs have primary responsibility for operational safety whilst rolling stock is on lease.

A failure to ensure the safety of rolling stock and the communication of 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 also affect the operations of rolling stock, particularly emissions regulations (especially diesel engines), waste handling and asbestos exposure.

The Security Group may in some exceptional circumstances be exposed to potential statutory and/or third party environmental liability as a result of the use of, or performance of works on, its rolling stock by third parties including: liability arising from clean up and remediation of environmental damage to land; personal injury or property damage; and disposal of waste. If exposed to such environmental liability, the Security Group is likely to have direct legally binding redress (for example to contracted maintenance suppliers, TOCs and FOCs) 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, injuries to people 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 have resulted in a successful claim against a ROSCO (see "*Business Description – Safety*").

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 (see "*Business Description – Insurance*") was inadequate, this could have a material adverse effect on the Security Group's business, financial condition, results of operations or prospects.

To mitigate this risk, Eversholt UK Rails Group proactively manages safety-related issues that could impact upon its asset portfolio and builds long-term relationships, working closely with its business and safety-critical suppliers to ensure that they can meet its future needs. Where necessary, Eversholt UK Rails Group may choose to help its suppliers to invest in new approaches or technologies to meet Eversholt UK Rails Group's demands. Eversholt UK Rails Group plans ahead with its critical suppliers and shares a long-term view (up to 5 years) to help them plan their capacity and investment to meet any future needs.

For operational and safety-critical services, Eversholt UK Rails Group works closely with its suppliers to understand their relative strengths and weaknesses. Eversholt UK Rails Group uses its knowledge of the supply base and selects the most suitable supplier by taking into account scope, risk, available capacity and supplier capability. Cost comparators help Eversholt UK Rails Group to validate value for money assessments and Eversholt UK Rails Group procures well ahead of project and contract start dates to ensure it allows sufficient time for contract negotiation and project mobilisation. Eversholt UK Rails Group believes its strong relationships would enable it to find adequate alternative suppliers in the event one supplier failed to perform.

Risks to the safe and timely integration of new build rolling stock into the UK rail network (e.g. compatibility with infrastructure, depot readiness, customer management) is mitigated by adhering to the UK regulated approvals process and through regular communication with TOCs, manufacturers and Network Rail to ensure objectives and actions are clear and agreed.

The Security Group is exposed to customer credit and default risk

The Security Group has counterparty exposure to a number of TOCs and FOCs through the lease agreements including capital rents, non-capital rents, maintenance and asset condition obligations. Eversholt UK Rails Group undertakes robust customer credit risk assessments to evaluate their creditworthiness and where necessary, may seek additional credit protection. 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 an undertaking pursuant to Section 54 of the Railways Act 1993 ("**Section 54 Undertakings**")) could have a material adverse effect on the Security Group's business.

Section 30 currently applies to all of the Security Group's TOCs operating leases. Although the Security Group anticipates that its future operating leases with TOCs will also benefit from Section 30 there can be no assurance that this will necessarily be the case, although a change in the Section 30 obligations is regarded as unlikely.

Repossession after a default by a TOC (see "*Business Description – How the factors of rolling stock utilisation, re-leasing rates and TOC failures influence financial performance*" for history of TOC default in the past) 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 re-lease. However, the Security Group seeks to mitigate this risk by the implementation by skilled and experienced members of Eversholt UK Rails Group's Operations Team (which comprises approximately 40 engineers and project managers) of extensive audit and asset inspections in respect of its assets. This is designed to ensure that trains are kept in 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, Eversholt UK Rails Group has not needed to exercise repossession rights in respect of any lease to any TOC or FOC.

The Security Group is exposed to supplier credit and default risk

Like the other Full Service ROSCOs, the Security Group acquires rolling stock from a limited number of rolling stock manufacturers and enters into new build, maintenance, refurbishment and upgrade contracts with third party contractors. Manufacturers are increasingly seeking to take a larger role in maintaining fleets in their early lives, leading to a decline in the use of independent rolling stock maintenance contractors. The Security Group is reliant upon manufacturers to provide relevant maintenance and design information to subsequent maintainers. The Security Group seeks to maintain a strong relationship and on-going dialogue with relevant parties to manage this risk.

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. Where Eversholt UK Rails Group enters into arrangements (which may be long-term) for the refurbishment, upgrade or maintenance of existing rolling stock or new build, it takes credit risk on the suppliers engaged for such new build, refurbishment, upgrade or maintenance. Advanced payments made by Eversholt UK Rails Group in respect of such arrangements may be credit enhanced, but Eversholt UK Rails Group remains exposed to performance risk on such suppliers.

Eversholt UK Rails Group's Projects Team takes action to actively mitigate against the delivery risk of Eversholt UK Rails Group's three new fleets scheduled for acceptance between 2019 and 2020 (the "**Projects Team**"). Project Managers and engineers from Eversholt UK Rails Group's Projects Team are often embedded within the supplier's or manufacturer's operations to closely monitor and supervise key projects. This enables the Projects Team to identify issues and take remedial action at an early stage, thereby mitigating the risk of delays in delivery and ensuring hands-on quality assurance testing.

Eversholt UK Rails Group has attempted to further mitigate this risk by having a portfolio of rolling stock representing the majority of existing rolling stock manufacturers. However, if such risk crystallises, it 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.

Where the Security Group enters into lease agreements in respect of new rolling stock, the scheduled rent receivable under such leases will not become receivable 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, which is typically mitigated by liquidated damages, but these may be capped and there is a danger that the limits might be breached.

Competition from other ROSCOs and financiers

The Security Group's market share may be adversely affected by fleets coming towards the end of their economic lives and new rolling stock required for either replacement or growth being procured by new entrants, competing ROSCOs or standalone financiers (in particular Finance Only ROSCOs) developing or increasing their capacity or expanding their business. Eversholt UK Rails Group does not actively target market share but aims to have a balanced portfolio of high quality assets that are able to meet the needs of a variety of end markets.

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 useful life. In addition, the Security Group may be exposed to residual value risk on the relevant fleet if it is unable to pass on all such costs because of a change in franchisee. Depending on the size of such fleet, this may have a material adverse effect on the Security Group.

The Security Group could face disruption from cybersecurity threats to its data and systems which could have a significant impact.

The Security Group faces external cyber threats to its data and systems. Cyber incidents have previously affected the rail industry and there is the potential for future incidents that could result in a range of possible outcomes for the Security Group. The Security Group's data and systems may be subject to theft, loss, damage and interruption due to unauthorised access, security breaches, cyber-attacks, computer viruses, power loss, or other disruptive events. The UK rail industry is highly dependent on digital communication technology and computer-based operational systems, making it particularly vulnerable to external cybersecurity threats. There is growing concern in the industry that as cybercriminals become more sophisticated they will increasingly target national infrastructure with the intention of causing mass disruption. Such targeted incidents could impact public confidence in the UK rail industry, causing passenger numbers to fall, thereby dampening demand for rolling stock. Increased complexity in rolling stock technology and its interaction with rail infrastructure also poses on-going challenges to ensure safe and effective operation of the rail network. Cyber risks are also present, as in any other internet connected systems.

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 management team for the implementation of its strategy and its day-to-day operations. Competition in the rail industry for personnel with relevant expertise may be intense due to the specialised nature of the industry and the limited number of qualified individuals. Whilst the Security Group has extensive succession and contingency plans in relation to key personnel and has a generally good level of retention of key skills and personnel across its business, its 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 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 on-going, those liabilities are measured on an on-going (or technical provisions) basis that is agreed between the RPS trustee and MaintCo. The Pensions Regulator will determine the value of liabilities if agreement cannot be reached. MaintCo will be required under legislation and the RPS rules to make the additional contributions to the RPS necessary to address any shortfall between the value of assets and liabilities within a period agreed with the RPS trustee or with the Pensions Regulator.

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 on-going. If this liability were triggered, this could have a material adverse effect on Eversholt UK Rails Group'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 on-going.

At the end of June 2019 there were 115 members of the relevant section of the defined benefit RPS, of whom 15 were active members, 50 deferred members and 50 pensioners. At the time of the last formal actuarial valuation, 31 December 2016, the RPS showed a funding level of 102 per cent. The Pensions Regulator also has statutory powers in some circumstances to require persons connected or associated with an employer (such as other companies within Eversholt UK Rails Group) 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 Security Group to the extent that MaintCo itself fails to meet its obligations to the Pension Trustee from time to time.

2. OTHER BUSINESS AND FINANCING RISKS

Market 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 availability and cost of funding may be influenced by, among other things, the Security Group's operating performance and general economic conditions.

Typically, the Security Group is required to incur additional indebtedness in order to finance the procurement of new build rolling stock or refurbishment, upgrade or maintenance of existing rolling stock. Such indebtedness is typically incurred in advance of receiving an additional or new lease rental payment stream from the relevant TOC. At such time, Eversholt UK Rails Group is dependent on cashflows from existing lease rental payments to service the additional indebtedness. The inability to cover long-term funding costs through existing lease rental payment streams could have a material adverse effect on the Security Group's business, financial condition, results of operations or prospects.

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.

Exposure to general economic conditions

Growth in gross domestic product is one of a number of factors that drives passenger growth. Long term gross domestic product growth has historically contributed to an increasing demand for train services and for new rolling stock to meet demand. Other factors contributing to the increase in demand include improved passenger services and increased reliability which in turn has driven modal shift. However, growth in total UK passenger journeys has slowed markedly since 2015 and passenger journeys actually declined in 2017-2018 for the first time since the global financial crisis (see "*Risks relating to the Rail Industry – Long-term rail passenger trends*"). 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 nevertheless adversely impact the Security Group's businesses, financial condition, results of operations or prospects.

The potential economic effects and general prolonged uncertainty of Brexit could also contribute to passenger numbers falling or failing to meet growth forecasts, thereby potentially dampening demand for rolling stock. The effects of Brexit are currently uncertain and will depend on, among other things, the long-term macroeconomic impact of the UK's withdrawal from the EU. Brexit may lead to legal uncertainty and potentially divergent national laws and regulations, and could also adversely affect economic or market conditions in the UK (see "*Insolvency considerations, risks relating to security and other legal risks – General market volatility and post-UK referendum uncertainty*"). Such uncertainty may impact the Security Group's key customers, and divergent national laws and regulations may further impact those key customers who have European and global operations. These changes could also have a negative impact on the broader economic environment on which rail travel depends. In addition, Brexit may lead to a reduction in freedom of movement between EU markets and the UK (potentially leading to fewer Europeans visiting the UK and a corresponding decline in demand for rolling stock) and/or to decreased trade into, and out of, the UK (thereby reducing demand for freight locomotives).

Changes in financial reporting standards

Certain provisions of the Finance Documents contain 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. Such changes will be notified to and agreed with the Security Trustee by the Security Group Agent in accordance with the provisions of Schedule 2 (Covenants) of the 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, along with all other holders of Qualifying Debt, on certain matters 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 Bond Conditions 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 in the circumstances described in Conditions 6(o) (*Benchmark Discontinuation*) or 16 (*Meetings of Bondholders, Modifications, Waiver and Substitution*).

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 currency 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 Issuer has entered into swap transactions to hedge the interest rate expense associated with its floating rate debt facilities. 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 these floating rate facilities and may incur costs in terminating such interest rate swap transactions.

Similarly, the Security Group has entered into foreign exchange forward contracts to hedge its exposure to currency exchange rates associated with certain capital expenditure, refurbishment, upgrade and maintenance expenditure.

Replacement of LIBOR as an interest rate benchmark

In the event that LIBOR is replaced or discontinued after the end of 2021 (as described in more detail in *“Risks relating to the Bonds and the market in which they trade – The regulation and reform of “benchmarks” may adversely affect the value of Bonds linked to or referencing such “benchmarks””* below), financial instruments that currently include a LIBOR reference and mature after the end of 2021 would need to be renegotiated and/or otherwise amended to accommodate such change in benchmarks. As at the date of this Prospectus, there are no Floating Rate Bonds that reference LIBOR outstanding under the Programme (but in the event that any such Floating Rate Bonds are issued in the future, please see *“Risks relating to the Bonds and the market in which they trade – The regulation and reform of “benchmarks” may adversely affect the value of Bonds linked to or referencing such “benchmarks””* below for the consequences of a potential replacement or discontinuation of LIBOR on such Floating Rate Bonds). If it remains the case that no such Floating Rate Bonds that reference LIBOR are outstanding under the Programme, the most relevant impact (if any) of a replacement or discontinuation of LIBOR on the Programme will be in relation to interest rate swaps linked to LIBOR to which members of the Security Group are party. However, the Security Group does not anticipate that any such impact would adversely affect the Bondholders.

3. RISKS RELATING TO THE RAIL INDUSTRY

Political developments

In 2018, the UK Government commissioned a review of the rail industry (the **“Williams Review”**). The review’s findings and recommendations are expected to be published in a UK Government white paper in autumn 2019, with reform expected to begin in 2020. At this stage, the outcome of the review is unknown, but proposals could result in changes in the form and scope of franchises, leading to potential changes in demand (positive or negative) for rolling stock.

As at the date of this Prospectus the current policy of the UK opposition party, the Labour Party, is to re-nationalise the UK railway, which it included in its 2017 manifesto. The manifesto states that the UK railways will be brought back into public ownership as franchises expire or with franchise reviews or break clauses. The Labour Party also plans to repeal the Railways Act through Public Ownership of the Railways Bill. Further details of the scope and method of the proposed re-nationalisation have not been published, however the Labour Party reaffirmed its commitment to the re-nationalisation of the UK railways as at the 2019 Labour Party Conference. The lack of detailed proposals surrounding the mechanism of re-nationalisation of the UK railways means it is not possible to determine the impact of such a re-nationalisation on the UK rolling stock leasing market.

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. Over-regulation placed on the TOCs, which restricts their ability to contract with ROSCOs, could have a negative effect on Eversholt UK Rails Group’s ability to generate rental income from its rolling stock.

Notwithstanding the fact that the ROSCOs are not regulated, they are subject to competition laws. Pursuant to its powers under the competition laws, between April 2007 and April 2009 the (then) 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 how the market functioned for 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 Full Service 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 Full Service 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 Full Service ROSCOs. Remedies in respect of Full Service 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 future legislative and/or regulatory changes impacting the rail industry. Changes could arise in response to the Competition Commission's findings, the Williams Review or more generally from a change of government and/or any review of rail policy. Legislative or regulatory changes 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).

Similarly, the Security Group bears the risk of changes in laws and public policies in general, including, without limitation, 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.

Uncertainty caused by delays in Network Rail's electrification programme makes fleet planning more challenging

Network Rail manages 19,399 track miles, of which 8,106 track miles (42 per cent.) are electrified and 11,293 track miles (58 per cent.) are non-electrified (*source*: RSSSG's Long Term Passenger RSS (March 2018), p.14, paragraph 50). Over the past three years the Department for Transport (the "DfT") has scaled back Network Rail's planned future electrification programme as a result of programme delays and cost overruns experienced on high-profile major schemes, particularly the Great Western Electrification Programme. This policy has resulted in an increased focus on the procurement of bi-mode and self-powered rolling stock.

In the medium to longer term, electrification of more of the UK rail network remains highly desirable as electric trains offer the optimal means of utilising finite network capacity, reducing journey times, maximising train service reliability and minimising environmental impact and emissions. Transport Scotland remains committed to a rolling programme of further electrification over and above existing committed schemes. Other recent initiatives,

such as the Railway Industry Association's 'affordable electrification' campaign, seek to ensure that electrification continues to be a key component of the UK railway's decarbonisation strategy.

However, it is not cost-effective to electrify the entire network and self-powered trains, including those owned by the Security Group, continue to remain in demand. The Rolling Stock Strategy Steering Group ("**RSSSG**"), in its Long Term Passenger Rolling Stock Strategy ("**RSS**"), sixth edition, published March 2018, forecasts that self-powered trains will be needed to support passenger services in all years of its 30 year forecast as not all of the network will be electrified within that 30-year period. The Security Group's existing self-powered fleets can be used to meet some of that demand and are amongst the newest self-powered UK rolling stock. The life of the current self-powered fleets is expected to expire before the end of this forecast period.

There are currently not enough self-powered trains to meet forecast demand, meaning there will need to be further new orders to meet this demand. The new bi-mode and diesel fleets already delivered to the Security Group and those on order for delivery by 2020 will be well placed to satisfy some of this demand. RSSSG forecasts that at least 1,350 new self-powered trains will need to be constructed over the 30-year period, which could increase to 3,500 vehicles depending on the rate of market growth.

While electric rolling stock represents the most efficient solution for electrified lines, it cannot be deployed until electrification is completed. Continuing uncertainty over the extent and timing of Network Rail's electrification programme is impacting all rolling stock owners and franchise bidders. Its impact is twofold. Firstly, there is an increased emphasis on procurement of new bi-mode rolling stock, together with modification of some existing electric trains to provide a self-powered capability as a short-term expedient to maintain capacity growth. Neither of these is an optimal long-term answer if a rolling programme of electrification is to continue.

The second impact is a reduction in opportunities to cascade existing electric rolling stock displaced by new-build to other routes and/or franchises, increasing competitive pressure and potentially leading to some electric rolling stock with residual operational life having to be sold or scrapped. Recent franchise competitions sponsored by the DfT have resulted in large-scale procurement of new electric rolling stock, with the desire for large standardised fleets offering operational and training benefits to the TOC in some cases leading to displacement of nearly-new trains that were only procured in the preceding franchise.

A corollary of the delays and uncertainty is that diesel rolling stock planned for cascade to other routes or franchises has to be retained for longer, restricting owners' ability to offer it unconditionally into other franchise competitions and thus increasing longer-term stranding risk.

Long-term rail passenger trends

Since privatisation, rail journeys in the UK have more than doubled. The Office of Rail and Road ("**ORR**"), in its Passenger Rail Usage 2019-20 Q1 Statistical Release, states that rail passenger journeys in Great Britain in 2019-20 Q1 increased to 439 million (a 2.4% rise compared to 2018-2019 Q1). However, growth in total UK passenger journeys has slowed markedly since 2015 and passenger journeys actually declined in 2017-18 for the first time since the global financial crisis. Furthermore, the number of journeys made on season tickets in 2019-20 Q1 has fallen to its lowest Q1 total since 2010-11. Whilst the slowing rate of passenger growth/season ticket usage may reflect temporary drivers, they may also be attributable to longer-term changes in working habits and passenger demand that could

continue in the future. (Source: <https://dataportal.orr.gov.uk/statistics/usage/passenger-rail-usage/>).

The increasing adoption of flexible working practices, facilitated by the uptake of and improvements in communications technology, could therefore limit future passenger growth. As younger generations of workers that have grown up interacting electronically enter the workplace, the locations and ways in which work is carried out may change. This could have a significant impact on demand for passenger services and therefore on rolling stock.

Notwithstanding the impact of changes in behaviours and working practices, rail transport is increasingly perceived as a “clean” mode of transport. In addition, rail is expected to remain the most effective way of transporting large volumes of passengers into and between cities. As such, rail has advantages over other modes of transport and can support the UK’s clean energy targets and its “road to zero carbon” emissions.

Competition from alternative modes of transport

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 (which is not currently the case) or should FOCs fail to adapt to a changing freight market, this may reduce the income of certain FOCs which may also have a limited effect on the Security Group's income.

This is partially mitigated by advances in rail technology facilitating reduced journey times and the ability to work whilst travelling.

Rail technology is also increasingly affected by the debate around sustainability and transition to a low (or zero) carbon society. As debate intensifies and technological developments accelerate, there is risk to current rolling stock that modifications become too expensive relative to new builds that incorporate the latest technology. Developments are being monitored and actions initiated to mitigate any potential significant consequence.

Eversholt UK Rails Group has invested, and continues to invest, in technologies that can enhance the market attractiveness of its existing asset portfolio, assist in delivering UK railway decarbonisation objectives and allow it to enter new sectors of the UK rail market. Current technology investment workstreams include membership of an industry consortium developing an innovative Very Light Rail (VLR) product; collaboration with Alstom to adapt some C321 electric trains to hydrogen propulsion; and three programmes (Arriva Rail North, Govia Thameslink Railway ("Thameslink") and London & South Eastern Railway) to fit electric trains with batteries for short-distance independent operation.

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.

4. TAX RISKS

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

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. As of the date of this Prospectus, all members of the Security Group are residents in the UK for tax purposes.

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.

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.

5. INSOLVENCY CONSIDERATIONS, RISKS RELATING TO SECURITY AND OTHER LEGAL RISKS

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 which are 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 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

Whilst the Irish Obligors are UK tax resident and controlled and managed in the UK, they may still be subject to examinership under Irish law. Examinership is an Irish court based insolvency procedure available under Part 10 (*Examinership*) of the Irish Companies Act to facilitate the survival of Irish companies in financial difficulties. The Irish examinership procedure would be available to the Irish Obligors in an insolvency scenario if the relevant Irish Obligor's "centre of main interests" (as that phrase is used in Article 3(1) of Council Regulation (EC) No. 848/2015 on Insolvency Proceedings (the "**Insolvency Regulation**") ("**COMI**"), were determined to be Ireland and the examinership proceedings were determined to be main proceedings. The place of the registered office of a debtor is presumed to be its COMI in the absence of proof to the contrary. Each of the Irish Obligors as Irish incorporated companies has its registered office in Ireland, and accordingly, under the Insolvency Regulation, will be regarded as having its COMI in Ireland unless proof to the contrary is made to the court seized of the matter.

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.

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.

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 and the Irish Law Security Agreement, the ERFL2 Irish Law Security Agreement and the 2017 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 certain of the Security Group's leases and material supply contracts may now or in the future 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. As at the date of this Prospectus, such consents have been obtained for the majority of the Security Group's existing Section 54 Undertakings, TOC and FOC leases and material supply contracts, but if such consents are not obtained with respect to any such Section 54 Undertakings, leases and material supply contracts in the future, 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 (or consent is not given in similar circumstances by relevant transport authorities in Scotland and Wales), 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.

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 fleet 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 of the Insolvency Act, 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 relevant franchising authority 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 relevant franchising authority 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 relevant franchising authority, 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 relevant franchising authority 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 an 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 Obligors 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 an Obligor 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 Obligor's unsecured creditors.

Ranking of Claims - 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 Eversholt UK Rails Group 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) 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*".

Change of law

The transactions described in this Prospectus (including the issue of the Bonds) and the ratings which are to be assigned to the Bonds are based on the relevant law and administrative practice in effect as at the date hereof and having regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any possible change to the law (including in relation to European Union law and regulations, English law, Irish law or Scots law, and including any change in regulation which may occur without a change in primary legislation), administrative practice or tax treatment after the date of this Prospectus. It is possible that such a change may materially adversely affect members of the Security Group or affect the ability of the Issuer to make payments under the Bonds.

General market volatility and post-UK referendum uncertainty

Concerns relating to credit risk (including that of sovereigns and of those entities which have exposure to sovereigns) persist, in particular with respect to current economic, monetary and political conditions in the Eurozone. If such conditions further deteriorate (including as may be demonstrated by any relevant credit rating agency action, any default or restructuring of indebtedness by one or more states or institutions and/or any exit(s) by any member state(s) from the European Union and/or any changes to, including any break up of, the Eurozone), then these matters may cause further severe stress in the financial system generally and/or may adversely affect the UK rail industry, the Issuer and its business or one or more of the other parties to the transaction documents.

In particular, prospective investors should note that, pursuant to a referendum held in June 2016, the UK voted to leave the European Union and, on 29 March 2017, the UK Government invoked Article 50 of the Treaty on the European Union and officially notified the EU of its decision to withdraw from the EU. This commenced the formal two-year process (although this has subsequently been extended twice) of negotiations regarding the terms of the withdrawal and the framework of the future relationship between the UK and the EU (the **article 50 withdrawal agreement**). As part of these negotiations, a transitional period has been agreed in principle which would extend the application of EU law, and provide for continuing access to the EU single market, until the end of 2020 and possibly longer.

The article 50 withdrawal agreement has not yet been ratified by the UK or the EU. The parties have agreed to an extended time line which allows for ratification to take place any time prior to 31 October 2019. To the extent ratification does take place ahead of 31 October 2019, the UK would leave on the first day of the month following ratification. However, it remains uncertain whether the article 50 withdrawal agreement, or any alternative agreement, will be finalised and ratified by the UK and EU ahead of the deadline. If that deadline of 31 October 2019 is not met, unless the negotiation period is further extended or the Article 50 notification revoked, the Treaty on the European Union and the Treaty on the Functioning of the EU will cease to apply to the UK and the UK will lose access to the EU single market. Whilst continuing to discuss the article 50 withdrawal agreement and political declaration, the UK Government has commenced preparations for (and continues to prepare for) a 'hard' ('no deal') Brexit to minimise the risks for firms and businesses associated with an exit with no transitional period. These preparations have included publishing draft secondary legislation under powers provided in the EU (Withdrawal) Act 2018 to ensure that there is a functioning statute book after any exit without a transitional period.

Due to the on-going political uncertainty as regards the terms of the UK's withdrawal from the EU and the structure of the future relationship, it is not possible to determine the precise impact that the referendum, the UK's departure from the European Union and/or any related matters may have on general economic conditions in the UK, the UK rail industry, the business of the Issuer or any other party to the transaction documents and/or the regulatory position of any such entity or of the transactions contemplated by the transaction documents under EU regulation or more generally.

No assurance can be given that any of the matters outlined above would not adversely affect the ability of the Issuer to satisfy its obligations under the Bonds and/or the market value and/or the liquidity of the Bonds in the secondary market.

6. RISKS RELATING TO THE BONDS AND THE MARKET IN WHICH THEY TRADE

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 in respect of the Bond Trustee

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.

Conflict of interest in respect of the Calculation Agent

The Issuer may appoint a Dealer as Calculation Agent in respect of an issuance of Bonds under the Programme. In such a case the Calculation Agent is likely to be a member of an international financial group that is involved, in the ordinary course of its business, in a wide range of banking activities out of which conflicting interests may arise. Whilst such a Calculation Agent will, where relevant, have information barriers and procedures in place to manage conflicts of interest, it may in its other banking activities from time to time be engaged in transactions involving an index or related derivatives which may affect amounts receivable by Bondholders during the term and on the maturity of the Bonds or the market price, liquidity or value of the Bonds and which could be deemed to be adverse to the interests of the Bondholders.

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 Obligors.

Rating of the Bonds

One or more independent credit rating agencies may assign credit ratings to the Issuer, any 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 Obligors 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 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). 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, subject to transitional provisions that apply in certain circumstances). If the status of the rating agency rating the Bonds changes, European

regulated investors may no longer be able to use the rating for regulatory purposes and the Bonds may have a different regulatory treatment. This may result in European regulated investors selling the Bonds which may impact the value of the Bonds and any secondary market. 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 Indexed Bonds

The Issuer may issue Bonds (such as Indexed 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**"). Potential investors should be aware that:

- the market price of such Bonds may be volatile;
- they may receive no interest;
- they may lose all or a substantial portion of their principal;
- payment of principal or interest may occur at a different time than expected;
- 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 the 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 Indexed Bonds. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Indexed Bonds and the suitability of such Bonds in light of its particular circumstances.

Certain risks related to Bonds issued with a variable interest rate and/or 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.

The regulation and reform of "benchmarks" may adversely affect the value of Bonds linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be "benchmarks", (including LIBOR and EURIBOR), are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Bonds referencing such a benchmark.

The Benchmarks Regulation applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Bonds linked to or referencing a benchmark, in particular if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, and in a subsequent speech by its Chief Executive on 12 July 2018, the FCA confirmed that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcements**"). The FCA Announcements (and subsequent updates by FCA officials have) indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average (**SONIA**) over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

Separate workstreams are also underway in Europe to reform EURIBOR using a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 13 September 2018, the working group on euro risk-free rates recommended Euro Short-term Rate (€STR) as the new risk free rate. €STR is expected to be published by the ECB by October 2019. In addition, on 21 January 2019, the euro risk free-rate working group published a set of guiding principles for fallback provisions in new euro denominated cash products (including bonds). The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts may increase the risk to the euro area financial system.

It is not possible to predict with certainty whether, and to what extent, LIBOR and EURIBOR will continue to be supported going forwards. This may cause LIBOR and EURIBOR to perform differently than they have done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark; and/or (iii) leading to the disappearance of the benchmark. Any of the above changes, or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Bonds linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

If “*Benchmark Replacement*” is specified to be “Applicable” in the applicable Final Terms, the Conditions provide for certain fallback arrangements in the event that a Benchmark Event (as defined in Condition 6(o) (*Benchmark Discontinuation*)) occurs, including, among other things, if an Original Reference Rate ceases to exist or to be published or if the Issuer or other party responsible for determining the Interest Rate (as specified in the applicable Final Terms) are no longer permitted lawfully to calculate interest on any Bonds by reference to such an Original Reference Rate under the Benchmarks Regulation or otherwise. Such fallback arrangements include the possibility that the Interest Rate could be set by reference to a Successor Rate or an Alternative Rate (both as defined in the Conditions), with or without the application of an adjustment spread and may include amendments to the Conditions to ensure the proper operation of the successor or replacement benchmark, all as determined by the Issuer (acting, where specified in the Conditions, in good faith and in consultation with an Independent Adviser appointed by the Issuer at its own expense). An adjustment spread (if applied) could be positive or negative and would be applied with a view to reducing or eliminating, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors in the relevant Bonds arising out of the replacement of an Original Reference Rate. However, it may not be possible to determine or apply an adjustment spread and even if an adjustment is applied, such adjustment spread may not be effective to reduce or eliminate economic prejudice to such investors. If no adjustment spread can be determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the Interest Rate. The use of a Successor Rate or Alternative Rate (including with the application of an adjustment spread) will still result in any Bonds linked to or referencing an Original Reference Rate performing differently (which may include payment of a lower Interest Rate) than they would if the Original Reference Rate were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Rate is determined, the ultimate fallback for the purposes of calculation of the Interest Rate for a particular Interest Period may result in the Interest Rate for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate

Bonds based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates, the involvement of an Independent Adviser and the potential for further regulatory developments, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

If “*Benchmark Replacement*” is specified to be “Not Applicable” in the applicable Final Terms, investors should be aware that, if an Original Reference Rate were discontinued or otherwise unavailable, the Interest Rate on Bonds which reference the Original Reference Rate will be determined for the relevant period by the fallback provisions applicable to such Bonds. Depending on the manner in which the Original Reference Rate is to be determined under the Conditions, this may in certain circumstances (i) be reliant upon the provision by reference banks of offered quotations for the Original Reference Rate which, depending on market circumstances, may not be available at the relevant time or (ii) result in the effective application of a fixed rate for Floating Rate Bonds as mentioned above. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Bonds which reference the Original Reference Rate.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation or any of the international or national reforms and the possible application of the benchmark replacement provisions of Bonds in making any investment decision with respect to any Bonds referencing a benchmark.

The market continues to develop in relation to SONIA as a reference rate for Floating Rate Bonds

Investors should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets and its adoption as an alternative to Sterling LIBOR. In particular, market participants and relevant working groups are exploring alternative reference rates based on SONIA, including term SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA rate over a designated term).

The market, or a significant part thereof, may adopt an application of SONIA that differs significantly from that set out in the Conditions and used in relation to Floating Rate Bonds issued under the Programme that reference a SONIA rate. The Issuer may in the future also issue Floating Rate Bonds referencing SONIA that differ materially in terms of interest determination when compared with any previous SONIA-referenced Floating Rate Bonds issued by it under the Programme. The development of Compounded Daily SONIA as an interest reference rate for the Eurobond markets, as well as continued development of SONIA-based rates for such markets and the market infrastructure for adopting such rate, could result in reduced liquidity or increased volatility or could otherwise affect the market price of any SONIA-referenced Floating Rate Bonds issued under the Programme from time to time.

Furthermore, interest on Floating Rate Bonds which reference Compounded Daily SONIA is only capable of being determined at the end of the relevant Observation Period and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Floating Rate Bonds that reference a SONIA reference rate to estimate reliably the amount of interest that will be payable on such Floating Rate Bonds and some investors may be unable or unwilling to trade such Floating Rate Bonds without changes to their IT systems, both of which could adversely impact the liquidity of such Floating Rate Bonds. Further, in contrast to other Floating Rate Bonds, if the Floating Rate Bonds that reference a SONIA

rate become due and payable as a result of an event of default pursuant to Condition 12 and/or the Common Terms Agreement, the Interest Rate payable for the final Interest Period shall only be determined on the date the Floating Rate Bonds became due and payable and shall not be reset thereafter. In addition, the manner of adoption or application of SONIA reference rates in the Eurobond markets may differ materially compared with the application and adoption of SONIA in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SONIA reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of any Floating Rate Bonds referencing a SONIA reference rate. Investors should consider these matters when making their investment decisions with respect to any such Floating Rate Bonds.

As SONIA is a relatively new market index, Floating Rate Bonds linked to SONIA may have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities indexed to SONIA, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of such Floating Rate Bonds may be lower than those of later-issued indexed debt securities as a result. Further, if SONIA does not prove to be widely used in securities such as the Floating Rate Bonds, the trading price of such Floating Rate Bonds linked to SONIA may be lower than that of Floating Rate Bonds linked to indices that are more widely used. Investors in such Floating Rate Bonds linked to SONIA may not be able to sell such Floating Rate Bonds at all or may not be able to sell such Floating Rate Bonds at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. There can also be no guarantee that SONIA will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in Floating Rate Bonds referencing SONIA. If the manner in which SONIA is calculated is changed, that change may result in a reduction of the amount of interest payable on such Floating Rate Bonds and the trading prices of such Floating Rate Bonds.

Certain risks 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.

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 Regulation, the minimum Specified Denomination shall be 100,000 euro or not less than the equivalent of 100,000 euro 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.

Regulatory initiatives may have an adverse impact on the regulatory treatment of the Bonds and/or decrease 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 multiple measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory position for certain investors in securitisation exposures and/or on the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities.

Such regulations include the Securitisation Regulation, which applies in general from 1 January 2019. It should be noted that the Securitisation Regulation has direct effect in member states of the EU and is to be implemented in due course in other countries in the EEA.

The Securitisation Regulation requires certain European-regulated institutional investors, including credit institutions, investment firms, authorised alternative investment fund managers, insurance and reinsurance undertakings, certain undertakings for the collective investment of transferable securities (UCITs) and certain regulated pension funds (institutions for occupational retirement provision), to comply with certain due diligence requirements prior to holding a securitisation position and on an ongoing basis while holding the position. Among other things, such institutional investors are required to verify certain matters with respect to compliance of the relevant transaction parties with credit granting standards, risk retention and transparency requirements.

The Issuer is of the opinion that the Bonds do not constitute a "securitisation" or a "securitisation position" for the purposes of the requirements of the Securitisation Regulation and, as such, the Securitisation Regulation requirements should not apply to investments in

the Bonds. Therefore, none of the Obligor or any other transaction parties has committed to comply with the requirements of the Securitisation Regulation.

Investors should be aware that the regulatory treatment of any investment in the Bonds will be determined by the interpretation which an investor's regulator places on the provisions of the Securitisation Regulation. Prospective investors should therefore be aware that should the interpretation of the relevant investor's regulator be that the requirements of the Securitisation Regulation do apply to an investment in the Bonds, this may result in increased regulatory capital and/or other prudential requirements and/or other applicable sanctions or measures being applied in respect of the Bonds.

Investors should also note that the Basel Committee on Banking Supervision ("**BCBS**") has approved a series of significant changes to the Basel regulatory capital and liquidity framework (such changes being referred to by the BCBS as "**Basel III**"). In particular, Basel III provides for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the Liquidity Coverage Ratio and the Net Stable Funding Ratio). BCBS member countries agreed to implement the initial phase of the Basel III reforms from 1 January 2013 and the second phase from 1 January 2022, subject to transitional and phase-in arrangements for certain requirements. As implementation of any changes to the Basel framework (including those made via Basel III) requires national legislation, the final rules and the timetable for its implementation in each jurisdiction may be subject to some level of national variation. It should also be noted that changes to regulatory capital requirements have been made for insurance and reinsurance undertakings through participating jurisdiction initiatives, such as the Solvency II framework (and its applicable delegated regulations) in Europe. Bondholders should also consult their own advisers as to the consequences to, and effect on, them of the application of Directive 2013/36/EU and Regulation (EU) No. 575/2013 (together, the "**CRD**"), as implemented by their own regulator, to their holding of any Bonds, as 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 the CRD by their own regulator.

Investors in the Bonds are responsible for analysing their own regulatory position, and should consult their own advisers in this respect. 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. None of the Arranger, the Dealers, the Bond Trustee or any other transaction party makes any representation to any prospective investor or purchaser of the Bonds regarding the regulatory treatment of their investment on the date of this Prospectus or at any time in the future.

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 or the ability of the Issuer to make payments in respect of the Bonds. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The Issuer is not registered under the Investment Company Act; the Bonds are not registered under the Securities Act; the Bonds are subject to transfer restrictions and have limited liquidity

The Bonds have not been and will not be registered under the Securities Act or any applicable state securities laws and the Bonds may not be offered or sold at any time within the United States or to, or for the account or benefit of, U.S. persons. Accordingly, the Bonds are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

The Issuer has not been, and will not be, registered as an investment company as defined in Section 3(a)(1) of the Investment Company Act. The Bonds are subject to transfer restrictions and may not, at any time, be transferred to a U.S. Person. Any purported resale or other transfer of Bonds (or beneficial interest therein) to, or for the account of, a U.S. Person will be of no force and effect, will be null and void *ab initio* and will not operate to transfer any rights to the transferee. Consequently, the Bonds may have limited liquidity. See "*Subscription and Sale – United States of America – Selling Restrictions and Transfer Restrictions.*"

No representation made with respect to the application of the Volcker Rule to the Issuer

Under the "**Volcker Rule**" relevant banking entities are prohibited from, among other things, (i) conducting proprietary trading activities in a wide variety of financial instruments and (ii) acquiring or retaining any ownership interest in, or acting as sponsor in respect of, covered funds, except as may be permitted by an applicable exclusion or exception from the Volcker Rule. In addition, in certain circumstances, the Volcker Rule restricts banking entities from entering into certain credit exposure related transactions with covered funds. In general, there is limited interpretive guidance regarding the Volcker Rule.

If the Issuer is deemed to be a covered fund, then in the absence of regulatory relief, the provisions of the Volcker Rule and its related regulatory guidance will prohibit or severely limit the ability of banking entities to hold an ownership interest in the Issuer or enter into certain financial transactions with the Issuer.

Each investor is responsible for analysing its own position under the Volcker Rule and any other similar laws and regulations and none of the Issuer, the Guarantors, any member of the Security Group, any member of Eversholt UK Rails Group, the Arranger, the Dealers, the Bond Trustee, the Security Trustee, any Hedge Counterparty nor any of their respective affiliates makes any representation to any prospective investor or purchaser of the Bonds regarding the application of the Volcker Rule to the Issuer, or to such investor's investment in the Bonds on any Issue Date or at any other time.

The Volcker Rule and any similar measures introduced in another relevant jurisdiction may restrict the ability of relevant individual prospective purchasers to invest in the Bonds and, in addition, may have a negative impact on the price and liquidity of the Bonds in the

secondary market. Investors should conduct their own analysis to determine whether the Issuer is a “covered fund” for their purposes.

In respect of any Bonds issued with a specific use of proceeds, such as Green Bonds, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor

The applicable Final Terms relating to any specific Tranche of Bonds may provide that it will be the Issuer’s intention to apply the proceeds from an offer of such Bonds specifically for investment in Eligible Green Projects and Assets which meet the Eligibility Criteria. Prospective investors should have regard to the information in the applicable Final Terms regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Bonds together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer or the Dealers that the use of such proceeds for investment in any Eligible Green Projects and Assets will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates (in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, the relevant Eligible Green Projects and Assets).

Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a “green” or “sustainable” or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as “green” or “sustainable” or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Green Projects and Assets will meet any or all investor expectations regarding such “green”, “sustainable” or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Green Projects and Assets. As at the date of this Prospectus, the Issuer has not published a framework relating to an investment in Eligible Green Projects and Assets although the Issuer intends to publish such framework prior to the issuance of any Bonds which specify that the relevant proceeds will be used for Eligible Green Projects and Assets.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may or may not be made available in connection with the issue of any Bonds and in particular any Eligible Green Projects and Assets to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Prospectus. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer, the Dealers or any other person to buy, sell or hold any such Bonds. Any such opinion or certification is only current as of the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Bonds. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any such Bonds are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green Projects and Assets. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of any such Bonds or, if obtained, that any such listing or admission to trading will be maintained during the life of the Bonds.

While it is the intention of the Issuer to apply the proceeds of any Bonds so specified for Eligible Green Projects and Assets in, or substantially in, the manner described in the applicable Final Terms, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Green Projects and Assets will be capable of being implemented in or substantially in such manner and/or in accordance with any timing schedule and that accordingly such proceeds will be totally disbursed for investment in the specified Eligible Green Projects and Assets. Nor can there be any assurance that such Eligible Green Projects and Assets will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer.

Any such event or failure to apply the proceeds of any issue of Bonds for any Eligible Green Projects and Assets as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any such Bonds no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Bonds and also potentially the value of any other Bonds which are intended to finance Eligible Green Projects and Assets and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Investors should refer to the Issuer's website and the Green Bond Framework for further information.

INDUSTRY OVERVIEW

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 in April 1994 from British Rail to a regulated, privately-owned entity called Railtrack Plc. Railtrack Plc was listed on the London Stock Exchange in 1996 and then in October 2001 was placed into railway administration under the provisions of the Railways Act until October 2002, when the business of Railtrack Plc was transferred to Network Rail, a company limited by guarantee.

At the time of privatisation, British Rail's rolling stock was sold either to two private sector FOCs or to the three newly created Full Service ROSCOs, which in turn leased the rolling stock to TOCs.

Passenger rolling stock was allocated to the three original Full Service ROSCOs: which are now known as Eversholt UK Rails Group, Angel and Porterbrook. We refer to these collectively as the Full Service ROSCOs. The rolling stock was allocated to each Full Service ROSCO such that each had a reasonably diversified portfolio of, and where practical, comparable fleets.

Passenger railway services in the UK are operated by TOCs, in most cases on the basis of franchises which are granted by the relevant franchising authority through a competitive tender process.

The three original Full Service ROSCOs were subsequently sold into the private sector. At privatisation, Eversholt UK Rails Group primarily owned electric rolling stock. Since then, Eversholt UK Rails Group has diversified its fleet and now has expertise in diesel, bi-mode and electric powered passenger rolling stock. In response to demand for long-term alternatives to diesel propulsion, the Eversholt UK Rails Group continues to work with its partners on a range of alternative propulsion technologies including hydrogen-power, battery and other emerging technologies. Eversholt UK Rails Group is, at the date of this Prospectus, purely UK based, having disposed of its small fleet of non-UK assets in 2009.

Whilst the three original Full Service ROSCOs still own the majority of the passenger rolling stock used in the UK, recent years have seen alternative rolling stock financiers enter the market, including the Finance Only ROSCOs, as set out below:

- Voyager Leasing Limited, was established to lease a new fleet of "Voyager" trains, but has not otherwise undertaken any further leasing activities. Voyager Leasing Limited sold its fleet to Beacon Rail Leasing in 2017;
- Sumitomo Mitsui Banking Corporation (through one or more subsidiaries) has acquired fleets for operation in London, Scotland and Wales;
- The Royal Bank of Scotland Group plc (Lombard North Central through Caledonian Sleepers Rail Leasing Limited, a special purpose vehicle) has acquired the Caledonian Sleepers for operation in Scotland;

- Rock Rail Limited (part of Rock Infrastructure) has acquired fleets for operation on Thameslink, Southern and Great Northern ("**TSGN**"), First MTR South Western Trains, Abellio Greater Anglia and Abellio East Midlands. Rock Rail is also an investor in the Intercity Express Programme ("**IEP**") fleet;
- Beacon Rail Leasing is active in the freight rolling stock market, owns a small fleet of suburban rolling stock and has procured new coaching stock for TransPennine Express ("**TPE**"). Beacon Rail acquired Voyager Leasing Limited's fleet in 2017 and in March 2019 announced an order for a small fleet of intercity trains for First Group's planned open-access services between London King's Cross and Edinburgh;
- Corelink Rail Infrastructure Limited, owned by Deutsche Asset Management and Infracapital, signed a contract in 2017 to finance a new fleet for introduction into operation into the West Midlands franchise;
- Cross London Trains Limited ("**XLT**") owns the new Thameslink trains. The XLT shareholder group consists of Dalmore Capital, Equitix, Siemens plc and Innisfree Limited;
- Dalmore Capital is an investor in rolling stock for the IEP and in XLT;
- Equitix is an investor in rolling stock for the Elizabeth line, the IEP and XLT;
- Macquarie European Rail owns one passenger fleet on Abellio Greater Anglia and
- Agility Trains owns the IEP fleets. The Agility Trains shareholder group consists of Hitachi Rail Europe, Dalmore Capital, Equitix, Japan Infrastructure Initiative Company, Rock Rail, AXA Real Estate Investment Managers and John Laing Group.

Train Operating Companies (TOCs)

Passenger rail services in the UK are run by TOCs. The majority of TOCs operate services under franchise agreements, with the exceptions being open access operators ("**OAOs**") (which are TOCs which are not subject to franchising agreements, such as First Hull Trains and Grand Central) and operations in Northern Ireland. The RSSSG, in its RSS sixth edition, published in March 2018, states that OAOs represent 0.5 per cent. of the total national passenger fleet.

The DfT is the franchising authority for England. Transport Scotland and Scottish Ministers have responsibility for the award of Scottish rail franchises. Transport for Wales and the Welsh Government have responsibility for the award of Welsh rail franchises.

A franchise agreement is one under which a passenger operator undertakes to the Secretary of State or relevant awarding body 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 ORR and track access agreements with Network Rail enabling it to run the services to which the franchise agreement relates.

There are currently 17 franchised TOCs and 2 OAOs operating in the UK (plus Translink in Northern Ireland).

The short-term nature of the franchising structure encourages TOCs to lease rolling stock rather than own it because the useful life of rolling stock (usually 25-40 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 Rail Delivery Group ("**RDG**") was established in 2011 to provide a single leadership body through which TOCs and FOCs could respond on generic industry issues such as fares and ticketing policy, passenger information provision, overall performance and punctuality. Network Rail is also a member of RDG, but the ROSCOs are not.

Responsibility for UK rail policy

In England 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; these roles are fulfilled in London by the Greater London Authority, in Scotland by Transport Scotland and Scottish Ministers, and in Wales by Transport for Wales and the Welsh Government. Responsibilities include determining the extent of UK Government subsidies and awarding passenger rail franchises. In 2014, the Rail Executive was created within the DfT to support the drive to strengthen its focus on passengers, to build an enhanced culture of commercial expertise and innovation and to ensure greater coordination of improvements to track and trains. The Rail Executive was renamed the Rail Group in January 2016.

The relevant franchising authority has a statutory duty under Section 30 of the Railways Act 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 new franchise agreement has been entered into the franchising authority can fulfil its Section 30 obligations either by finding a new franchisee or by becoming the "operator of last resort". The relevant franchising authority is not obliged to provide or secure services if 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 the franchising authorities various step-in options in the case of franchisee default or termination of the franchise agreement by the relevant 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 the franchising authority or its nominee (usually a successor TOC) on substantially the same terms as existed with the incumbent TOC before it defaulted.

Relevant franchising authorities can give Section 54 Undertakings to encourage railway investment by mitigating the risk that the scheduled termination of a franchise may result in vehicles coming off lease. The use of Section 54 Undertakings is now no longer preferred DfT policy, though Transport Scotland continues to use this mechanism on occasion. 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, subject to the performance of the rolling stock remaining satisfactory. 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. Information regarding individual Section 54 Undertakings is not public and as such terms may not be the same for each agreement. Although a Section 54 Undertaking does not legally commit the relevant franchising authority to ensure that rolling stock is re-leased on the same franchise, so far the DfT (in the case of English franchises) has fulfilled its undertaking by specifying that the rolling stock must be incorporated in the franchise bid. Section 54 Undertakings have

covered various periods, ranging from short-term solutions to cover issues of franchise timing to 22-year undertakings.

The ORR

The ORR is an independent statutory body that is responsible for regulating the UK railway industry. No specific regulations apply to the ROSCOs and the UK 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 on the environment in which the ROSCOs operate.

The ORR is responsible for issuing operator licences to TOCs and FOCs and also approves terms for access by operators to the UK's rail network. The ORR also grants authorisation for new rolling stock (including rolling stock owned by Eversholt UK Rails Group) to enter into passenger service. Since April 2006, the ORR has also 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, promote efficiency and enforce competition in railway services.

Network Rail

Network Rail owns and has operational responsibility for substantially all track and associated railway infrastructure in the UK (other than Northern Ireland and London Underground). It also owns almost all stations in the UK (other than 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), Transport Scotland, track access charges and operation of railway stations. Network Rail is a "not for dividend" company limited by guarantee, reinvesting surpluses into the network. Network Rail has been subject to several internal and independent reviews of its organisational structure, sources of funding and interaction with other industry stakeholders. The most influential of these was the 2016 Shaw Review, which recommended the devolution of the former highly-centralised structure into regional and route-based business units. Network Rail has implemented this recommendation through the establishment of a new regional management structure which came into effect in June 2019.

Franchise process for TOCs

In England, the process for the award of a passenger rail franchise is governed by the DfT, which specifies its franchise requirements and bid evaluation criteria in a formal invitation to tender document. The DfT evaluates all tenders. 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 and station facilities, 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 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.

The franchise processes in Scotland and Wales are largely analogous to those in England, albeit with some differences in the level of prescriptiveness.

Several reviews of franchising policy and process have been commissioned by the DfT since rail privatisation. Some, such as the McNulty Review in 2011, were focused on opportunities to improve overall efficiency and value for money. Others, such as the Laidlaw and Brown Reviews undertaken in 2012 in the wake of the failed Intercity West Coast franchise competition, sought to understand the root causes of the Intercity West Coast failure and to address them through recommending revisions to franchise programme phasing, franchise duration and specification.

While none of these changes fundamentally altered the overall franchising process, the level of prescriptiveness and weighting of 'quality' in DfT-sponsored franchise competitions has increased substantially. The overall impact on rolling stock selection has been to increase bidders' appetite for new-build rather than enhanced and refurbished existing rolling stock.

The most recent rail review, initiated in September 2018 and led by Keith Williams, is examining the structure of the whole UK rail industry and the way in which passenger rail services are delivered. The review will make recommendations for reform that prioritises passengers' and taxpayers' interests. The review's official report will not be published (in the form of a UK Government White Paper) until the autumn of 2019. Interim statements and industry intelligence suggest that it may propose radical changes to the current approach; however, the DfT is not bound to implement its recommendations. It is possible that ongoing political uncertainty in the UK could result in delay in the publication of the Williams Review. In addition, such uncertainty and any delay in publication could impact the timeframe for the implementation of any recommendations.

DfT franchise terms are typically 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. Some agreements also include early termination provisions where performance tests are not met. In recent years there has been an increase in the number of franchise agreements that have been terminated early. Most notably, in June 2018 Stagecoach and Virgin Trains' East Coast Main Line franchise was handed back to the UK Government after payments under the DfT franchise agreement could not be met by the TOCs.

The most recent franchise awards in Scotland and Wales have been based on longer franchise durations (between 10 and 15 years), with the 10-year ScotRail franchise containing a major review milestone at the 5-year point. A franchise agreement usually 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 relevant awarding body.

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

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

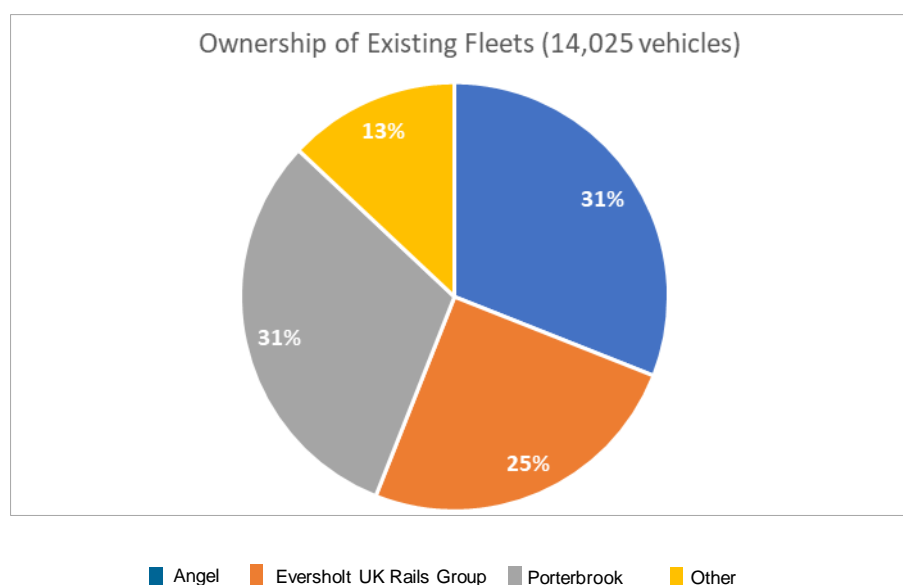
The CC also used its powers under Sections 161, 164 and Schedule 8 of the Enterprise Act 2002 and, on 22 December 2009, enacted an Order (*The Rolling Stock Leasing Market Investigation Order 2009*) (the "**CC Order**") requiring the Full Service ROSCOs to provide the TOCs with a set list of information 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 Full Service ROSCOs. The CC Order confers various powers of investigation on the ORR to allow it to monitor the ROSCOs' compliance with the terms of the CC Order. The CC Order requires all Full Service ROSCOs 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 CC Order.

Eversholt UK Rails Group has taken steps to ensure it complies with the CC Order.

UK Passenger Rolling Stock

The RSS sixth edition was published in March 2018 and is available on the Eversholt UK Rails Group's website. Further updates of the RSS are in abeyance pending the outcome of the Williams Review.

At March 2018, the UK's national passenger rolling stock in service, excluding Northern Ireland, totalled 14,025 vehicles. The (then) average age of the UK fleet was 21 years old, a figure that has been increasing since its low of an average of 13 years old in March 2006. The large-scale introduction of new rolling stock during Control Period 5 and the early part of Control Period 6 is forecast to reduce the average age of the UK national fleet to 15 years by March 2021. (*Source: RSSSG's Long Term Passenger RSS (March 2018), p.17*). The pie chart below shows the ownership of the national passenger rolling stock fleet at the end of March 2018.



Source: RSS report, March 2018

The long-term fleet size forecasts have remained relatively stable over the five industry publications. The output of the sixth edition for the medium growth scenario is shown in the table below.

Number of vehicles	Mar-18	Mar-19	Mar-24	Mar-29	Mar-34	Mar-47
A Shorter Distance Self-Powered	1,055	1,024	821	886	810	949
B Middle Distance Self-Powered	1,384	1,318	1,600	1,712	1,469	1,591
C Long Distance Self-Powered	1,432	1,013	975	816	827	762
D Shorter Distance Electric	2,521	2,894	3,241	3,503	4,217	4,496
E Middle Distance Electric	6,211	6,461	6,832	7,374	8,273	9,722
F Long Distance Electric and Bi-mode	1,248	1,974	2,328	2,523	2,529	3,088
G Very High Speed Electric	174	174	174	664	1,513	1,536
Total	14,025	14,858	15,971	17,479	19,637	22,145
<i>Growth</i>		6%	7%	9%	12%	13%

Source: RSS Report, March 2018

The national passenger rolling stock fleet size is forecast to increase by 58 per cent. between March 2018 and March 2047 to 22,145 vehicles. In RSS's medium scenario, 14,700 new vehicles will be required either to replace existing fleets as they come to the end of their useful life or to meet forecast passenger growth requirements. Two other scenarios, low and high, have also been developed. These scenarios show requirements for an overall increase of 40 per cent. and 85 per cent. respectively in the national fleet size by March 2047. The low scenario incorporates assumptions for economic growth and employment that are far more pessimistic than the post-Brexit assumptions of the Office of Budget Responsibility ("**OBR**") and other analysts (source: RSSSG's Long Term Passenger RSS (March 2018), p.5). It can therefore be argued that the consequences of Brexit are contained within the envelope of forecasts outlined in the long-term strategy, and may be considered to impact the likelihood of certain scenarios rather than the scenarios themselves.

Of the 14,700 new vehicle requirement, 7,187 vehicles have been procured and committed for delivery in Control Period 5 (1 April 2014 to 31 March 2019) and in the early years of Control Period 6 (1 April 2019 to 31 March 2024). Five train manufacturers are now involved in this large programme of growth and fleet replacement.

Of the 7,187 vehicles, 2,636 vehicles have been procured through three large UK Government led procurements: (1) Intercity Express PPP, (2) Thameslink PPP and (3) Crossrail. These procurements have been structured to look more like traditional project financing processes targeting a different set of financiers than traditional rolling stock procurements of the past. Of the remaining 4,551 vehicles, 2,551 have been financed by parties other than the three original Full Service ROSCOs.

Eversholt UK Rails Group placed orders for new trains, during 2015 and 2016 as follows:

- for the Greater Western franchise, 236 new Hitachi built C802 bi-mode vehicles. These have now all been accepted and introduced into service, and the Eversholt UK Rails Group's focus is now on fleet and final acceptance;
- for the Arriva Rail North ("**Arriva Rail North**") franchise, 149 new C195 diesel vehicles and 141 new C331 electric vehicles, both from Construcciones y Auxiliar de Ferrocarriles ("**CAF**"). Eversholt UK Rails Group are currently in the process of

accepting these trains, and Northern have introduced the first few into passenger service on 1 July 2019; and

- for the TPE franchise, 60 new C397 high speed electric vehicles from CAF. As at the date of this Prospectus, Eversholt UK Rails Group expects that all 60 of these C397 vehicles will be accepted during 2019. Eversholt UK Rails Group understands that TPE are currently planning to go into passenger service with these vehicles in autumn 2019.

See “*Business Description*” for further details on new trains ordered by Eversholt UK Rails Group.

With contracted new vehicles coming into service the total active national fleet is forecast to increase by between 1,481 and 2,700 vehicles by 2024. This increase is less than the total new build orders as a result of a number of vehicles reaching the end of their useful lives within this period.

Dynamics of passenger rolling stock choice

In most circumstances the franchising authority will allow bidders for a new franchise or concession freedom to select the type and mix of rolling stock that they consider best suited to deliver the services on which their bid is based. Occasionally, as in the case of the C800 and C801 IEP trains and the C700 Thameslink fleet (both of which were procured by the DfT), use of some rolling stock may be mandated within the franchise Invitation to Tender (“ITT”).

Most new franchise ITTs and some short-term extensions to existing franchises have identified a need for additional rolling stock capacity to meet growing passenger demand. This creates opportunities for the acquisition of new trains as well as cascades to such franchises of existing rolling stock that may have been displaced from other franchises by the introduction of new trains.

In addition, some franchises have required additional rolling stock to that secured at the start of the franchise term. Recent examples relevant to Eversholt UK Rails Group include the enlargement of the Great Western Railway C802 bi-mode fleet, additional Arriva Rail North C195 diesel multiple units and additional C320/4 electric multiple units for Abellio ScotRail.

In addition, where a relevant franchising authority such as the DfT has procured a specific fleet such as IEP or the Thameslink C700 rolling stock or has provided a Section 54 Undertaking for a given fleet, it will normally stipulate within the franchise requirements that this fleet is to be included in the new franchise. The TOC will use the franchise evaluation matrix in addition to the following considerations to evaluate their rolling stock options:

- TOCs will always have the option to procure new fleets, either by direct purchase or by leasing them from a lessor (whether a Full Service ROSCO, Finance Only ROSCO or finance lessor);
- rolling stock must be 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 on the mainline railways in the UK). Trains designed with a maximum speed of 100 mph cannot provide 125 mph intercity services; the overall capacity, position of passenger doors and the internal configuration must be appropriate for the expected type of operation;

- 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 or electric power etc.). Operating costs will also be a function of the design, type and age of the trains. Diesel trains use more expensive fuel but, as referred to above, can generally "go anywhere" though (as with all types of trains) may be subject to mass, gauge or length constraints. Newer trains tend to be lighter and use less fuel or electricity, in addition newer electric trains are generally equipped with regenerative braking that reduces their net power consumption;
- TOCs may consider the characteristics of the rolling stock (for example whether it has features such as wifi and air conditioning); 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 more reliable trains.

Eversholt UK Rails Group adopts a rigorous structured approach both to new-build fleet acquisitions and investment in enhancements to its existing rolling stock portfolio. This ensures that the inherent performance, reliability, flexibility and versatility of each fleet is optimised, increasing their attractiveness to franchise operators and bidders.

UK Rail Freight Market

FOCs operate freight train services in the UK on an entirely open access basis. Services are not specified by government. Freight operators may either own or lease locomotives and wagons. They are allocated train paths on the network by Network Rail, alongside franchised TOCs and OAOs. Rail freight operates predominantly in two sectors, being bulk (e.g. coal, construction materials and petrochemicals) and intermodal (e.g. shipping containers).

Eversholt UK Rails Group's exposure to the freight market is limited and comes through its 83 freight locomotives. No freight wagons are owned by Eversholt UK Rails Group.

KEY INVESTMENT HIGHLIGHTS

Single shareholder with long-term investment horizon

Eversholt UK Rails Group has a single ultimate shareholder which has a stated long-term and supportive investment horizon. Eversholt UK Rails Group has secured new business from existing and new TOC customers, including the new CAF (C195, C331, C397) and Hitachi fleets (C802).

Visibility of contracted future earnings



Source: Company data

Eversholt UK Rails Group's long-term contracted revenues with TOCs and FOCs contribute to its visibility of earnings. As of 30 June 2019, assuming re-leasing relating to the new East Midlands franchisee as per DfT's announcements, 93 per cent. of the existing revenues are contracted until the end of 2019, declining to 46 per cent. in 2024. The East Midlands franchise has subsequently been awarded to Abellio East Midlands and Eversholt UK Rails Group have entered into a new lease for the C222 fleet with Abellio East Midlands. This is driven by scheduled lease expiry dates and the franchise competitions schedule which typically locks in fixed rentals for a period of 7-10 years. Eversholt UK Rails Group maintains relationships with its key customers and is pro-active in marketing its fleets for new lease opportunities. This enables Eversholt UK Rails Group to maintain a very high level of fleet utilisation and a high level of visibility of earnings.

Track record of re-leasing

	2010	2011	2012	2013	2014	2015	2016	2017	2018	Half year ended 30 June 2019
Passenger Fleet Utilisation	100%	100%	100%	100%	100%	100%	100%	99.9%	100%	98%

Source: Eversholt UK Rails Group, 30 June 2019

Between the start of 2010 and the end of June 2019 Eversholt UK Rails Group has had at least 98 per cent. of its passenger rolling stock fleet on lease, as illustrated in the table above.

Eversholt UK Rails Group maintains relationships with the TOCs, FOCs and relevant franchising authorities in an effort to ensure that the needs of upcoming franchises are well understood. This enables Eversholt UK Rails Group to be pro-active in marketing its fleets to

franchise bidders. The relationship development team maintains regular dialogue with TOCs to seek to ensure that the rolling stock on lease is delivering the required service to rail passengers and to quickly deal with any challenges arising.

Asset management capabilities

Since privatisation, Eversholt UK Rails Group has invested heavily in its engineering and project management capabilities, which it applies when overseeing the design, construction, acceptance and introduction of new fleets, in the maintenance and modification of its existing fleets and in the storage or disposal of fleets coming to the end of their life. This expertise has, in turn, contributed to Eversholt UK Rails Group's ability to maximise the availability of its fleets.

Eversholt UK Rails Group builds relationships with its suppliers through its experienced core capability of engineers and project managers. Eversholt UK Rails Group seeks to ensure that mileage-based and time-based maintenance, fleet upgrades, refurbishment and new build delivery are completed to agreed specifications. Eversholt UK Rails Group's key suppliers include Alstom, Bombardier, CAF, Gemini, Hitachi, Kiepe, Siemens and Wabtec Faiveley. Eversholt UK Rails Group therefore has broad experience of different manufacturers and suppliers, enabling it to make significant investment in, and to manage the residual value of, its assets and to maintain their attractiveness for re-leasing.

As part of a planned disposal programme for life-expired vehicles that commenced in 2018, Eversholt UK Rails Group has engaged with three key suppliers, Sims Metal Management, C F Booth and European Metal Recycling, to ensure the best value for money is achieved by recovering key spares for re-use or sale and ensuring that as many of the train components as possible are recycled. Prior to scrapping trains Eversholt UK Rails Group actively re-markets them for re-lease or sale.

In 2014, Eversholt UK Rails Group entered into a services agreement with XLT to provide asset management support for the C700 fleet owned by XLT. Eversholt UK Rails Group contributed to the design review process, established build quality scrutiny and evaluated type and unit testing. Following provisional acceptance of the units, Eversholt UK Rails Group provides lease and asset management services overseeing Siemens (the train manufacturer and maintainer), in their undertaking of activities under the related train services agreement.

Diverse portfolio of assets

At privatisation, Eversholt UK Rails Group's portfolio consisted primarily of electric vehicles. Since then, in addition to increasing its electric vehicle assets, Eversholt UK Rails Group has acquired several diesel and bi-mode fleets. This has increased the number of franchises and concessions to which its rolling stock is suited and allows Eversholt UK Rails Group to access a wider range of TOC customers. This strategy has also broadened the experience and credentials of Eversholt UK Rails Group's engineering and project management functions.

The size of each major fleet and (where applicable) the associated provision of spares, tools and test equipment is sufficient to make partial cascades to other franchises viable in the event that the entire fleet is not required in a particular franchise, further reducing the risk of fleets being off-lease.

Eversholt UK Rails Group is the sole owner of the UK's only Very High Speed Electric fleet, the C395 Javelin fleet that operates on High Speed 1 between London St Pancras and the

south coast of England. This gives Eversholt UK Rails Group unique insight among ROSCOs into the manufacture, delivery and acceptance of this type of fleet.

Eversholt UK Rails Group Passenger Fleet by Type	Current Vehicles	Total Vehicles on completion of current orders
Shorter distance self powered (diesel, 75 mph capability)	0	0
Middle distance self powered (diesel, 90-100 mph capability)	261	358
Long distance self powered (diesel or bi-mode 125 mph capability)	379	379
Shorter distance electric (75 mph capability)	1,053	1,026
Middle distance electric (90-100 mph capability)	1,330	1,434
Long distance electric (110-125 mph capability)	333	393
Very high speed electric (140 mph capability)	174	174
Total	3,530	3,764

Source: Eversholt UK Rails Group, 30 June 2019

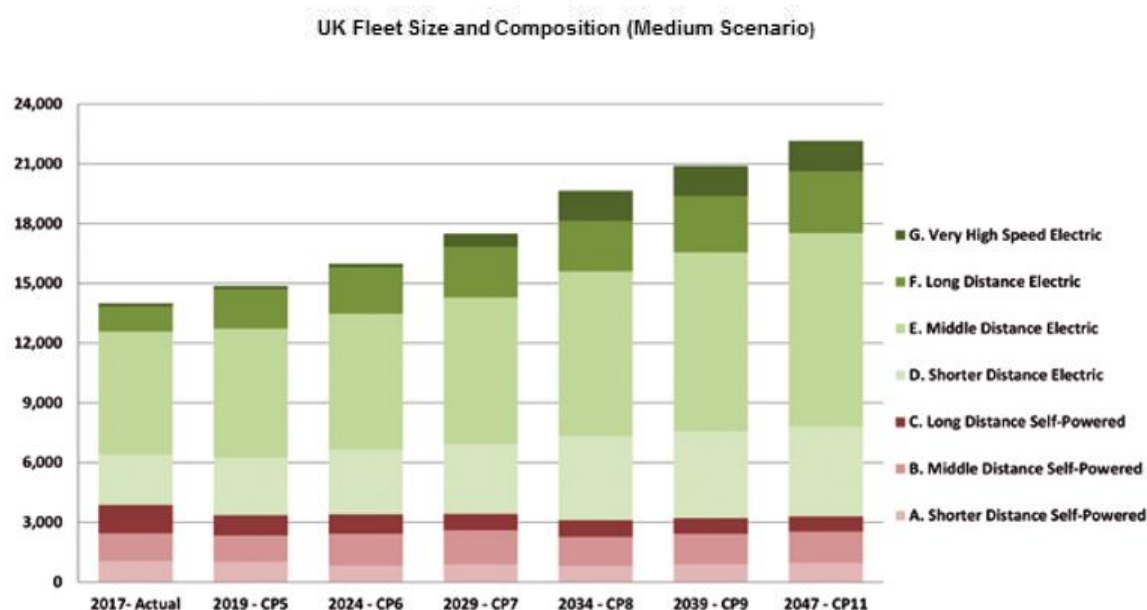
Track record of new fleet delivery, acceptance and introduction

Eversholt UK Rails Group has many years of experience of introducing new fleets to the UK rail network. These include the C395 Javelin (the first Very High Speed Electric trains introduced in the UK), C185 for TransPennine Express, C380 for ScotRail and the C802 fleet (the latest fleet of trains to be introduced on the West of England route). Eversholt UK Rails Group also managed the introduction of the C700 fleet on behalf of XLT.

Most recently, Eversholt UK Rails Group has begun to introduce the new C195 and C331 fleets in the Northern franchise. These commenced passenger service in July 2019. The Projects Team is currently working on three new build projects including the C397 fleet for which three of the 5-car units arrived into the UK to carry out testing during the first half of 2019. Whilst the number of train acceptances changes on a weekly basis, as of 30 June 2019 Eversholt UK Rails Group have accepted 52 C195 vehicles and 37 C331 vehicles. As at the date of this Prospectus, Eversholt UK Rails Group expects that all 60 C397 vehicles will be accepted during 2019.

It should be noted that the forecast reduction of shorter distance Passenger Electrical Multiple Units ("**EMUs**") is the result of a planned disposal programme for life-expired vehicles that commenced in 2018. These EMUs, all between 38 and 42 years old, are being displaced by new fleet deliveries entering the market. The process of disposal ensures that all reletting and sale opportunities are pursued before embarking upon 'reprocessing' (recovery of valuable scrap materials) and disposal. Temporary fleet storage in support of future re-leasing opportunities is considered as an alternative prior to disposal.

Pipeline of new build and re-letting opportunities



Source: RSSSG March 2018

Since privatisation, the number of passengers travelling on the railways has shown unprecedented growth. The chart above from RSS highlights how the number of new passenger vehicles is expected to evolve over the coming years to meet further growth in customer demand. The chart reflects the changing balance between self-powered and electric vehicles as the scale and timing of further electrification evolves. The chart also reflects the implementation of the high-speed rail programme (e.g., High Speed 2 ("HS2")) which, if implemented, will see an increase in Very High Speed Electric vehicles. It was announced in August 2019 that HS2 will be subject to an independent review ahead of the 'notice to proceed' decision for phase one of the project. The review's findings and recommendations are expected to be published in autumn 2019. The outcome of the review could impact the forecasted increase in Very High Speed Electric Vehicles if it were to recommend that the UK Government delay or cancel the programme.

RSSSG forecasts a requirement for 14,700 new vehicles by March 2047 in the medium scenario and indicates that this could rise to as many as 18,500 if demand continues to grow strongly. A low scenario forecasts a requirement of 11,950 new vehicles.

The chart above also emphasises the opportunity for existing fleets to be re-leased and the continued demand for a wide range of rolling stock, specifically with respect to emerging delivery delays to some new rolling stock fleets.

New build financing opportunities

Eversholt UK Rails Group has a disciplined approach to new build investment and will consider opportunities that complement its portfolio of assets. Eversholt UK Rails Group does not seek to compete on price or target a particular market share, instead it seeks to differentiate itself by providing value added services to its customers, such as new build design, project management and fleet introduction, in order to secure new build orders.

Credit Rating and Industry Dynamics

The Security Group currently benefits from an investment grade rating of Baa2 from Moody's and BBB from Fitch. Fitch currently rates the Bonds BBB+. On 23 September 2019 Fitch downgraded the rating of the Security Group from BBB+ to BBB and the rating of the Bonds from A- to BBB+. Eversholt UK Rails Group has consistently been rated investment grade since first obtaining a credit rating in 2010 and is committed to an investment grade rating, as reflected by the significant coupon step-ups included in certain of its financing arrangements in the event of a downgrade.

DESCRIPTION OF THE ISSUER AND THE OTHER OBLIGORS

The Issuer

The Issuer was incorporated and registered in England and Wales on 29 July 2010 (with registered number 07329930) 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 Issuer's issued share capital consists of 50,000 ordinary shares of £1 each. The entire issued share capital is held by FinCo Parent. 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 to raise or borrow money and to grant security over its assets to manage Eversholt UK Rails Group's funding requirements.

The Issuer is a special purpose vehicle and its principal activities are to raise capital by the issue of Bonds or by borrowing funds under Authorised Credit Facilities 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 the financing activities of Eversholt UK Rails Group.

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
Andrea Justine Wesson	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
Michelle Sharma	210 Pentonville Road, London N1 9JY	Company Secretary

On 16 September 2019, Andrew James Course resigned as a director of the Issuer and each of the other companies in the Security Group of which he was a director at such time, after stepping down as Chief Operating Officer of the Eversholt UK Rails Group.

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.

The Issuer has no subsidiaries or employees.

Corporate Services Agreement

Pursuant to the terms of the Corporate Services Agreement entered into on 5 November 2010 between Law Debenture Corporate Services Limited (the "**Corporate Services Provider**") and the Issuer (the "**Issuer Corporate Services Agreement**"), 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 Issuer 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 Issuer 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 is in breach of any of the terms of the Issuer 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 Issuer 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 Issuer Corporate Services Agreement is governed by the laws of England and Wales.

HoldCo

HoldCo was incorporated under the Companies Act 2006 and registered in England and Wales on 22 May 2017 as a private limited company with registered number 10783654. HoldCo's registered office is at 210 Pentonville Road, London N1 9JY, United Kingdom and its telephone number is +44 (0) 207380 5040. HoldCo is a wholly owned subsidiary of Eversholt UK Rails Limited and its authorised share capital is 102 ordinary shares of £1 each. Through HoldCo's holding of 12,000 allotted, called up and fully paid ordinary shares of Eversholt Investment Limited, HoldCo is joint owner of Eversholt Investment Limited together with Caduceus Investment S.A (further details on Caduceus Investment S.A's shareholding is set out below). The general business of HoldCo is to act as a holding company for the Issuer's Group.

Directors and Company Secretary

The directors and company secretary of HoldCo 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
Andrea Justine Wesson	210 Pentonville Road, London N1 9JY	Director
LDC Securitisation Director no.3 Limited	Fifth floor 100, Wood Street, London, EC2V 7EX	Independent Director
Michelle Sharma	210 Pentonville Road, London N1 9JY	Company Secretary

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

HoldCo has no employees.

Corporate Services Agreement

Pursuant to the terms of a Corporate Services Agreement entered into on 28 June 2017 between Law Debenture Corporate Services Limited (the "**Corporate Services Provider**") and HoldCo (the "**HoldCo Corporate Services Agreement**"), the Corporate Services Provider provides certain corporate services to HoldCo and provides an independent, UK-resident director to HoldCo, each in consideration for the payment by HoldCo of an annual fee to the Corporate Services Provider.

Pursuant to the terms of the HoldCo 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 HoldCo and provided that a substitute corporate services provider acceptable to HoldCo has been appointed on terms substantially the same as those set out in the HoldCo 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 HoldCo, 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 is in breach of any of the terms of the HoldCo 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 HoldCo Corporate Services Agreement shall terminate automatically upon completion of liquidation or dissolution of HoldCo.

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

The HoldCo Corporate Services Agreement is governed by the laws of England and Wales.

Rail HoldCo

Rail HoldCo was incorporated under the Companies Act 1985 and registered in England and Wales on 12 April 2002 as a private limited company with registered number 04415647. Rail HoldCo's registered office is at 210 Pentonville Road, London N1 9JY, United Kingdom and its telephone number is +44 (0) 207380 5040. The principal activity of Rail HoldCo is to act

as a holding company. Rail HoldCo is a wholly owned subsidiary of LeaseCo and its issued share capital is one ordinary share of £1.

Directors and Company Secretary

The directors and company secretary of Rail HoldCo 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
Andrea Justine Wesson	210 Pentonville Road, London N1 9JY	Director
Michelle Sharma	210 Pentonville Road, London N1 9JY	Company Secretary

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

Rail HoldCo has no subsidiaries, employees or non-executive directors.

FinCo Parent

FinCo Parent was incorporated under the Companies Act 2006 and registered in England and Wales on 27 July 2010 as a private limited company with registered number 07327371. FinCo Parent's registered office is at 210 Pentonville Road, London N1 9JY, United Kingdom and its telephone number is +44 (0) 207380 5040. The principal activity of FinCo Parent is to act as a holding company. FinCo Parent is a wholly owned subsidiary of ERFL Holdings and its issued share capital is 50,000 ordinary shares of £1 each.

Directors and Company Secretary

The directors and company secretary of FinCo Parent 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
Andrea Justine Wesson	210 Pentonville Road, London N1 9JY	Director
Michelle Sharma	210 Pentonville Road, London N1 9JY	Company Secretary

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

FinCo Parent has no employees or non-executive directors.

MaintCo

MaintCo was incorporated under the Companies Act 1985 and registered in England and Wales on 6 July 2009 as a private limited company with registered number 06953114. MaintCo's registered office is at 210 Pentonville Road, London N1 9JY, United Kingdom and its telephone number is +44 (0) 207380 5040. The principal activity of MaintCo is to employ staff to provide asset management, relationship management, cash management, related treasury services and certain other services for members of Eversholt UK Rails Group and to

provide certain asset management and maintenance services to third parties. MaintCo is a wholly owned subsidiary of LeaseCo and its issued share capital is 100,000,002 ordinary shares of £1 each.

Management and Employees

The directors and company secretary of MaintCo 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
Andrea Justine Wesson	210 Pentonville Road, London N1 9JY	Director
James Robert Davis	210 Pentonville Road, London N1 9JY	Director
Darren Spence	210 Pentonville Road, London N1 9JY	Director
Michelle Sharma	210 Pentonville Road, London N1 9JY	Company Secretary

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

MaintCo has no non-executive directors.

MaintCo is the employer entity of the Group. As of 30 June 2019, Eversholt UK Rails Group had 115 employees, 111 of whom are based in the London, UK office and 4 in Dublin, Ireland.

DepotCo

DepotCo was incorporated under the Companies Act 1985 and registered in England and Wales on 13 September 2004 as a private limited company with registered number 05229765. DepotCo's registered office is at 210 Pentonville Road, London N1 9JY, United Kingdom and its telephone number is +44 (0) 207380 5040. The principal activity of DepotCo is to hold interests in and leasing of certain real estate assets. DepotCo is a wholly owned subsidiary of LeaseCo and its issued share capital is 5,000,100 ordinary shares of £1 each.

Directors and Company Secretary

The directors and company secretary of DepotCo 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
Andrea Justine Wesson	210 Pentonville Road, London N1 9JY	Director
Michelle Sharma	210 Pentonville Road, London N1 9JY	Company Secretary

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

DepotCo has no subsidiaries, employees or non-executive directors.

LeaseCo

LeaseCo was incorporated under the Companies Act 1985 and registered in England and Wales on 5 June 1992 as a private limited company with registered number 02720809. LeaseCo's registered office is at 210 Pentonville Road, London N1 9JY and its telephone number is +44 (0) 207380 5040. The principal activity of LeaseCo is the ownership and leasing of rolling stock. LeaseCo is a wholly owned subsidiary of ERFL Holdings and its issued share capital is 50,000,002 ordinary shares of £1 each.

Directors and Company Secretary

The directors and company secretary of LeaseCo 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
Andrea Justine Wesson	210 Pentonville Road, London N1 9JY	Director
Michelle Sharma	210 Pentonville Road, London N1 9JY	Company Secretary

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

LeaseCo has no employees or non-executive directors.

EIL

EIL is a private company limited by shares incorporated under the Irish Companies Act. The company was registered in Ireland on 19 October 2010 with registered number 490363. EIL's registered office is at Newmount House, 22-24 Mount Street Lower, Dublin 2 and its telephone number is +353 (0) 1 6869466. EIL's authorised share capital is £2,600,000 divided into (a) 100,000 ordinary shares of £1 each of which 12,000 are allotted, called up and fully paid and are held by HoldCo and (b) 2,500,000 non-voting profit-participating shares of £1 each all of which are allotted, called up and fully paid and are held by Caduceus Investment S.A.. EIL's principal activity is to act as a holding company. EIL is the 100 per cent. owner of the entities set out below. On 20 December 2016, the place of central management and control and the place of effective management of EIL was transferred to the UK from Ireland, and on 20 December 2016, EIL registered its first UK establishment in Companies House in the UK.

Directors and Company Secretary

The directors and company secretary of EIL 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
Andrea Justine Wesson	210 Pentonville Road, London N1 9JY	Director
Michelle Sharma	210 Pentonville Road, London N1 9JY	Company Secretary

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

EIL has no employees or non-executive directors.

ERFL Holdings

ERFL Holdings was incorporated and registered in Ireland on 23 July 2007 as a private limited company with registered number 443562. ERFL Holdings's registered office is at Newmount House, 22-24 Mount Street Lower, Dublin 2, and its telephone number is +353 (0) 1 6869466. As part of the Group restructuring, on 27 October 2017, ERFL Holdings redeemed the 25,000,000 non-voting profit participation shares at £1 each ("**PPS**") that were held by Commerzbank Aktiengesellschaft, Frankfurt Branch. ERFL Holdings is a wholly owned subsidiary of EIL and its authorised share capital is (a) 49,500,000 non-voting fixed rate preference shares of £1 each and (b) 50,500,000 ordinary shares of £1 each of which 500,001 are allotted, called up and fully paid. The principal activity of ERFL Holdings is to act as a holding company. On 20 December 2016, the place of central management and control and the place of effective management of ERFL Holdings was transferred to the UK from Ireland, and on 20 December 2016, ERFL Holdings registered its first UK establishment in Companies House in the UK.

Directors and Company Secretary

The directors and company secretary of ERFL Holdings 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
Andrea Justine Wesson	210 Pentonville Road, London N1 9JY	Director
Michelle Sharma	210 Pentonville Road, London N1 9JY	Company Secretary

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

ERFL Holdings has no employees or non-executive directors.

ERFL

ERFL was incorporated and registered in Ireland on 23 July 2007 as a private limited company with registered number 443563. ERFL's registered office is at Newmount House, 22-24 Mount Street Lower, Dublin 2 and its telephone number is +353 (0) 1 6869466. ERFL is a wholly owned subsidiary of ERFL2 and its authorised share capital is 100,000,000 ordinary shares of £1 each, of which 50,000,001 are allotted, called up and fully paid. ERFL's principal activity is the ownership and leasing of Rolling Stock. On 31 December 2015, the place of central management and control and the place of effective management of ERFL was transferred to the UK from Ireland and ERFL registered its first UK establishment in Companies House in the UK.

Directors and Company Secretary

The directors and company secretary of ERFL 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
Andrea Justine Wesson	210 Pentonville Road, London N1 9JY	Director
Michelle Sharma	210 Pentonville Road, London N1 9JY	Company Secretary

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

ERFL has no subsidiaries, employees or non-executive directors.

ERFL2

ERFL2 was incorporated and registered in Ireland on 29 February 2012 as a private limited company with registered number 510311. ERFL2's registered office is at Newmount House, 22-24 Mount Street Lower, Dublin 2 and its telephone number is +353 (0) 1 6869466. ERFL2 is a wholly owned subsidiary of ERFL Holdings and its authorised share capital is 100,000,000 ordinary shares of £1 each, of which one ordinary share is allotted, called up and fully paid. ERFL2's principal activity is to act as an investment holding company. On 20 December 2016, the place of central management and control and the place of effective management of ERFL2 was transferred to the UK from Ireland and on 20 December 2016, ERFL2 registered its first UK establishment in Companies House in the UK.

Directors and Company Secretary

The directors and company secretary of ERFL2 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
Andrea Justine Wesson	210 Pentonville Road, London N1 9JY	Director
Michelle Sharma	210 Pentonville Road, London N1 9JY	Company Secretary

There are no actual or potential conflicts of interest between the duties to ERFL2 of the persons listed above and their private interests or duties.

ERFL2 has no employees or non-executive directors.

BUSINESS DESCRIPTION

Eversholt UK Rails Group is a leading Full Service ROSCO with a market share of approximately 25 per cent. as of March 2018 of the UK passenger train leasing market by number of vehicles. Eversholt UK Rails Group typically 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 to FOCs. The TOCs and FOCs provide train services to their customers.

Leases for passenger rolling stock typically contain extension options to align the lease with the corresponding franchise term; however, in some cases (for example, where franchises are extended beyond the lease extension option dates or rolling stock is to be cascaded in or out early or late in a franchise) short leases may be agreed.

As of 30 June 2019, Eversholt UK Rails Group's asset portfolio of 20 separate fleets comprised 3,530 passenger vehicles, 83 freight locomotives and 2 depots, all of which are leased in the UK, with a combined net book value of £1.9 billion. Since July 2015, Eversholt UK Rails Group has placed four orders totalling £1.1 billion for new trains (comprising 586 new vehicles in total). Eversholt UK Rails Group is at an advanced stage of fulfilling these orders with final deliveries expected to be made in 2020. These contracts are with proven manufacturers and established customers.

- Great Western Railway: Eversholt UK Rails Group has purchased 236 new C802 bi-mode diesel or electric "go anywhere" vehicles from Hitachi and leased them to Great Western Railway. The entire fleet had entered into service by April 2019. The purchase agreement is valued at £499 million (comprising a £361 million initial order and a £138 million option order which was exercised in 2016).
- Arriva Rail North: Eversholt UK Rails Group has agreed to purchase 149 new C195 diesel vehicles and 141 new C331 electric vehicles from CAF and lease them to the Arriva Rail North franchisee. Delivery of these units has started and the fleet is expected to enter into service by April 2020. The purchase agreements are valued at £517 million (this includes a number of variations to the original orders and an additional nine C195 vehicles).
- TransPennine Express ("**TPE**"): Eversholt UK Rails Group has agreed to purchase 60 new C397 high speed electric vehicles from CAF and lease them to TPE. The fleet is expected to enter into service in autumn 2019. The purchase agreement is valued at £120 million.

These new rolling stock fleets will add to what is already an attractive and diversified portfolio of rolling stock under lease with several leading UK operators. Eversholt UK Rails Group currently has leases to supply rolling stock to 13 UK TOCs and two of the major UK FOCs.

Eversholt UK Rails Group's business benefits from the predominance of its medium to long-term contracted leases, which underpin its stable and predictable cash flows and consistent financial performance. As of 30 June 2019, assuming re-leasing relating to the new East Midlands franchisee as per DfT's announcements, 93 per cent. of the existing revenues are contracted until the end of 2019, declining to 46 per cent. in 2024. The East Midlands franchise was subsequently awarded to Abellio East Midlands and Eversholt UK Rails Group entered into a new lease for the C222 fleet with Abellio East Midlands in August 2019.

Contracted leases do not extend beyond a TOC's franchise term and it is necessary for ROSCOs to negotiate new leases with incoming franchisees as part of the refranchising process. Eversholt UK Rails Group has a successful track record of asset management, upgrading, refurbishment, maintaining, re-marketing and re-leasing rolling stock as its passenger vehicle utilisation figures demonstrate.

The Development of Eversholt UK Rails Group's Capabilities and Expertise

Eversholt UK Rails Group is one of the three original Full Service ROSCOs formed as part of the privatisation of British Rail and has 25 years of experience in rolling stock procurement and asset management. At privatisation, Eversholt UK Rails Group owned primarily electric rolling stock, and with selective diversification now has expertise in diesel, bi-mode and electric powered passenger rolling stock.

Eversholt UK Rails Group's business is, at the date of this Prospectus, purely UK based, having disposed of its small fleet of non-UK assets in 2009.

Eversholt UK Rails Group's existing fleets are focused in four key areas:

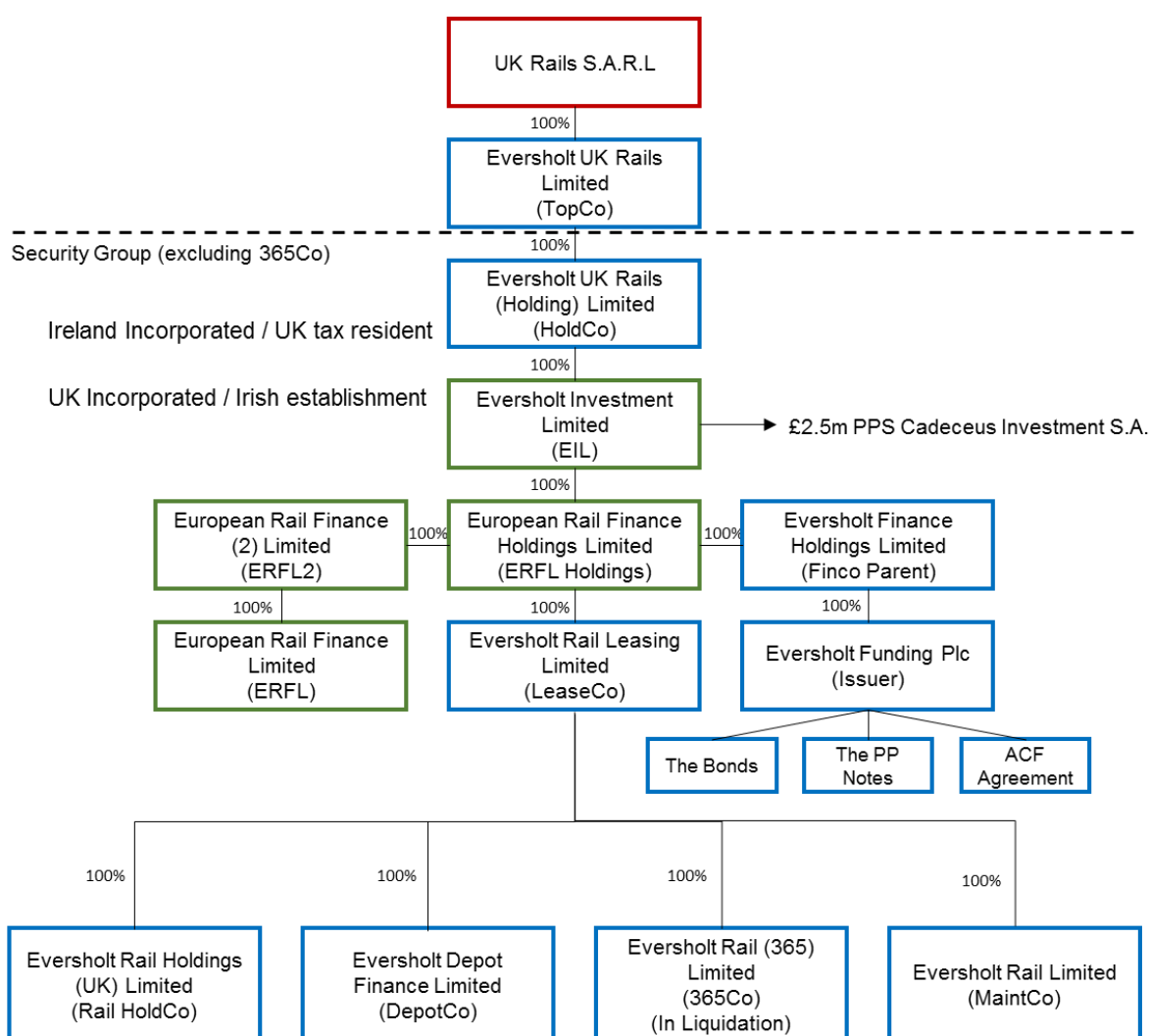
- High Speed & Intercity electric and bi-mode passenger rolling stock;
- Electric commuter stock, especially in the North and South East of England;
- Long-distance and commuter diesel units; and
- A significant proportion of the rolling stock (mostly electric) operated in Scotland.

Eversholt UK Rails Group's engineering and project management expertise is critical to its business. This is of particular importance as Eversholt UK Rails Group manages the delivery of its three new CAF fleets into passenger service during 2019 and early 2020. Between January 2019 and December 2019, 25 new vehicles are scheduled to be delivered per month on average. To support this, Eversholt UK Rails Group's Projects Team works closely with the manufacturers and operators from the point of contract signature by:

- drawing on experience and knowledge of previous fleet introductions, starting with a detailed design review;
- inspections and monitoring quality of manufacturing through a continual presence at the manufacturers' factories;
- attending and observing the testing of trains both in the factories and at specialised test tracks in the UK;
- following delivery of the trains to the UK the team monitor and witness the testing programme; and
- providing on-going support, throughout the programme, to the manufacturer and operator in the technical and infrastructure approvals process and maintenance mobilisation.

Eversholt UK Rails Group's Projects Team is often embedded at the manufacturer's site, enabling them to maintain quality control and to deal with any issues arising more effectively.

Corporate structure



Source: Eversholt UK Rails Group



Intra-group service agreements are in place between various Eversholt UK Rails Group companies.

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

380Co

380Co, the previous owner of the C380 rolling stock, was dissolved via voluntary strike-off on 11 December 2018.

365Co

365Co was previously party to a single transaction involving the leasing of C365 rolling stock. Such rolling stock is not owned by Eversholt UK Rails Group. That leasing transaction has been terminated. As a result, the directors of 365Co placed 365Co into a creditors' voluntary liquidation procedure on 19 August 2019. 365Co is not (and has never been) an Obligor and, as such, the provisions of the Finance Documents do not apply to it. In the opinion of the Issuer, no member of the Security Group is adversely affected by these circumstances.

Financial Performance

	FY 2018	FY 2017
Period ended 31 Dec (£million)		
<i>Income Statement</i>		
Total Revenue	374.9	378.4
Depreciation	153.0	112.0
Consolidated EBITDA	323.8	301.2
Net Interest and Finance Cost	150.3	152.3
<i>Balance sheet</i>		
PP&E	2,117.8	2,009.2
Bond borrowings	1,940.0	1,940.0
<i>Cashflow statement</i>		
Net cash generated by operating activities	335.3	307.5
Capital Expenditure	244.3	248.4

Source: Eversholt UK Rails (Holding) Limited (Security Group) financial statements

Eversholt UK Rails Group earns revenues through medium to long-term operating lease arrangements which provide a stable and predictable income stream. Revenues comprise capital rentals for the leasing of rolling stock and non-capital rentals, in the case of wet leases, for maintaining the rolling stock on behalf of the TOCs and FOCs.

Total revenues earned in 2018 were £374.9 million (2017: £378.4 million) including capital lease rentals of £309.8 million (2017: £305.1 million) and maintenance income of £57.4 million (2017: £70.3 million). The stability of its capital rental revenues is underpinned by Eversholt UK Rails Group's strong track record of re-leasing its fleets. Maintenance income varies with the timing of maintenance requirements of the fleets.

In addition to the revenues earned from its rolling stock fleets, Eversholt UK Rails Group earns revenue from long-term leases relating to its leasehold interests in two depots. These revenues are included in total revenue.

In the year ended 31 December 2018 financial performance was in line with expectations with Consolidated EBITDA of £323.8 million (2017: £301.2 million). In line with its policy of

protecting and enhancing the value of its existing portfolio, Eversholt UK Rails Group invested £244.3 million (2017: £248.4 million) substantially on procuring new build fleets and enhancing extant assets during the year.

During 2018, Eversholt UK Rails Group raised no new funds to finance activities and the net movement in cash and cash equivalents was £100.1 million.

Consolidated EBITDA has been calculated based on line items included in the consolidated financial statements for the Security Group for the years ending 31 December 2017 and 31 December 2018. Eversholt UK Rails Group considers this measure to constitute an alternative performance measure ("**APM**"), as defined for the purposes of the European Securities and Markets Authority guidelines on APMs. For further details in relation to this APM, including explanation of the method of calculation used, please see the section entitled "*Alternative Performance Measures*" of this Prospectus.

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 the Issuer.

Financing activities

Existing Debt Facilities

At 31 December 2018, the senior debt of the Group comprised a committed syndicated revolving bank facility of £600 million and senior secured bonds totalling £1,940 million. As at 31 December 2018, no part of the £600 million syndicated credit facility was drawn. A one-year extension option on the £600 million facility was exercised in 2018, meaning the maturity of the facility is now 2023, with a one-year extension option remaining.

The Issuer has issued £1,500 million in the Sterling bond market with maturities ranging from 2020 to 2042. The remaining £440 million of senior secured bonds were issued as private placements with final maturities ranging between 2026 and 2037.

All funding carries interest at a fixed rate, apart from the £600 million syndicated revolving bank facility mentioned above and a further £100 million where in each case the interest rate is LIBOR plus a margin.

The committed bank facilities and the bonds are subject to the same financial covenant lock up tests comprising (i) net debt to EBITDA maximum of 7.00x (backward and forward looking); (ii) EBITDA to interest expense minimum of 1.75x (backward and forward looking); and (iii) net debt to NPV of lease cash flows maximum of 70 per cent. (forward looking). Eversholt UK Rails Group has maintained compliance with these ratios substantially below lock up levels and intends to retain comfortable headroom.

Summary of Financing Arrangements

All members of the Security Group, together with the Secured Creditors, the Bond Trustee and the Security Trustee, are party to the Common Terms Agreement ("**CTA**") dated 4 November 2010 (as amended, supplemented and acceded to from time to time). 365Co is also a party to the Common Terms Agreement but is not a Secured Creditor and is party only to provide certain undertakings in the STID limiting its rights of action against the Obligors. The liquidation of 365Co will not, in the opinion of the Issuer, have an adverse impact on any member of the Security Group, including under the Common Terms Agreement and other Finance Documents. The CTA sets out the representations, covenants

(positive, negative and financial), trigger events and events of default of which the Secured Creditors have the benefit. It is a requirement of the CTA that future providers of authorised credit facilities (i.e. senior debt and hedging) must also accede to the CTA and the Security Trust and Intercreditor Deed ("**STID**"). The STID contains the intercreditor arrangements among the Secured Creditors of the Security Group and each of the Obligor. It also governs the terms on which The Law Debenture Trust Corporation plc (as Security Trustee) holds security over substantially all of the assets of the Security Group on behalf of the Secured Creditors. It further provides that any amount due to a secured creditor by an Obligor is unconditionally and irrevocably guaranteed by each other Obligor.

Customers

Eversholt UK Rails Group currently leases rolling stock to 13 UK TOCs and 2 of the major UK FOCs. Five of these TOCs accounted for more than 78 per cent. of Eversholt UK Rails Group's revenues for the year ended 31 December 2018, as detailed in the table below.

	TOC	per cent. of Capital Rental for the year ended 31 December 2018
1	London South-Eastern Railway	28 per cent.
2	Abellio ScotRail	15 per cent.
3	London North-Eastern Railway	14 per cent.
4	Abellio East Anglia	13 per cent.
5	Govia Thameslink Railway	8 per cent.

Source: Eversholt UK Rails Group

The table summarises certain operating information about Eversholt UK Rails Group's rolling stock leases as of 30 June 2019.

Leases

Operator	Class	Vehicle type	Maintenance arrangement	No. of vehicles	Lease profile (current lease end date)
Passenger					
Arriva Rail North (Northern)	C158	DMU	Dry	20	Mar-25
Chiltern Railways	C168	DMU	Dry	9	Dec-21
Govia Thameslink Railway	C170/171	DMU	Dry	27	Sep-21
TransPennine Express	C185	DMU	Dry/Soggy	66	Dec-19
TransPennine Express	C185	DMU	Dry/Soggy	87	Mar-23
Arriva Rail North (Northern)	C195	DMU	Dry	52 (97 on order total 149)	Mar-25
East Midlands Trains	C222	DEMU – High speed	Dry	143	Aug-196
Govia Thameslink Railway	C313	EMU	Dry	105	Nov 19 6
MTR Corporation (Crossrail)	C315	EMU	Wet	80	Dec-20
MTR Corporation (Crossrail)	C315	EMU	Wet	48	Jul 19π

Arriva Rail London	C315	EMU	Dry	68	Dec-20
Abellio ScotRail	C318	EMU	Wet	63	Mar-25
Abellio ScotRail	C320	EMU	Wet	102	Mar-25
Abellio Greater Anglia	C321	EMU	Wet	408	Dec 19 †
Arriva Rail North (Northern)	C321	EMU	Wet	12	Dec-19
Arriva Rail North (Northern)	C322	EMU	Wet	20	Dec-19
Arriva Rail North (Northern)	C331	EMU	Dry	37 (104 on order total 141)	Mar-25
Abellio ScotRail	C334	EMU	Wet	120	Mar-25
London & South Eastern Railway	C375	EMU	Dry	438	Nov-19
London & South Eastern Railway	C376	EMU	Dry	180	Nov-19
Abellio ScotRail	C380	EMU	Dry	130	Dec 26 4
London & South Eastern Railway	C395	EMU – High speed	Dry	174	Nov 19 4 (s.54 to Dec 26)
TransPennine Express	C397	EMU – High speed	Dry	0 (60 on order)	Mar-23
Govia Thameslink Railway	C455	EMU	Dry	184	Sep-21
London & South Eastern Railway	C465	EMU	Wet	388	Nov-19
Great Western Railway	C802	Bi-mode – High Speed	Dry	236	Mar-20
London North Eastern Railway	IC 225	Electric Loco-hauled – High Speed	Wet	333	Jun-20 β
Freight					
Freightliner	C66	Diesel Loco	Dry/Soggy	56	Apr 24 *
GBRf	C66	Diesel Loco	Dry/Soggy	27	Dec 27 *
Depots					
Govia Thameslink Railway	Depot	n/a	n/a	n/a	Aug 24 4
South West Trains	Depot	n/a	n/a	n/a	Sep 24 4

£ Phased lease end dates between 1 July 2019 and 30 November 2019

† Phased lease end dates between 1 May 2019 and 31 December 2019

4 Section 54 undertaking entered into with Secretary of State or Transport Scotland

β Phased lease end dates between 1 July 2019 and 31 June 2020. There is a forward starting lease to October 2033 for 15 coaches with Transport for Wales Rail Services (Keolis Amey)

* Based on the longest lease with the FOC

θ Now leased to Abellio East Midlands to December 2022

π Rolling one month notice

Source: Eversholt UK Rails Group

Following industry practice in the UK, Eversholt UK Rails Group 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 heavy maintenance of the rolling stock evenly throughout the life of the asset (and across future leases). The maintenance reserve is collected either as a periodic rental or by a one off bullet payment at the end of the lease.

Eversholt UK Rails Group will review and approve the maintenance specification and ensure it meets the needs of the asset. Whilst it is not delivering the maintenance, Eversholt UK Rails Group will still undertake inspections to ensure the work is completed to the appropriate standard.

- **Wet leases:** All of the heavy maintenance is procured by the Full Service ROSCO, whilst the TOC/FOC undertakes/procures all of the light (i.e. day-to-day) maintenance. The Full Service ROSCO will collect a "non-capital" rental for this service. The non-capital rentals are calculated by reference to the costs associated with the provision of heavy maintenance (based on a whole life cost model) smoothed on a monthly basis over the future life of the asset.
- **Soggy leases:** All maintenance is undertaken by the TOC/FOC. The ROSCO will collect a maintenance reserve rental to spread the cost of heavy maintenance evenly throughout the life of the asset and also fund the heavy maintenance due during the term of the lease.

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 that the TOC/FOC has carried out the heavy maintenance for which that element of the maintenance reserve rental has been collected.

As with a dry lease, Eversholt UK Rails Group will review and approve the maintenance specifications and undertake asset inspections to confirm acceptable completion of the heavy maintenance.

As of 31 December 2018, approximately 68.6 per cent., 2.1 per cent. and 29.3 per cent. of Eversholt UK Rails Group's passenger fleets by net book value were leased on a dry lease basis, soggy lease basis and wet lease basis, respectively.

Eversholt UK Rails Group's lease contracts for the leasing of rolling stock generally include the following terms:

- the mechanism for the delivery and redelivery of the rolling stock;
- defined operational condition in which the vehicles must be kept during the term of the lease;
- condition in which the vehicles must be returned at the end of the lease;
- 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;
- protection against TOCs and/or FOCs failing to meet their obligations;
- quiet enjoyment provisions;
- restrictions on any sub-leasing of the rolling stock;

- insurance obligations on the TOC/FOC to keep the rolling stock insured;
- obligations relating to 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 for the benefit of the lessor.

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

Eversholt UK Rails Group's financial performance is directly linked to its ability to utilise rolling stock for its expected useful life at rentals that achieve a suitable return on its investment. Eversholt UK Rails Group seeks to acquire high-utility rolling stock to limit the likelihood of stock being unable to be used for a protracted period. Demand for self-powered rolling stock currently outstrips supply, while the reduced scale and extended programme of further network electrification is leading to a surplus of electric rolling stock in the short to medium term.

Eversholt UK Rails Group undertakes asset reviews at least once a year, in which it assesses the likelihood of opportunity for re-leasing each fleet, 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 as well as to reflect potential industry developments. These reviews are undertaken by the Relationship Development, Operations and Commercial Finance teams in order to provide a multifunctional view of the asset.

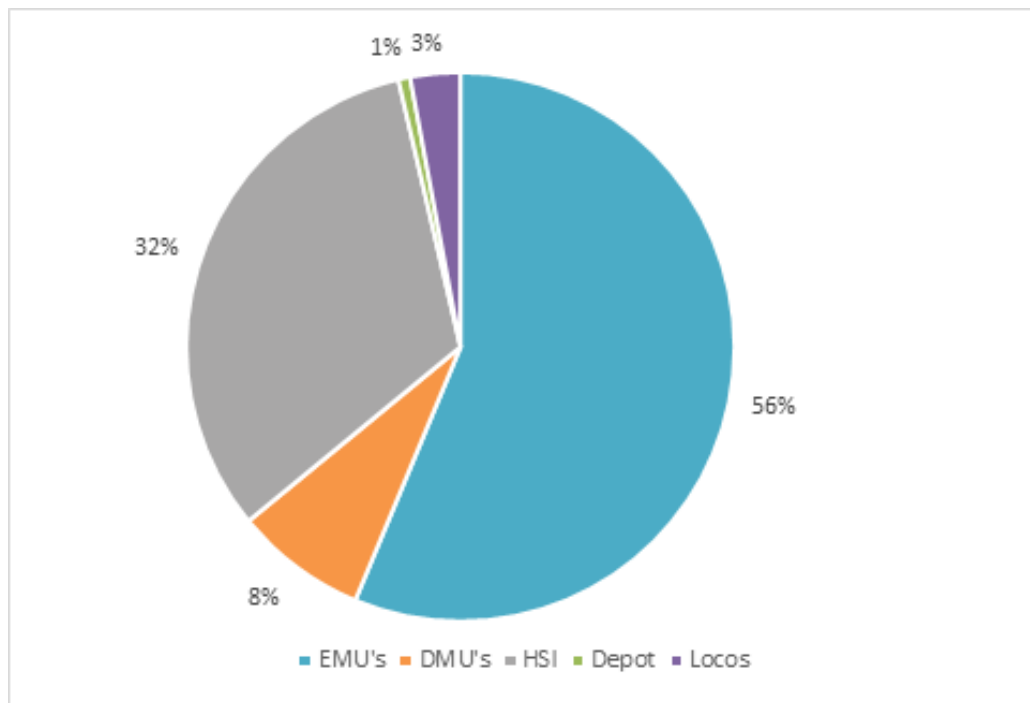
The rail industry has seen a small number of TOC failures, resulting in a TOC losing its franchise. Notwithstanding TOC failures, Eversholt UK Rails Group has not suffered any capital rent losses. In each case the DfT has transferred the operations of the franchise to a new franchisee, with the lease for the rolling stock transferring at the same time. This has happened three times on the East Coast franchise, most recently in June 2018. The DfT transferred the operation to its own subsidiary. In each case, Eversholt UK Rails Group's lease for its IC225 fleet was transferred to the new operator and continued uninterrupted until their new lease began. This process of transfer demonstrates the practical application of the Secretary of State's obligations under Section 30.

To date, save for a small number of IC225 vehicles which have been scrapped, none of Eversholt UK Rails Group's rolling stock has been retired before the end of its originally expected useful life. Potential early retirement is assessed as part of the asset reviews and any consequential effects to carrying values would be recognised.

Fleets

As of 30 June 2019, Eversholt UK Rails Group owns 3,530 passenger vehicles, 83 freight locomotives and has long leasehold interests in two depots, all of which are leased in the UK. The fleets will be able to be split into the following categories:

Eversholt UK Rails Group fleet summary by capital rentals as at 30 June 2019



Source: Eversholt UK Rails Group

- EMUs: Eversholt UK Rails Group owned 2,383 EMU vehicles at 30 June 2019. The EMUs contributed 61 per cent. of the capital rental income for the year ended December 2018.
- Passenger Diesel Multiple Units ("**DMUs**"): Eversholt UK Rails Group owned 261 DMU vehicles, which are diesel-powered and as a result can operate both inside and outside areas of the electrified network. The DMUs contributed 8 per cent. of the capital rental income for the year ended December 2018.
- Passenger High Speed & Intercity ("**HSI**"): Eversholt UK Rails Group owns 886 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 in 2018, 143 diesel vehicles which contributed 5 per cent. of the capital rental income in 2018 and 236 bi-mode vehicles which contributed 2 per cent. of the capital rental income in 2018.
- Freight locomotives and depots: Eversholt UK Rails Group owns 83 locomotives and has leasehold interests in two depots and these contributed 4 per cent. of the capital rental income for the year ended December 2018.
- Utilisation of the fleets has historically been at very high levels and Eversholt UK Rails Group 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 June 2019, all vehicles were on lease except for a small number of IC225 vehicles.

The high historical utilisation rates demonstrate Eversholt UK Rails Group's ability to successfully re-market and manage the residual value of its rolling stock in an industry that has supportive characteristics for its business. These characteristics include:

- 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;
- low technical obsolescence; and
- vehicles operated in the UK 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 inter-operability impedes the transfer of vehicles from overseas.

Eversholt UK Rails Group has a large and diversified rolling stock fleet portfolio which reduces the impact of it not being able to re-lease an individual fleet. Eversholt UK Rails Group has a successful track record of fleet utilisation. Between the start of 2010 and the end of June 2019 Eversholt UK Rails Group has had at least 98 per cent. of its passenger rolling stock fleet on lease. A brief description of the fleets is given below:

EMUs

- C313 and C315: Fleets of 35 three-car units (105 vehicles) and 49 four-car units (196 vehicles), respectively, the C313 and C315 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. These fleets will have reached the end of their useful lives at the end of their current leases, which are scheduled to have expired by November 2019 in the case of the C313 and December 2020 in the case of the C315.
- C321, C322, C318 and C320: The C321 and C322 is a simple, reliable, high-capacity fleet of 440 vehicles, which comprise 110 four-car units. The majority are leased to operate AC outer-suburban commuter routes to Abellio Greater Anglia. Derivatives of the same 'family', the C318 and C320 (63 and 102 vehicles, respectively) are three-car commuter units operating on AC routes in Scotland. Twelve units of the C320 fleet were previously four-car units converted into three-car units for operation in Scotland. These trains were built between the late 1980s and early 1990s.
- C334: The C334 fleet of 40 three-car units (120 vehicles) entered service in 2001 and operates AC commuter routes in Scotland.
- C375 and C376: The 'Electrostar' fleets of 438 and 180 vehicles comprise three, four and five-car units. The C375 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.
- C380: fleet of 130 vehicles, consisting of three and four-car units, entered service between 2010 and 2011 and operates AC commuter routes in Scotland.

- C455: The C455 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.
- C465: The c465 'Networker' fleet of 97 four-car units (388 vehicles) was built in the early 1990s and operates on the DC South Eastern London commuter routes.
- C331: Alongside the C195, the C331 (141 vehicles on completion of delivery) is a variant of the CAF Civity design, currently under construction by CAF in Spain, which Eversholt UK Rails Group is in the process of delivering to its customer operating the Arriva Rail North franchise who will go into passenger service with them during 2019 and 2020. The large fleet is made up of three-car and four-car units

DMUs

- C158: The C158 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 C158s owned by other lessors.
- C168, C170 and C171: The C168 and C170, of the 'Turbostar' family, are small fleets of 3 and 5 three-car units respectively (24 vehicles in total). The C168 operates diesel services between London and the Chilterns and the C170 currently operates on the Thameslink, Southern and Great Northern Franchise, and in Scotland. The C171 is a fleet of 2 two-car and 2 four-car units (12 vehicles in total) that were converted from C170 during 2016. The C168 were built in 2000 and the C170 and C171 were built between 1999 to 2001. In a similar way to the C158, these small fleets also benefit from being part of larger fleets of the same type of rolling stock, owned by other lessors.
- All the aforementioned DMUs will come to the end of their useful economic lives by 2040 which is the UK Government's aspirational target for the removal of diesel-only powered trains from the UK network.
- C185: Built in 2006 by Siemens, Germany, the fleet of 51 three-car units (153 vehicles) currently operates diesel TransPennine services and inter-urban routes in the north-east of England.
- C195: Together with the C331, the C195 (149 vehicles on completion of delivery) is part of a large order of trains to support the UK Government's 'Northern Powerhouse' campaign. The fleet of two-car and three-car units continues to be constructed by CAF in Spain and Newport, South Wales. However, along with the C331s Eversholt UK Rails Group is currently delivering these to its customer who has been using them in passenger service since summer 2019. Eversholt UK Rails Group anticipates that these will all be in service by December 2019.
- As the useful economic life of the C185s and the C195s extends beyond 2040 (which is the UK Government's aspirational target for the removal of diesel-only powered trains from the UK network) the Group is already evaluating alternative traction solutions that will allow the fleet to continue to operate after the deadline for removal of diesel-only rolling stock.

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 C91 locomotives (333 vehicles in total including one additional C91 and two spare MK4 vehicles). They create the fastest locomotive-hauled domestic train in the United Kingdom, capable of over 225 km/h. Manufactured in the late 1980s to early 1990s, and heavily refurbished in the mid-2000s and again in 2016/2017, they operate high-speed inter-city services to the north of London along the East Coast Main Line.
- C222: 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 the East Midlands franchise operator to run intercity services from London across the Midlands.
- C395: 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.
- C397: is a high-speed Electric-Multiple-Unit of 60 vehicles, formed into 12 five-car units. These units will be on lease to TPE. As at the date of this Prospectus, Eversholt UK Rails Group expects that all 60 of these C397 vehicles will be accepted during 2019. TPE are currently planning to introduce the fleet into passenger service from autumn 2019.
- C802: is a high-speed bi-mode fleet of 236 vehicles delivered to Eversholt UK Rails Group's customer during 2018 and 2019. From the same Hitachi family as the UK Government's IEP trains, the fleet of five and nine-car units can operate up to 160 km/h on diesel routes and 200 km/h on AC routes. The fleet is leased to the Great Western franchise and will operate long distance, commuter, regional and branch services on West of England routes primarily between Paddington and Penzance.

Freight

- C66: is a fleet of diesel locomotives which can be used to haul various types of wagons. The fleet of 83 locomotives, built from the year 2000 onwards, is leased to FOCs in the UK.

Depots

- DepotCo has a leasehold interest in 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 Bedford, the depot is subleased to Govia Thameslink Railway; in the case of 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.

Asset Inspection & Maintenance

The maintenance requirements of rolling stock are established well in advance of entering into a lease. Eversholt UK Rails Group's extensive knowledge of its rolling stock enables it to pro-actively specify maintenance requirements in its lease agreements with TOCs and FOCs (thereby helping to further preserve residual value). Eversholt UK Rails Group is represented by its experienced Operations team of approximately 40 engineers and project managers,

who oversee the asset base largely through four specialised teams, namely: Fleet Management, Projects, Fleet Planning and Chief Engineer's Group (see "*Business Description – Management*" for further details).

While rolling stock is on lease, Eversholt UK Rails Group utilises audit and asset inspections rights provided for in all of Eversholt UK Rails Group's operating leases to ensure that trains are kept in good condition and fully operational. Eversholt UK Rails Group's good working relationships with lessees compliments Eversholt UK Rails Group's in-house engineering expertise, and helps to keep Eversholt UK Rails Group up-to-date on asset condition at all times.

Detailed bottom-up analysis of the technical condition and obsolescence risk of Eversholt UK Rails Group's fleets has revealed that 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.

Supply

In its dealings with critical suppliers, Eversholt UK Rails Group builds long-term relationships which respond to the risk of having a limited supply base for the manufacture of new rolling stock and the provision of maintenance and upgrade work. Eversholt UK Rails Group works closely with its business and safety critical suppliers to ensure that they can meet its future needs, shares best practice approaches with them and, where necessary, Eversholt UK Rails Group may choose to help its suppliers to invest in new approaches or technologies to meet its demands. Eversholt UK Rails Group plans ahead with its critical suppliers and shares a long-term view (up to 5 years) to help them plan their capacity and investment to meet any future needs.

For operational and safety critical services, Eversholt UK Rails Group works closely with its suppliers to understand their relative strengths and weaknesses. Eversholt UK Rails Group uses its knowledge of the supply base and selects the most suitable supplier by taking into account scope, risk, available capacity and supplier capability. Cost comparators help Eversholt UK Rails Group to validate value for money assessments and Eversholt UK Rails Group procures well ahead of the contract start dates to ensure it allows sufficient time for contract negotiation and project mobilisation. Eversholt UK Rails Group believes its strong relationships would enable it to find adequate alternative suppliers in the event one supplier failed to perform.

Eversholt UK Rails Group's Operations team monitors the quality of supply through regular contract and performance review meetings in addition to Eversholt UK Rails Group's project and technical resources, which can be permanently located on site with key suppliers. All maintenance contracts provide for regular inspections by Eversholt UK Rails Group's highly experienced and qualified operations team to monitor the quality of the work.

For wet leases, where Eversholt UK Rails Group procures heavy 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 managers overseen by the Fleet Planning team. A business case is required to support any change to the project budget.

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 contractual arrangements relating to this work generally include the following rights:

- protection against losses incurred if the supplier does not perform the works in accordance with all applicable laws and safety standards;
- appropriate use of relevant intellectual property rights;
- 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, approvals and supply of equipment in respect of such rolling stock. Eversholt UK Rails Group also seeks contractual arrangements which allow it to procure spare parts for the asset for its entire useful 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;
- protection against losses incurred if the supplier does not manufacture the rolling stock in accordance with all applicable laws and safety standards;
- appropriate use of 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.

Highlights and Investments

Since privatisation, Eversholt UK Rails Group has invested some £3 billion in enhancing and maintaining its existing fleets, with a further £1.5 billion being spent on new build orders. The average age of the fleets at December 2018 is 22 years and varies from older vehicles introduced into service in 1976 (C313 EMU) to the newest fleet of C802 Bi-mode diesel or electric units introduced into passenger service during 2018/2019. Eversholt UK Rails Group remains actively engaged in considering new opportunities to own and manage further new build rolling stock to meet the future requirements of the industry and works closely 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 Fleet Management team. Significant investments have been made in the production of mock-ups and vehicle demonstrators to promote the available options to Eversholt UK Rails Group'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 Eversholt UK Rails Group, in partnership with Abellio Greater Anglia and Wabtec, launched the C321 Demonstrator at Liverpool Street Station. The train underwent a high-specification refurbishment and technology upgrade and was run in normal service on the Abellio Greater Anglia network for a year. Eversholt UK Rails Group and Abellio Greater Anglia sought passenger views on the new features showcased. The demonstrator provided a powerful means of displaying the possibilities offered by quality refurbishment delivered at significantly lower cost than new trains. Eversholt UK Rails Group subsequently contracted with Wabtec for the upgrade and refurbishment of 30 C321 mid-life vehicles taking into account all the findings of the trial period, these have now been placed into passenger service. Eversholt UK Rails Group has also recently completed its refurbishment and enhancement project on the MK4 coaches currently leased to the East Coast franchise operator.

Safety

The train operators are primarily responsible for train safety and for ensuring that they only operate trains which are safe to operate. Eversholt UK Rails Group 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.

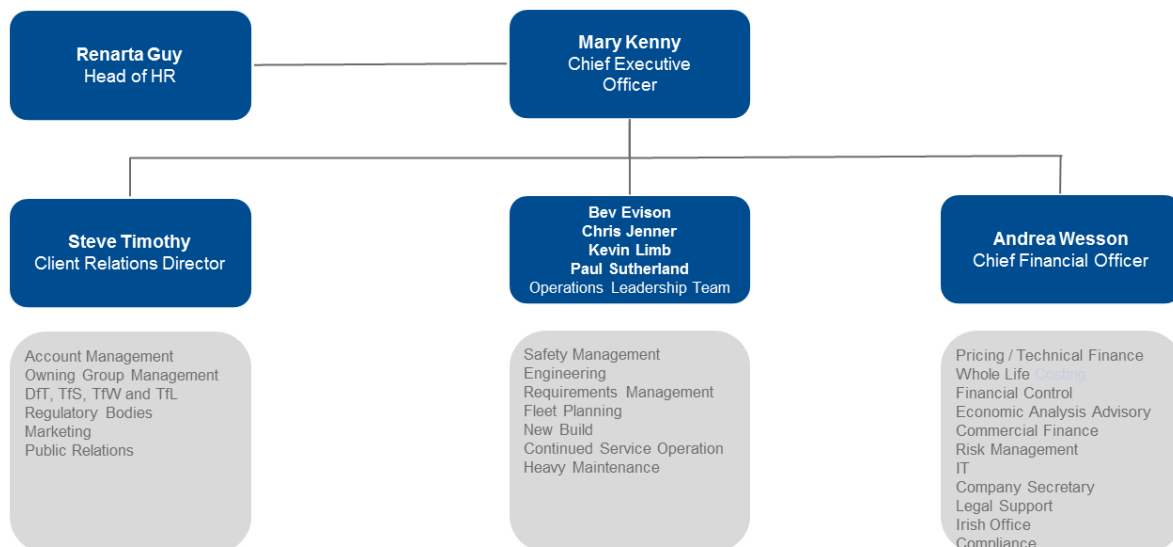
Eversholt UK Rails Group's management of safety is divided between the safety of the staff and that of the assets:

- 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 Eversholt UK Rails Group and the qualification, selection and management of all suppliers. There is a regular meeting, attended by relevant stakeholders, to review the management of safety risk in accordance with the asset safety management policy.

Safety governance is provided by a quarterly review of asset safety chaired by an independent safety adviser and supported by three other independent safety advisers. This ensures compliance with policy and due consideration of safety best practice.

Management

Eversholt UK Rails Group's management team is highly experienced and has a strong knowledge and understanding of the ROSCO market. The business is led by Chief Executive Officer Mary Kenny, supported by Chief Financial Officer Andrea Wesson, Client Relations Director Stephen Timothy and a strong senior leadership team who have experience across the rail, financing and legal sectors. Eversholt UK Rails Group's management is described below.



Mary Kenny, Chief Executive Officer

Mary's involvement with Eversholt UK Rails Group began in 1997 when HSBC acquired Eversholt Leasing. She held various finance roles around the Asset and Structured Finance portfolio in HSBC before returning to Eversholt UK Rails Group in 2007. In 2008 Mary became Chief Executive Officer at Eversholt UK Rails Group; she was previously Chief Operating Officer and Head of Finance. Mary places equal importance on both the business objectives and the careers and welfare of employees. During her time with Eversholt UK Rails Group, Mary has overseen a significant investment programme, in addition to operational and ownership changes. This has included the sale of Eversholt UK Rails Group, formerly owned by HSBC Bank, to Eversholt Investment Group, a group consisting of three investment funds managed by 3i Infrastructure plc, Morgan Stanley Infrastructure Partners and STAR Capital Partners. Followed by the subsequent sale to UK Rails S.A.R.L., a company jointly owned by CK Infrastructure Holdings Limited and Cheung Kong (Holdings) Limited. Mary has a degree in Business and is a qualified Chartered Management Accountant.

Andrea Wesson, Chief Financial Officer

Andrea joined Eversholt UK Rails Group in 2008 and during her career with Eversholt UK Rails Group she has held various roles in the finance function including Head of Treasury and Risk. Andrea was appointed to Chief Financial Officer in July 2016. Andrea began her career at Arthur Andersen & Co moving to Forward Trust Group, the leasing arm of Midland Bank (HSBC) and is a Chartered Accountant and a Fellow of the Association of Corporate Treasurers.

Stephen Timothy, Client Relations Director

Steve joined Eversholt UK Rails Group in 2003 as Customer Services and Operations Manager and was appointed to his present role in 2008. Previously Steve has held several senior general management and sales roles in international Metals/Engineering, Oil and Gas industries, including Director/General Manager at ALSTOM's Traction Service business. Earlier positions that Steve held include a UK Government/Industry science and technology think-tank and various project/engineering roles. Steve began his professional life in academia: he was a Research Fellow at Emmanuel College, Cambridge and has MA and

PhD degrees in Natural Sciences. He is also an External Governor at the Board of Sheffield Hallam University.

There are no conflicts of interest between any duties that the members of Eversholt UK Rails Group'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, London N1 9JY.

The way the business is organised is currently under review to reflect the different focus required for the next few years, as the peak of delivery on large engineering projects and projects to introduce new rolling stock tail off. The reorganisation of the teams aims to achieve a different focus and not a reduction in headcount. As of 30 September 2019, Eversholt UK Rails Group had 112 employees.

Insurance

Own Insurance

Eversholt UK Rails Group maintains general insurance policies including cover for third party liability risk (in an amount of £155 million), for Directors' and Officers' liability and for loss or damage to any off-lease rolling stock.

The insurance programme in place for Eversholt UK Rails Group covers all the companies in the Security Group including the Issuer and the Guarantors. The insurance programme is brokered by JLT Specialty Limited.

Since privatisation there have been no material claims under any of Eversholt UK Rails Group's insurances.

Third Party Insurances

Eversholt UK Rails Group'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, Eversholt UK Rails Group'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 (Eversholt UK Rails Group'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 respond, 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 Eversholt UK Rails Group.

Pensions

MaintCo is the designated employer of its own section within the RPS. RPMI Limited 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 June 2019 there were 115 members of the relevant defined benefit section of the RPS, of whom 15 were active members, 50 deferred members and 50 pensioners. At the time of the last formal actuarial valuation, 31 December 2016, the scheme showed a funding level of 102 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 Security 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 –2. Risks Relating to the Underlying Assets, Pensions and 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.

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 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, 16 May 2014 and 28 June 2017 (the **Common Terms Agreement**). ERFL2 acceded to the Common Terms Agreement as an Obligor on 13 March 2012. HoldCo acceded to the Common Terms Agreement as an Obligor on 28 June 2017.

Following the issuance of a STID proposal to the Security Trustee dated 4 April 2017, the Common Terms Agreement, the Master Definitions Agreement (as defined below) and the STID (as defined below) were amended by way of an amendment agreement dated 28 June 2017 (the **Amendment Agreement**). Pursuant to the terms of the Amendment Agreement, the Common Documents were amended as follows: (i) EIL was replaced by HoldCo as head of the Security Group and (ii) references to the Initial Facilities and the ST Facility were removed as both were fully repaid and discharged.

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 Security 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) and the aggregate of the unaudited Financial Statements (90 days after the end of such 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; 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.
- (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) Credit Rating Downgrade 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 HoldCo Group to a Schedule 10 Tax Charge (save in respect of any LeaseCo 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) HoldCo and FinCo Parent shall not carry on any business other than (i) (in the case of HoldCo 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 HoldCo 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) (save for the entry into and performance of obligations under any Hedging Agreement or Operational Hedging Agreement in the case of HoldCo) 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 HoldCo 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 Financial Indebtedness 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 HoldCo 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 any 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; and
 - (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 (ii) 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 (l) 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 paragraph (l).
- (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 HoldCo 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 HoldCo 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 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 (x)(ii) below; 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 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 (p) 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 (as defined in the Master Definitions Agreement) 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 the 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 (q) above.
- (s) At all times, all members of the HoldCo 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 HoldCo Group;
 - (ii) the consolidated turnover of the HoldCo Group;
 - (iii) the consolidated assets of the HoldCo Group; and
 - (iv) the Consolidated EBITDA of the HoldCo 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 Eversholt UK Rails Group 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 HoldCo 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 Security 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 date of the Common Terms Agreement (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 LeaseCo for the purposes of Part 9 of the Corporation Tax Act 2010 (the "**Intended Effect**") unless EIL or HoldCo 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 EIL, another Obligor, HoldCo or any Affiliate of HoldCo (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 (x)(i) 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 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 this paragraph (a) and paragraphs, (b) and (c) 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 sub-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 have been contractually committed to be applied towards the purchase of other assets for use in the Permitted Business and are 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; 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 Event 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 "*Covenants - General*" 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 sub-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 Certificates),

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) 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 in the Common Terms Agreement) 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 the occurrence of a Trigger Event, 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 Obligors;
- (g) the winding-up, dissolution, administration or other analogous proceedings being entered in respect of one or more Obligors;
- (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, HoldCo 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 HoldCo 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 FACTORS – 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 "*Events 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 per cent. 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 per cent. 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 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. Please note however the current ongoing creditors' voluntary liquidation procedure in respect of 365Co, as described in the "*Business Description*" section above.

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 Priority of Payments*" 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 (b) 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) of the section (*Undertakings of 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 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 an 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 "*3. 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 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 paragraph 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 paragraph 4(ii) or 5(ii) above;
 - (iii) all amounts due, overdue or payable in respect of Finance Leases which do not fall within paragraph 4(iii) or 5(iii) above;
 - (iv) all amounts payable to each Hedge Counterparty under any Hedging Agreement which do not fall within paragraph 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 paragraph 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 per cent.	20 per cent. (or at least 10 per cent. if STID Proposal is reinstigated following the expiry of the Decision Period)	Not less than 15 Business Days
Extraordinary Voting Matter	66.67 per cent.	20 per cent. (or at least 10 per cent. 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 per cent. 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)
Enforcement Instruction Notice /Further Enforcement Instruction Notice - prior to 6 months from the date of the Event of Default	At least 66.67 per cent.	At least 40 per cent.	20 Business Days

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 per cent. if a quorum is not achieved.

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 per cent.	At least 33.33 per cent.	20 Business Days
Enforcement Instruction/Further Enforcement Instruction - on or after 12 months from the date of the Event of Default	20 per cent.	At least 10 per cent.	20 Business Days
Direction Notice	50 per cent. and 1 vote	One or more Qualifying Secured Creditor	Not less than 20 Business Days
Instruction Notice	10 per cent. 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 and HoldCo) 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. HoldCo acceded to the English Law Security Agreement as a chargor on 28 June 2017. 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.

2017 Irish Law Security Agreement

On 28 June 2017 HoldCo secured the shares it owns in EIL, in each case to the Security Trustee for itself and as trustee for the Secured Creditors in respect of the Secured Liabilities (the **"2017 Irish Law Security Agreement"**). The 2017 Irish Law Security Agreement is subject to the STID.

Irish Law Security Agreement

Each Irish Obligor (other than ERFL2) 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 2 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 (since dissolved via voluntary strike-off) entered into a Scottish law governed security agreement (the **"Scottish Law Security Agreement"**) with the Security Trustee on 4 November 2010 under which it secured one Scottish law governed lease and its accompanying Section 54 Undertaking and manufacture and supply agreement (in respect of c380 Rolling Stock) (together the **"Scottish Law Documents"**) to the Security Trustee for itself and as trustee for the Secured Creditors in respect of the Secured Liabilities. On 31 December 2015, (i) 380Co novated its assets, agreements and interests, including, the Scottish Law Documents to LeaseCo (the **"Scottish Assets"**) such that now, LeaseCo is the owner of the c380 Rolling Stock and replaces 380Co under the Scottish Law Documents, and (ii) pursuant to an assignation in security agreement between LeaseCo and the Security Trustee (the **"LeaseCo Assignation of Security Agreement"**), LeaseCo granted security

over the Scottish Assets in favour of the Security Trustee to ensure the Secured Creditor's Security is not prejudiced. The LeaseCo Assignment of Security Agreement is subject to the STID. Please note that 380Co was dissolved via voluntary strike-off on 11 December 2018.

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

On 1 November 2013, the Issuer entered into an authorised credit facility agreement with, *inter alios*, the AC Facility Providers (the "**ACF Agreement**").

The ACF Agreement was amended and restated pursuant to an amendment and restatement agreement dated 9 November 2015 and further amended on 5 December 2016 and extended on each of 19 December 2017 and 7 November 2018 (the "**Amended and Restated ACF Agreement**").

Under the Amended and Restated ACF Agreement the AC Facility Providers made available to the Issuer, a £600,000,000 revolving credit facility (the "**Revolving Facility**") to fund the general corporate purpose of the Security Group.

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

- (A) In the period commencing 90 days prior to the first anniversary of the Effective Date and ending on the first anniversary of the Effective Date, the Issuer may request that the Termination Date for all the Lenders in respect of the Revolving Facility be extended to the date falling twelve months after the New Termination Date for the Revolving Facility (the "**First Extended Termination Date**") by giving notice (an "**Extension Notice**") to the ACF Facility Agent.
- (B) If any 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 the Revolving Facility 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), the Commitment of each Lender which did not agree to the request will be automatically cancelled and its Revolving Facility Loans repaid to it, in each case on the New 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 the Revolving Facility 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 New Termination Date for the Revolving Facility to the date falling twenty-four months after the original Termination Date for the Revolving Facility (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 any 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 the Revolving Facility 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 Revolving Facility Loans repaid to it, in each case on (in respect of an Original Extending Lender) its First Extended Termination Date and (in respect of an Original Non-Extending Lender) on its New 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 Revolving Facility may agree) prior notice, cancel the whole or any part of the available Facility (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 Loan may be re-borrowed on the terms of the Amended and Restated ACF Agreement.

Clean Down

Commencing with the Financial Year ending 31 December 2015, the Issuer shall ensure that the aggregate amount of Working Capital Indebtedness under the Revolving Facility 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 shall 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

If a change of control occurs and within the related Change of Control Period a Rating Downgrade occurs as a result of the change of control (a Change of Control Prepayment Event):

- (i) the Issuer shall promptly (and in any event within five Business Days of the Issuer becoming aware that a Change of Control Prepayment Event has occurred), give written notice to the ACF Facility Agent and the Lenders (any such notice a **Change of Control Prepayment Event Notice**).
- (ii) the Change of Control Prepayment Event Notice shall (i) describe the nature of such Change of Control Prepayment Event, (ii) refer to Clause 7.2 (Change of control) of the ACF and the rights of the Lenders hereunder and (iii) contain an offer to mandatorily prepay all outstanding Loans, together with accrued interest and all other amounts accrued under the ACF Finance Documents, which prepayment shall be on a date therein specified (the **Change of Control Prepayment Date**), which shall be a Business Day following the Change of Control Response Date referred to in paragraph (iii) below and in any event not more than 60 days after the date of such Change of Control Prepayment Event Notice.
- (iii) Each Lender will notify the Issuer of its acceptance or rejection of the offer to mandatorily prepay made pursuant to Clause 7.2 (Change of control of the ACF by giving written notice of such acceptance or rejection to the Issuer on or before the date for such notice specified in the Change of Control Prepayment Event Notice (the Change of Control Response Date), which specified date shall be not less than 30 days after the date the Change of Control Prepayment Event Notice is given.
- (iv) A failure by any Lender to respond to an offer to mandatorily prepay made pursuant to Clause 7.2 (Change of control) on or before the Change of Control Response Date shall be deemed to constitute a rejection of such offer by such Lender.
- (v) If any Lender rejects such offer on or before the Change of Control Response Date, such Lender shall be deemed to have waived its rights under this Clause 7.2 (Change of control) to require prepayment of such Loans for which such offer was rejected in respect of such Change of Control Prepayment Event but not in respect of any subsequent Change of Control Prepayment Event.
- (vi) The Issuer shall mandatorily prepay on the Change of Control Prepayment Date all outstanding Loans to each Lender which has accepted FinCo's offer in accordance with paragraph (iii) above, together with accrued interest and all other amounts accrued to any such Lender under the ACF Finance Documents until (but excluding) the Change of Control Prepayment Date and the Commitments of each such Lender shall be cancelled on that date.
- (c) If a Change of Control occurs and a Lender is not able as a consequence of that Change of Control to remain as a Lender because it would cause that Lender to breach or otherwise not comply with any applicable "know your customer" checks or its internal sanctions guidelines and that Lender has used all reasonable endeavours for a period of at least 45 days following the occurrence of that Change of Control to comply with such checks or guidelines:

- (i) that Lender may notify the ACF Facility Agent and FinCo that it is unable to remain as a Lender provided it does so after expiry of the period referred to above and within 60 days of the date of occurrence of the Change of Control;
- (ii) after that Lender has notified FinCo and the ACF Facility Agent, FinCo will within 30 days after the expiry of the period referred to in paragraph (i) above notify that Lender and the ACF Facility Agent of:
 - (1) the cancellation of the Commitment of that Lender; or
 - (2) the replacement of that Lender in accordance with Clause 18 (Changes to Lenders) of the ACF Agreement;
- (iii) in the event FinCo elects to cancel the Commitment of that Lender, FinCo shall repay that Lender's participation in the Loans made to it on the date specified in the notice (which shall be a Business Day no later than 15 days after the expiry of the period referred to in paragraph (ii) above) together with accrued interest and all other amounts accrued to any such Lender under the ACF Finance Documents and that Lender's corresponding Commitment shall be cancelled in the amount of the participations prepaid.

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 by any of them; and

"**Initial Investors**" means UK Rails S.à r. l. 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 Amended and Restated 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 ("**2012 PP Note Purchase Agreement**") with certain Institutional Accredited

Investors listed therein (the "**2012 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 Obligors.

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 2012 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 2012 PP Note Purchaser became Senior Debt and Secured Liabilities under the Common Terms Agreement and the STID, (d) each 2012 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.

On 9 October 2015, the Issuer and other Obligors entered into a note purchase agreement ("**2015 PP Note Purchase Agreement**") with certain Institutional Accredited Investors listed therein (the "**2015 PP Note Purchasers**"), pursuant to which the Issuer issued and sold £90,000,000 fixed rate senior secured guaranteed notes due November 3, 2030 (the "**2015 Notes**") to the PP Note Purchasers.

The proceeds of the sale of the 2015 Notes were used to finance general corporate purposes of the Obligors.

On 9 October 2015, (a) each 2015 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 2015 PP Note Purchase Agreement and the 2015 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 2015 PP Note Purchaser became Senior Debt and Secured Liabilities under the Common Terms Agreement and the STID, (d) each 2015 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, NYL Investors LLC was appointed by the 2015 PP Note Purchasers to become their Secured Creditor Representative.

On 21 October 2016, the Issuer and other Obligors entered into a note purchase agreement ("**2016 PP Note Purchase Agreement**") with certain Institutional Accredited Investors listed therein (the "**2016 PP Note Purchasers**"), pursuant to which the Issuer issued and sold (a) £33,000,000 fixed rate senior secured guaranteed notes due November 21, 2026 (the "**Series A-1 Notes**"), (b) £45,000,000 fixed rate senior secured guaranteed notes due November 21, 2028 (the "**Series A-2 Notes**"), (c) £22,000,000 fixed rate senior secured guaranteed notes due November 21, 2031 (the "**Series A-3 Notes**") and (d) £100,000,000 fixed rate senior secured guaranteed notes due April 21, 2037 (the "**Series A-4 Notes**", together with the Series A-1 Notes, the Series A-2 Notes and the Series A-3 Notes, the "**2016 Notes**") to the 2016 PP Note Purchasers.

The proceeds of the sale of the 2016 Notes were used to finance general corporate purposes of the Obligors.

On 3 November 2016 and 21 April 2017, (a) each 2016 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 2016 PP Note Purchase Agreement and the 2016 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 2016 PP Note Purchaser became Senior Debt and Secured Liabilities under the Common Terms Agreement and the STID, (d) each 2016 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, various entities, among them, Intertrust Trustees Limited, were appointed by the 2016 PP Note Purchasers to become their respective Secured Creditor Representatives.

The 2012 PP Note Purchasers, the 2015 Note Purchasers and the 2016 Note Purchasers are together referred to as the "**PP Note Purchasers**" and each a "**PP Note Purchaser**".

The 2012 Notes, 2015 Notes and 2016 Notes are together referred to as the "**PP Notes**".

Repayments

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

The 2015 Notes and the 2016 Notes have a bullet repayment profile and the entire unpaid principal balance shall be due and payable on the stated maturity date thereof.

Prepayments

The Issuer may, at its option, prepay the PP Notes in full or in part (subject to a minimum prepayment amount of 5 per cent. 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 PP 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 PP 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 PP Notes. The Issuer may not offer to prepay or prepay PP 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 the context of the 2012 Notes the following terms apply:

"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 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., STAR Capital Partners Limited, STAR II UK Limited Partnership No. 1, STAR II US Limited Partnership No. 1 and any of their Affiliates.

"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.

In the context of the 2015 Notes the following terms apply:

"Change of Control Prepayment Events" means, and shall be deemed to have occurred if a Change of Control Rating Downgrade occurs as a result of a Change of Control, within the Control Change Period for 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 9 October 2015, *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.

“Change of Control Rating Downgrade” means within the Control Change Period:

- (i) any rating assigned to the Eversholt Public Bonds or the 2015 Notes, as the case may be, is withdrawn (unless replaced with a rating from another Rating Agency); or
- (ii) the Eversholt Public Bonds or the 2015 Notes, as the case may be, cease to be rated Investment Grade by one or more Rating Agencies;
- (iii) (if the then current rating of the Eversholt Public Bonds or the 2015 Notes, as the case may be, 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. If at any time both the 2015 Notes and the Eversholt Public Bonds are rated, the rating on the 2015 Notes shall control for purposes of section 10.5 of the 2015 PP Note Purchase Agreement.

“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 2015 Notes 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).

“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” means UK Rails S.à.r.l and any of its Affiliates.

“Initial Investor Fund” means any fund controlled or managed by any Initial Investor.

“Listing” means a listing on any investment exchange or any other sale or issue by way of floatation 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.

"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 Company, 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 the context of the 2016 Notes the following terms apply:

"Change of Control Prepayment Events" means, and shall be deemed to have occurred if a Change of Control Rating Downgrade occurs as a result of a Change of Control, within the Control Change Period for 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 21 October 2016, *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 (i) 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 and (ii) notwithstanding any other provision of section 10.5 of the 2016 PP Note Purchase Agreement, no Change of Control shall occur as a result of a reorganisation of the Group if the direct shareholders of UK Rails S.a.r.l as at the date of this Agreement continue to indirectly beneficially own the ordinary shares in EIL.

"Change of Control Rating Downgrade" means within the Control Change Period:

- (i) any rating assigned to the Eversholt Public Bonds or the 2016 Notes, as the case may be, is withdrawn (unless replaced with a rating from another Rating Agency); or
- (ii) the Eversholt Public Bonds or the 2016 Notes, as the case may be, cease to be rated Investment Grade by one or more Rating Agencies;
- (iii) (if the then current rating of the Eversholt Public Bonds or the 2016 Notes, as the case may be, 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. If at any time both the 2016 Notes and the Eversholt Public Bonds are rated, the rating on the 2016 Notes shall control for purposes of this section.

“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 2016 Notes 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).

“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” means UK Rails S.à.r.l and any of its Affiliates.

“Initial Investor Fund” means any fund controlled or managed by any Initial Investor.

“Listing” means a listing on any investment exchange or any other sale or issue by way of floatation 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.

Swap Break Costs

Where a prepayment is made in respect of PP 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.

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 "*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 Regulation**" means Regulation (EU) 2017/1129 and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

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 originally dated 4 November 2010, as supplemented on 14 November 2014, on 13 July 2017 and on or around 25 October 2019 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 originally dated 4 November 2010 (as amended and restated on 14 November 2014 and 13 July 2017 and as further 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, on 13 July 2017 and on or around 25 October 2019) (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, 16 May 2014 and 28 June 2017 (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 as amended on 12 December 2012 and 28 June 2017 (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**") on 4 November 2010 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).

On 28 June 2017 HoldCo entered into an Irish law governed security agreement pursuant to which it secured the shares it owns in EIL, in each case to the Security Trustee for itself and as trustee for the Secured Creditors in respect of the Secured Liabilities (the "**2017 Irish Law Security Agreement**"). The 2017 Irish Law Security Agreement is subject to the STID (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**".

380Co entered into a Scottish law governed security agreement (the "**Scottish Law Security Agreement**") with the Security Trustee on 4 November 2010 under which it secured one Scottish law governed lease and its accompanying Section 54 Undertaking and manufacture and supply agreement (in respect of c380 Rolling Stock) (together the "**Scottish Law Documents**") to the Security Trustee for itself and as trustee for the Secured Creditors in respect of the Secured Liabilities. On 31 December 2015, (i) 380Co novated its assets, agreements and interests, including, the Scottish Law Documents to LeaseCo (the "**Scottish Assets**") such that now, LeaseCo is the owner of the c380 Rolling Stock and replaces 380Co under the Scottish Law Documents, and (ii) pursuant to an assignation in security agreement between LeaseCo and the Security Trustee (the "**LeaseCo Assignation of Security Agreement**"), LeaseCo granted security over the Scottish Assets in favour of the Security Trustee to ensure the Secured Creditor's Security is not prejudiced. The LeaseCo Assignation of Security Agreement is subject to the STID. Please note that 380Co was dissolved via voluntary strike-off on 11 December 2018.

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, 16 May 2014 and 28 June 2017 (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 Regulation, the minimum Specified Denomination shall be 100,000 euro or not less than the equivalent of 100,000 euro 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 "**Talonholders**").

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

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.

For the purposes of the below, any capitalised terms shall have the meaning given to them in the 2017 Irish Law Security Agreement and the ERFL Holdings Irish Law Security Agreement.

The security constituted by the 2017 Irish Law Security Agreement and the ERFL Holdings Irish Law Security Agreement consists of a first priority equitable mortgages and charges over the Secured Shares.

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.

380Co entered into a Scottish law governed security agreement (the "**Scottish Law Security Agreement**") with the Security Trustee on 4 November 2010 under which it secured one Scottish law governed lease and its accompanying Section 54 Undertaking and manufacture and supply agreement (in respect of c380 Rolling Stock) (together the "**Scottish Law Documents**") to the Security Trustee for itself and as trustee for the Secured Creditors in respect of the Secured Liabilities. On 31 December 2015, (i) 380Co novated its assets, agreements and interests, including, the Scottish Law Documents to LeaseCo (the "**Scottish Assets**") such that now, LeaseCo is the owner of the c380 Rolling Stock and replaces 380Co under the Scottish Law Documents, and (ii) pursuant to an assignment in security agreement between LeaseCo and the Security Trustee (the "**LeaseCo Assignment of Security Agreement**"), LeaseCo granted security over the Scottish Assets in favour of the Security Trustee to ensure the Secured Creditor's Security is not prejudiced. The LeaseCo Assignment of Security Agreement is subject to the STID. Please note that 380Co was dissolved via voluntary strike-off on 11 December 2018.

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 17 (*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(k) (*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

- (i) This Condition 6(d) is applicable only if the relevant Final Terms specify the Bonds as Floating Rate Bonds.
- (ii) Subject to Condition 6(o) (*Benchmark Discontinuation*), 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 and the Relevant Rate specified in such Final Terms is not SONIA, 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:
 - (A) 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(k) (*Definitions*));
 - (B) 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;
 - (C) if, in the case of (A) above, such rate does not appear on that Page or, in the case of (B) 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:
 - (I) request the principal Relevant Financial Centre office of each of the Reference Banks (as defined in Condition 6(k) (*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
 - (II) determine the arithmetic mean of such quotations.

- (D) if fewer than two such quotations are provided as requested in Condition 6(d)(ii)(C) above, 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(k) (*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(k) (*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.

- (iii) 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:
- (A) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (B) the Designated Maturity (as defined in the ISDA Definitions) is the Specified Duration (as defined in Condition 6(k) (*Definitions*)); and
 - (C) 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 (including, without limitation, in the case of SONIA), as the day specified in the relevant Final Terms.
- (iv) If the relevant Final Terms specifies the Relevant Rate applicable to Floating Rate Bonds as being SONIA, the Interest Rate applicable to such Floating Rate Bonds for the relevant Interest Period will, subject as provided below, be

Compounded Daily SONIA plus or minus the applicable relevant margin (for the purposes of this Condition 6(d)(iv), the "**Relevant Margin**") specified in the relevant Final Terms, all as determined by the Calculation Agent.

For the purposes of this Condition 6(d)(iv):

"**Compounded Daily SONIA**" means, with respect to an Interest Period, the rate of return of a daily compound interest investment (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated by the Calculation Agent as follows, and the resulting percentage will be rounded, if necessary, to the fourth decimal place, with 0.00005 being rounded upwards:

$$\left[\prod_{i=1}^{d_o} \left(1 + \frac{SONIA_{i-pI.BD} \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

"**d**" means, for any Interest Period, the number of calendar days in such Interest Period;

"**d_o**" means, for any Interest Period, the number of London Banking Days in such Interest Period;

"**i**" means, for any Interest Period, a series of whole numbers from one to **d_o**, each representing the relevant London Banking Day in chronological order from (and including) the first London Banking Day in such Interest Period to (and including) the last London Banking Day in such Interest Period;

"**London Banking Day**" or "**LBD**" means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

"**n_i**" means, for any London Banking Day "**i**", the number of calendar days from (and including) such London Banking Day "**i**" up to (but excluding) the following London Banking Day;

"**Observation Period**" means, in respect of an Interest Period, the period from (and including) the date which is "**p**" London Banking Days prior to the first day of such Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending on (but excluding) the date which is "**p**" London Banking Days prior to the Interest Payment Date for such Interest Period (or the date falling "**p**" London Banking Days prior to such earlier date, if any, on which the relevant Bonds become due and payable);

"**p**" means the whole number specified as the Observation Look-back Period in the applicable Final Terms, such number representing a number of London Business Days and which shall not be specified in the applicable Final Terms as less than five without the prior agreement of the Calculation Agent;

"**SONIA**" means the Sterling Overnight Index Average;

"**SONIA_i**" means, in respect of any London Banking Day, "i", a reference rate equal to the daily SONIA rate for such London Banking Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors (on the London Banking Day immediately following such London Banking Day); and

"**SONIA_{i-pLBD}**" means, in respect of any London Banking Day falling in the relevant Interest Period, the SONIA rate for the London Banking Day falling "p" London Banking Days prior to the relevant London Banking Day "i".

Subject to Condition 6(o) (*Benchmark Discontinuation*), if in respect of any London Banking Day in the relevant Observation Period, the SONIA rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA rate shall be:

- (A) (I) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant London Banking Day; plus (II) the mean of the spread of the SONIA rate to the Bank Rate over the previous five London Banking Days on which a SONIA rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and the lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate; or
- (B) if the Bank Rate is not published by the Bank of England at close of business on the relevant London Banking Day, the SONIA rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding London Banking Day on which the SONIA rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors).

If any Floating Rate Bonds to which this Condition 6(d)(iv) applies become due and payable in accordance with Condition 9 (*Redemption, Purchase and Cancellation*), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Final Terms, be deemed to be the date on which such Floating Rate Bonds became due and payable and the Interest Rate on such Floating Rate Bonds shall, for so long as any such Floating Rate Bond remains outstanding, be that determined on such date.

(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(k) (*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 the 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);

- (i) 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);
- (ii) if **"Actual/365 (Fixed)"** is specified, the actual number of days in the Calculation Period divided by 365;
- (iii) if **"Actual/360"** is specified, the actual number of days in the Calculation Period divided by 360;
- (iv) 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
- (v) 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 (being one of LIBOR, EURIBOR and SONIA, 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 (being London time, in the case of LIBOR and SONIA, or Brussels time, in the case of EURIBOR);

"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) [NOT USED]

(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, Receipholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Obligors, the Bond Trustee, the Bondholders, the Receipholders 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.

(o) Benchmark Discontinuation

(i) If the Issuer determines in good faith that a Benchmark Event has occurred in relation to an Original Reference Rate at any time when the Conditions of any Bonds provide for any remaining rate of interest (or any component part thereof) to be determined by reference to such Original Reference Rate and if “Benchmark Replacement” is specified to be “Applicable” in the applicable Final Terms, then (notwithstanding paragraphs (ii), (iii) and (iv) of Condition 6(d) (*Floating Rate Bonds*)) the following provisions of this Condition 6(o) shall apply.

(ii) Independent Adviser

The Issuer shall notify the Calculation Agent of the occurrence of such Benchmark Event and shall use reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 6(o)(iii) (*Successor Rate or Alternative Rate*)) and, in either case, an Adjustment Spread (if any) (in accordance with Condition 6(o)(iv) (*Adjustment Spread*)) and any Benchmark Amendments (in accordance with Condition 6(o)(v) (*Benchmark Amendments*)).

An Independent Adviser appointed pursuant to this Condition 6(o) shall act in good faith as an expert and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Bond Trustee, the Paying Agents, the Agents, Calculation Agent, any other party responsible for determining the Interest Rate specified in the applicable Final Terms, or the Bondholders or Couponholders for any determination made by it or for any advice given by it to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 6(o).

(iii) Successor Rate or Alternative Rate

If the Issuer, following consultation with such Independent Adviser, determines in good faith that:

- (A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 6(o)(iv) (*Adjustment Spread*)) subsequently be used in place of the Original Reference Rate to determine the relevant Interest Rate(s) (or the relevant component part(s) thereof) for all relevant future payments of interest on the relevant Bonds (subject to the further operation of this Condition 6(o)); or
- (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 6(o)(iv) (*Adjustment Spread*)) subsequently be used in place of the Original Reference Rate to determine the relevant Interest Rate(s) (or the relevant component part(s) thereof) for all relevant future payments of interest on the relevant Bonds (subject to the further operation of this Condition 6(o)).

(iv) Adjustment Spread

If the Issuer, following consultation with the Independent Adviser, determines in good faith:

- (A) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be); and
- (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread,

then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be) for each subsequent determination of a relevant Interest Rate (or a relevant component part thereof) by reference to such Successor Rate or Alternative Rate (as applicable).

(v) Benchmark Amendments

- (A) If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 6(o) and the Issuer (following consultation with the Independent Adviser) determines in good faith: (I) that amendments to the Conditions, the Agency Agreement and/or the Bond Trust Deed (including, without limitation, amendments to the definitions of Day Count Fraction, Business Days or Relevant Screen Page) are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**"); and (II) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 6(o)(vi) (*Notices, etc.*), without any requirement for the consent or approval of Bondholders or Couponholders, vary the Conditions, the Agency Agreement and/or the Bond Trust Deed (as applicable) to give effect to such Benchmark Amendments with effect from the date specified in such notice.
- (B) At the request of the Issuer, but subject to receipt by the Bond Trustee of a certificate signed by two authorised signatories of the Issuer pursuant to Condition 6(o)(vi) (*Notices, etc.*), the Bond Trustee shall (at the Issuer's expense), without any requirement for the consent or

approval of the Bondholders or Couponholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, inter alia, by the execution of deeds supplemental to or amending the Bond Trust Deed and/or the Agency Agreement) and the Bond Trustee shall not be liable to any party for any consequences thereof, provided that the Bond Trustee shall not be obliged so to concur if in the sole opinion of the Bond Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend rights and/or the protective provisions afforded to the Bond Trustee in the Conditions, the Agency Agreement or the Bond Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way.

- (C) In connection with any such variation in accordance with this Condition 6(o), the Issuer shall comply with the rules of any stock exchange on which the Bonds are for the time being listed or admitted to trading.

(vi) Notices, etc.

- (A) The Issuer shall notify the Bond Trustee, the party responsible for determining the Interest Rate (being an Agent, the Calculation Agent or such other party specified in the applicable Final Terms, as applicable), the Paying Agents and, in accordance with Condition 18 (*Notices*), the Bondholders, promptly of any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 6(o). Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.
- (B) No later than notifying the Bond Trustee of the same, the Issuer shall deliver to the Bond Trustee a certificate signed by two authorised signatories:
 - (I) confirming (x) that a Benchmark Event has occurred, (y) the Successor Rate or, as the case may be, the Alternative Rate and (z) where applicable, any Adjustment Spread and/or the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 6(o);
 - (II) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread; and
 - (III) certifying that (x) the Issuer has duly consulted with an Independent Adviser with respect to each of the matters above or, if that is not the case, (y) explaining, in reasonable detail, why the Issuer has not done so.
- (C) The Bond Trustee shall be entitled to rely on such certificate (without inquiry and without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error in the

determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) and without prejudice to the Bond Trustee's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Bond Trustee, the party responsible for determining the Interest Rate (being an Agent, the Calculation Agent, or such other party specified in the applicable Final Terms, as applicable), the Paying Agents and the Bondholders and Couponholders.

(vii) Survival of Original Reference Rate

Without prejudice to the Issuer's obligations under the provisions of this Condition 6(o), the Original Reference Rate and the relevant fallback provisions provided for in Condition 6(d) (*Floating Rate Bonds*) will continue to apply unless and until the party responsible for determining the Interest Rate (being an Agent, the Calculation Agent or such other party specified in the applicable Final Terms, as applicable) has been notified of the Successor Rate or the Alternative Rate (as the case may be), and of any Adjustment Spread and/or Benchmark Amendments.

(viii) Fallbacks

(A) If, following the occurrence of a Benchmark Event and in relation to the determination of the Interest Rate on the relevant Interest Determination Date, no Successor Rate or Alternative Rate (as applicable) is determined pursuant to this provision by such Interest Determination Date, the original benchmark or screen rate (as applicable) will continue to apply for the purposes of determining such Interest Rate on such Interest Determination Date, with the effect that the fallback provisions provided elsewhere in these Conditions will continue to apply to such determination.

(B) In the circumstances set out in paragraph (A) above, the Issuer will be entitled (but not obliged), at any time thereafter, to elect to re-apply the provisions of this Condition 6(o), *mutatis mutandis*, on one or more occasions until a Successor Rate or Alternative Rate (and, if applicable, any associated Adjustment Spread and/or Benchmark Amendments) has been determined and notified in accordance with this Condition 6(o) (and, until such determination and notification (if any), the fallback provisions provided elsewhere in these Conditions will continue to apply).

(ix) Definitions

In this Condition 6(o):

(A) "**Adjustment Spread**" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Issuer, following consultation with the Independent Adviser and acting in good faith, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Bondholders or Couponholders as a result of the replacement of the Original Reference Rate with the Successor

Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (I) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body;
 - (II) in the case of an Alternative Rate (or in the case of a Successor Rate where (I) above does not apply), is in customary market usage in the international debt capital market for transactions which reference the Original Reference Rate, where such rate has been replaced by the Alternative Rate (or, as the case may be, the Successor Rate); or
 - (III) if no such recommendation or option has been made (or made available), or the Issuer determines there is no such spread, formula or methodology in customary market usage, the Issuer, in its discretion, following consultation with the Independent Adviser and acting in good faith, determines to be appropriate;
- (B) **"Alternative Rate"** means an alternative benchmark or screen rate which the Issuer determines in accordance with this Condition 6(o) has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) for a commensurate interest period and in the same Specified Currency as the Bonds;
- (C) **"Benchmark Event"** means, with respect to an Original Reference Rate:
- (I) the Original Reference Rate ceasing to exist or be published;
 - (II) the later of (x) the making of a public statement by the administrator of the Original Reference Rate that it will, on or before a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (y) the date falling six months prior to the date specified in (II)(x);
 - (III) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been permanently or indefinitely discontinued;
 - (IV) the later of (x) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will, on or before a specified date, be permanently or indefinitely discontinued and (y) the date falling six months prior to the date specified in (IV)(x);

- (V) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case within the following six months; or
 - (VI) it has or will prior to the next Interest Determination Date become unlawful for the Issuer, the party responsible for determining the Interest Rate (being an Agent, the Calculation Agent or such other party specified in the applicable Final Terms, as applicable) or any Paying Agent to calculate any payments due to be made to any Bondholder or Couponholder using the Original Reference Rate (including, without limitation, under the Benchmarks Regulation, if applicable);
- (D) **"Independent Adviser"** means an independent financial institution of international repute or an independent adviser of recognised standing with appropriate expertise appointed by the Issuer at its own expense under Condition 6(o)(ii) (*Independent Adviser*) and approved in writing by the Bond Trustee;
- (E) **"Original Reference Rate"** means the benchmark or screen rate (as applicable) originally specified for the purpose of determining the relevant Interest Rate (or any relevant component part(s) thereof) on the Bonds;
- (F) **"Relevant Nominating Body"** means, in respect of a benchmark or screen rate (as applicable):
- (I) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
 - (II) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (1) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (2) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (3) a group of the aforementioned central banks or other supervisory authorities or (4) the Financial Stability Board or any part thereof; and
- (G) **"Successor Rate"** means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

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 2006;

"**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(h) 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 Reference 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 Bond 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 the 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 16 (*Meetings of Bondholders, Modifications, 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 (*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 Investments plc, advised as to investments where 3i Investments plc 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 floatation 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(h) 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.

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, 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 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 Condition 9 (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 any law implementing an intergovernmental approach thereto (any such withholding or deduction, a “**FATCA Withholding**”). 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) and (iv) 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 FCA 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 unmaturing Coupons attached), unmaturing 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 unmaturing 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 unmaturing Coupons and any unexchanged Talon relating to it, a sum equal to the aggregate amount of the missing unmaturing 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 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) Notwithstanding any other provision of the Conditions, any amounts to be paid on the Bonds by or on behalf of the Issuer will be paid net of any FATCA Withholding. Neither the Issuer, any Agent nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.
- (c) *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 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall, subject in each case to it being indemnified and/or secured and/or 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(k) (*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, Receiptholders 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) (*Substitution*), 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 (*European Economic and Monetary Union*);
- (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.

(b) Relationship between Tranches

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. In addition, the Bond Trustee will be obliged to concur with the Issuer or any other relevant parties in effecting any Benchmark Amendments (as defined in Condition 6(o)(v)(A) (*Benchmark Amendments*)) in the

circumstances set out in, and subject to and in accordance with the terms of, Condition 6(o) (*Benchmark Discontinuation*) without the consent or sanction of the Bondholders, the Receiptholders or the Couponholders of any Tranche.

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 paragraph (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 Receiptholders.

(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 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, the applicable Final Terms will also indicate 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 rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (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, the Final Terms will indicate 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 7(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 7(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 [●]

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, sold or transferred at any time in the United States or to U.S. Persons (as defined in Regulation S under the Securities Act). The Issuer has not been and will not be registered as an investment company as defined in Section 3(a)(1) under the Investment Company Act of 1940, as amended. See "*Subscription and Sale*" in the accompanying Prospectus.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Bonds (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

[THE BONDS TO WHICH THESE FINAL TERMS RELATES ARE PR EXEMPT BONDS (AS DEFINED IN THE PROSPECTUS (AS DEFINED BELOW)) AND THE FCA HAS NEITHER APPROVED NOR REVIEWED THESE FINAL TERMS.] [*This statement is to be included only in respect of the issuance of PR Exempt Bonds (i.e. Bonds for which no prospectus is required to be published under the Prospectus Regulation)*]

EVERSHOLT FINANCE PLC

Legal entity identifier (LEI): 5493002X7083FCJVYO69

Issue of [Tranche [●]] [Aggregate Nominal Amount of Tranche] [Title of Bonds]

under the Programme

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 [●] 2019 [and the supplemental or drawdown Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation (the **Prospectus**). This Prospectus constitutes the Final Terms of the Bonds described herein for the purposes of the Prospectus Regulation and must be read in conjunction with such Prospectus in order to obtain all the relevant information. 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 [●]] which are incorporated by reference in the Prospectus dated [current date]. This Prospectus constitutes the Final Terms of the Bonds described herein for the purposes of the Prospectus Regulation 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 Regulation (the **Prospectus**), including the Conditions incorporated by reference in the Prospectus, in order to obtain all the relevant information. The Prospectus has been published on [issuer's/financial Intermediaries'/regulated market's] website.] *[The second option above is to be used if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date]*

- | | | | |
|----|-------|--|--|
| 1. | (i) | Issuer | Eversholt Funding plc |
| | (ii) | Guarantors: | Eversholt Funding plc, Eversholt UK Rails (Holding) Limited, Eversholt Rail Holdings (UK) Limited, Eversholt Finance Holdings Limited, Eversholt Rail Limited, Eversholt Depot Finance Limited, Eversholt Rail Leasing Limited, Eversholt Investment Limited, European Rail Finance Holdings Limited, European Rail Finance Limited and European Rail Finance (2) 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.

(ii) [Status of Guarantee: [Senior/[Dated/Perpetual] Subordinated]]

[(iii) [Date [Board] approval for [•] and [•] respectively]
issuance of Bonds obtained:

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Bond Provisions: [Applicable/Not Applicable]

(i) Interest Rate: [•] per cent. per annum payable in arrears
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 to Bonds in
definitive form) Applicable]

(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 [In the case of bullet bonds insert relevant
Gilt. In the case of an amortising bond insert
"The Treasury Stock whose modified
duration most closely matches that of the
Bonds on the Reference Date with the
advice of three persons operating in the gilt-
edged market (selected by the Issuer and
approved by the Bond Trustee)"]

(ix) Comparable German Bund Issue: [In the case of bullet bonds insert relevant
German Bund. In the case of an amortising
bond insert "The German Bund whose
modified duration most closely matches that
of the Bonds on the Reference Date with the
advice of three persons operating in the
German Bund market (selected by the Issuer
and approved by the Bond Trustee)"]

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 (iii) 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: [Applicable]/[Not Applicable]
- Relevant Rate: [●] month [LIBOR/EURIBOR/SONIA].
 - Interest Determination Date(s): [●]
 - Relevant Screen Page: [●]
 - Relevant Financial Centre: [●]
 - Relevant Time: [●]
 - Observation Look-back Period: [●]/[Not applicable]
(In the case of SONIA, “p” London Banking Days)
- (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]
- (xiv) [Benchmark Replacement: [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: [●] month [LIBOR/EURIBOR/SONIA].
 - Interest Determination Date(s): [●]
 - Relevant Screen Page: [●]
 - Relevant Financial Centre: [●]

- Relevant Time: [●]
- Observation Look-back Period: [●]/[Not applicable]
(In the case of SONIA, “p” London Banking Days)
- (iv) ISDA Determination:
 - Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Specified Duration:
 - Reset Date: [●]
- (v) Step-Up Fixed Fee Rate: [●] per cent. per annum
- (vi) Party responsible for calculating the Rate(s) of Interest, Interest Amount and Redemption Amount(s) (if not the Agent Bank): [Not Applicable/Calculation Agent]
- (vii) Provisions for determining Coupon in the event of changes in circumstances, disruptions, cessation or fundamental changes to the Index: Applicable – Conditions 7(c) and 7(e)
- (viii) Interest or calculation period(s): [●]
- (ix) Interest Payment Dates: [●]
- (x) First Interest Payment Date: [●]
- (xi) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other]
- (xii) Business Centre: [●]
- (xiii) Minimum Indexation Factor: [Not Applicable]
- (xiv) Maximum Indexation Factor: [Not Applicable]
- (xv) Base Index Figure: [●]
- (xvi) Limited Indexation Month(s): [●]

- (xvii) Reference Gilt/ Comparable German Bund Issue: [[•] per cent. Treasury Stock due [•]]/[•] per cent. German Bundesanleihe Security due [•]]
- (xviii) 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]
- (xix) 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 – Conditions 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 depository 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 Category 2; TEFRA C/TEFRA D/Not Applicable]
34. Prohibition of Sales to Belgian Consumers: [Applicable/Not Applicable]
- (N.B. Advice should be taken from Belgian counsel before disapplying this selling restriction)*

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 FCA 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 FCA with effect from [].] [Not Applicable.]

- (ii) 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: [See "Use of Proceeds" in the Prospectus]/[Give details if the reasons for

the offer differ from what is disclosed in that section]

(ii) Estimated net proceeds: [●]

(iii) Estimated total expenses: [●]

5. [YIELD (*Fixed Rate Bonds only*)

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. [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

7. OPERATIONAL INFORMATION

ISIN Code: [●]

Common Code: [●]

CFI: [[See/[[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (**ANNA**) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

FISN: [[See/[[*include code*], as updated, as set out on] the website of ANNA or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

Delivery Delivery [against/free of] payment

[Benchmarks Regulation: Amounts payable under the Bonds will be calculated by reference to [*specify benchmark*] which is provided by [*administrator legal name*]. [As at the date hereof, [*administrator legal name*] [appears]/[does not appear] in ESMA's

register of administrators under Article 36 of the Benchmarks Regulation]/[As far as the Issuer is aware, as at the date hereof, [*specify benchmark*] [does not fall within the scope of the Benchmarks Regulation]/[by virtue of Article 2 of that regulation/the transitional provisions in Article 51 of the Benchmarks Regulation apply] such that [*administrator legal name*] is not currently required to obtain authorisation or registration (or if located outside the EU, recognition, endorsement or equivalence))/[Not Applicable]]

Intended to be held in a manner which would allow Eurosystem eligibility:

[Yes. 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] [*include this text for Registered Bonds which are to be held under the NSS*] 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 ECB being satisfied that Eurosystem eligibility criteria have been met.]/

[No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Bonds are capable of meeting them the Bonds may then 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][*include this text for Registered Bonds*]. Note that this does not necessarily mean that the Bonds will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB 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 (the "**Bank**" and, together with its subsidiary undertakings, the "**Bank Group**") is a public limited company registered in England and Wales under number 1026167. The liability of the members of the Bank is limited. It has its registered and head office at 1 Churchill Place, London, E14 5HP, United Kingdom (telephone number +44 (0)20 7116 1000). The Bank 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, the Bank was re-registered as a public limited company and its name was changed from 'Barclays Bank International Limited' to 'Barclays Bank PLC'. The whole of the issued ordinary share capital of the Bank is beneficially owned by Barclays PLC. Barclays PLC (together with its subsidiary undertakings, the "**Group**") is the ultimate holding company of the Group.

The Group is a transatlantic consumer and wholesale bank with global reach offering products and services across personal, corporate and investment banking, credit cards and wealth management anchored in the Group's two home markets of the UK and the US. The Group is organised into two clearly defined business divisions – Barclays UK division and Barclays International division. These are housed in two banking subsidiaries – Barclays UK sits within Barclays Bank UK PLC and Barclays International sits within the Bank – which operate alongside Barclays Execution Services Limited but, in accordance with the requirements of ring-fencing legislation, independently from one another. Barclays Execution Services Limited drives efficiencies in delivering operational and technology services across the Group.

The Bank and the Bank Group offer products and services designed for the Group's larger corporate, wholesale and international banking clients.

The short term unsecured obligations of the Bank 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 the Bank 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 2018, the Bank Group had total assets of £877,700m (2017: £1,129,343m), total net loans and advances of £136,959m (2017: £324,590m), total deposits of £199,337m (2017: £399,189m), and total equity of £47,711m (2017: £65,734m) (including non-controlling interests of £2m (2017: £1m)). The profit before tax of the Bank Group for the year ended 31 December 2018 was £1,286m (2017: £1,758m) after credit impairment charges and other provisions of £643m (2017: £1,553m). The financial information in this paragraph is extracted from the audited consolidated financial statements of the Bank for the year ended 31 December 2018.

Based on the Bank Group's unaudited financial information for the six months ended 30 June 2019, the Bank Group had total assets of £969,266m, total net loans and advances of £144,664m, total deposits of £215,125m, and total equity of £52,610m (including non-controlling interests of £0m). The profit before tax of the Bank Group for the six months

ended 30 June 2019 was £1,725m (30 June 2018: £725m) after credit impairment charges and other provisions of £510m (30 June 2018: £156m). The financial information in this paragraph is extracted from the unaudited condensed consolidated interim financial statements of the Bank for the six months ended 30 June 2019.

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 2,494,005,306.00 EUR. 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.

Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce ("**CIBC**") is a diversified financial institution governed by the Bank Act (Canada) (the "**Bank Act**"). CIBC was formed through the amalgamation of The Canadian Bank of Commerce and Imperial Bank of Canada in 1961. The Canadian Bank of Commerce was originally incorporated as Bank of Canada by special act of the legislature of the Province of Canada in 1858. Subsequently, the name was changed to The Canadian Bank of Commerce and it opened for business under that name in 1867. Imperial Bank of Canada was incorporated in 1875 by special act of the Parliament of Canada and commenced operations in that year. The address of the registered and head office of CIBC is Commerce Court, 199 Bay St., Toronto, Canada M5L 1A2.

CIBC is a leading Canadian-based global financial institution. As set out in the Bank Act, its corporate purpose is to act as a financial institution throughout Canada and can carry on business, conduct its affairs and exercise its powers in any jurisdiction outside Canada to the extent and in the manner that the laws of that jurisdiction permit. Through its four strategic business units – Canadian Retail and Business Banking, Canadian Wealth Management, U.S. Commercial Banking and Wealth Management and Capital Markets - CIBC provides a full range of financial products and services to 11 million individual, small business, commercial, corporate and institutional clients in Canada, the United States and around the world.

As at 31 July 2019, CIBC had total assets of C\$642.5 billion, total deposits of C\$481 billion and common shareholders' equity of C\$35 billion.

The short term senior unsecured and unguaranteed obligations of CIBC are, as at the date of this Prospectus, rated P-1 by Moody's, A-1 by Standard & Poor's USA and F1+ by Fitch and the long term senior unsecured and unguaranteed obligations of CIBC are rated Aa2 by Moody's, A+ by Standard & Poor's USA and AA- by Fitch.

CIBC is regulated by the Office of the Superintendent of Financial Institutions in Canada.

Commonwealth Bank of Australia (acting through its office at 85 Queen Victoria Street, London EC4V 4HA)

Commonwealth Bank of Australia (referred to in this section as "**CBA**") is a public company with a market capitalisation of A\$140,586 billion as at 31 December 2016. 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.

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 2016, CBA and its consolidated subsidiaries had total assets of A\$933,078 million and international harmonised CET1 ratio of 14.4 per cent. Net profit after income tax (statutory basis), for the year ended 30 June 2016 was A\$9,450 million.

As at the date of this Prospectus, CBA has been rated AA- by S&P, Aa2 by Moody's and AA- by Fitch.

CBA and its subsidiaries, with a full-time equivalent staff of over 52,000 at 30 June 2016, 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)).

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: 12, place des Etats-Unis, CS 70052 - 92547 Montrouge Cedex, France. Crédit Agricole Corporate and Investment Bank is a company with limited liability with a capital of EUR 7,851,636,342. Crédit Agricole Corporate and Investment Bank is authorised by the ACPR and supervised by the ACPR and the 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.

HSBC Bank plc

HSBC Bank plc and its subsidiaries form a group providing a range of banking products and services.

HSBC Bank plc (formerly Midland Bank plc) was formed in England in 1836 and subsequently incorporated as a company limited by shares in 1880. In 1923, the company adopted the name Midland Bank Limited, which it held until 1982 when it re-registered as a public limited company and changed its name to Midland Bank plc. In 1992, Midland Bank plc became a wholly owned subsidiary undertaking of HSBC Holdings plc, whose Group Head Office is at 8 Canada Square, London E14 5HQ. HSBC Bank plc adopted its current name, changing from Midland Bank plc, in 1999.

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide across 65 countries and territories in Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US\$2,751bn at 30 June 2019, HSBC is one of the world's largest banking and financial services organisations.

The short term senior unsecured and unguaranteed obligations of HSBC Bank plc are, as at the date of this Prospectus, rated P-1 by Moody's and A-1+ by Standard & Poor's and HSBC Bank plc has a short term issuer default rating of F1+ from Fitch. The long term senior unsecured and unguaranteed obligations of HSBC Bank plc are rated Aa3 by Moody's and AA- by Standard & Poor's and HSBC Bank plc has a long term issuer default rating of AA- from Fitch.

HSBC Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. HSBC Bank plc's principal place of business in the United Kingdom is 8 Canada Square, London E14 5HQ.

Lloyds Bank Corporate Markets plc

Lloyds Bank Corporate Markets plc ("**Lloyds Bank Corporate Markets**") is a wholly owned subsidiary of Lloyds Banking Group plc (together with its subsidiary undertakings from time to time, "**Lloyds Banking Group**"), was incorporated under the laws of England and Wales on 28 September 2016 (registration number 10399850) and is authorised by the Prudential Regulation Authority ("**PRA**") and regulated by the Financial Conduct Authority and the PRA. Lloyds Bank Corporate Markets's registered office is at 25 Gresham Street, London EC2V 7HN, United Kingdom.

Lloyds Bank Corporate Markets was created in response to the Financial Services (Banking Reform) Act 2013, which took effect from 1 January 2019 and requires the separation of certain commercial banking activities and international operations from the rest of the Lloyds Banking Group.

Lloyds Bank Corporate Markets and its subsidiaries provides deposit taking, lending and transaction banking products and services to customers (both new and existing) and is also responsible for the provision of certain wholesale banking products and services (including loan markets, bonds and asset securitisation and elements of foreign exchange, commodities and rate management). Lloyds Bank Corporate Markets has a client-led strategy, focused on UK based clients and international clients with a link to the UK.

Additional information on Lloyds Bank Corporate Markets, and Lloyds Banking Group's approach to ring-fencing, 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.

MUFG Securities EMEA plc

MUFG Securities EMEA plc ("**MUS(EMEA)**") 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 commenced business on 3 October, 1983. MUS(EMEA) was re-registered as a public limited company on 3 August, 1989. MUS(EMEA)'s registered office is located at Ropemaker Place, 25 Ropemaker Street, London EC2Y 9AJ, and its telephone number is 44 20-7628-5555. MUS(EMEA)'s registration number is 01698498. MUS(EMEA) is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Mitsubishi UFJ Securities Holdings Co., Ltd. ("**MUSHD**"), owns 100 per cent. of the shares in MUS(EMEA). Each of MUSHD and The Bank of Tokyo- Mitsubishi UFJ, Ltd., is a wholly-owned subsidiary of Mitsubishi UFJ Financial Group, Inc. ("**MUFG**").

MUS(EMEA) 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. MUS(EMEA) 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.

MUS(EMEA) 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.

Nomura

Nomura International plc ("**NIP**") is the London based securities broker - dealer operating company within the Nomura Group headed by Nomura Holdings, Inc. NIP's activities include: trading and sales in fixed income, including related derivatives; investment banking services; asset and principal finance business; and corporate finance. Its registered office is 1 Angel Lane, London EC4R 3AB.

The Royal Bank of Canada

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

Royal Bank is a global financial institution with a purpose-driven, principles-led approach to delivering leading performance. Our success comes from the 86,000+ employees who bring our vision, values and strategy to life so we can help our clients thrive and communities prosper. As Canada's biggest bank, and one of the largest in the world based on market capitalization, we have a diversified business model with a focus on innovation and providing exceptional experiences to more than 16 million clients in Canada, the U.S. and 34 other countries.

Royal Bank had, on a consolidated basis, as at July 31, 2019, total assets of C\$1,406.9 billion (approximately US\$1065.6 billion³), equity attributable to shareholders of C\$82.3 billion (approximately US\$62.3 billion⁴) and total deposits of C\$881.2 billion (approximately US\$667.4 billion). The foregoing figures were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and have been extracted and derived from, and are qualified by reference to, Royal Bank's unaudited Interim Condensed Consolidated Financial Statements included in its quarterly Report to Shareholders for the fiscal period ended July 31, 2019.

The senior long-term debt⁵ of Royal Bank has been assigned ratings of A (stable outlook) by S&P Global Ratings, A2 (stable outlook) by Moody's Investors Service and AA (stable

³ As at July 31, 2019: C\$1.00 = US\$0.757404

⁴ As at July 31, 2019: C\$1.00 = US\$0.757404

⁵ Includes senior long-term debt issued on or after September 23, 2018 which is subject to conversion under the Canadian Bank Recapitalization (Bail-in) regime.

outlook) by Fitch Ratings. The legacy senior long-term debt⁶ of Royal Bank has been assigned ratings of AA- (stable outlook) by S&P Global Ratings, Aa2 (stable outlook) by Moody's Investors Service and AA (stable outlook) by Fitch Ratings. Royal Bank's common shares are listed on the Toronto Stock Exchange, the New York Stock Exchange and the Swiss Exchange under the trading symbol "RY." Its preferred shares are listed on the Toronto Stock Exchange.

On written request, and without charge, Royal Bank will provide a copy of its most recent publicly filed Annual Report on Form 40-F, which includes audited Consolidated Financial Statements, to any person to whom this Prospectus is delivered. Requests for such copies should be directed to Investor Relations, Royal Bank of Canada, by writing to 200 Bay Street South Tower, Toronto, Ontario, M5J 2J5, Canada, or by calling (416) 955-7802, or by visiting rbc.com/investorrelations⁷.

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

NatWest Markets Plc

NatWest Markets Plc (the "**Bank**") is a wholly-owned subsidiary of The Royal Bank of Scotland Group plc (the "**holding company**"), a banking and financial services group. The Bank provides corporate and institutional customers with financing and risk management solutions, with a focus on rates, currencies and financing products. The "**NWM Group**" comprises the Bank and its subsidiary and associated undertakings. The "**RBS Group**" comprises the holding company and its subsidiary and associated undertakings, including the NWM Group.

As at 31 December 2018, the NWM Group had total assets of £247.8 billion and owners' equity of £49 billion and the Bank had a total capital ratio of 21.5 per cent., a CET1 capital ratio of 15.6 per cent. Full financial information relating to the NWM Group can be found in its latest financial results release (<https://investors.rbs.com/~media/Files/R/RBS-IR/results-center/15-02-2019/natwest-markets-annual-report-15-02-2019.pdf>).

The long-term, unsecured and unsubordinated debt obligations of the Bank are rated "A-" by Standard & Poor's, "A" by Fitch and "Baa2" by Moody's. The Bank's counterparty risk assessment is "A3(cr)" by Moody's.

As at the date of this Prospectus, the Bank has securities admitted to trading on the regulated market of the London Stock Exchange.

⁶ Includes senior long-term debt issued prior to September 23, 2018 and senior long-term debt issued on or after September 23, 2018 which is excluded from the Bail-in regime.

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

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 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, is not to be relied upon as professional tax or legal advice, 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 carry a right to interest and 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 included in the Official List of the FCA 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 any other exemption or relief as may be available, including 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 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*).

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 generally be subject to any UK withholding

tax pursuant to the provisions mentioned in "*UK Withholding Tax on UK source interest*" 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 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 (*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 or exemption that may apply. Such payments by the relevant Guarantor may not be eligible for any of the non-treaty exemptions mentioned in "*UK Withholding Tax on UK source interest*" above.

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**"). However, Estonia has since stated that it will not participate.

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.

However, 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

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“foreign passthru payments”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“IGAs”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date. However, if additional bonds (as described under “*Terms and Conditions of the Bonds – Form, Denomination and Title – Fungible Issues of Bonds comprising a Tranche*”) that are not distinguishable from previously issued Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Bonds, including the Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Bonds, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Dealership Agreement

Bonds may be sold from time to time by the Issuer to any one or more of Barclays Bank Ireland PLC, Barclays Bank PLC, HSBC Bank plc, BNP Paribas, CIBC World Markets plc, Crédit Agricole Corporate and Investment Bank, Lloyds Bank Corporate Markets plc, MUFG Securities EMEA plc, RBC Europe Limited, NatWest Markets Plc 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 originally dated 4 November 2010 made between, amongst others, the Issuer, the Guarantors, the Arranger and certain of the Dealers, as such agreement was amended on 14 November 2014, on 13 July 2017 and on or around 25 October 2019 (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 Obligors has agreed to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States of America

Selling Restrictions

The Bonds have not been and will not be registered under the Securities Act and may not be offered, sold or transferred at any time within the United States or to, or for the account or benefit of, U.S. Persons. Accordingly, the Bonds will only be offered, sold or delivered outside the United States to persons who are not U.S. Persons in offshore transactions in reliance on Regulation S under the Securities Act ("**Regulation S**"). Terms used in this paragraph have the meaning given to them by Regulation S.

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.

Each Dealer has agreed that it has offered and sold, and it will offer and sell, Bonds of any Series 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.

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.

Transfer Restrictions

Each purchaser of Bonds will be deemed to have represented, agreed and acknowledged that:

- (a) It is not a U.S. Person and it is not acting for the account of a U.S. Person and it is located outside the United States (within the meaning of Regulation S);
- (b) It understands that the Bonds have not been and will not be registered under the Securities Act and it will not offer, sell, pledge, or otherwise transfer the Bonds at any time except in an offshore transaction to a non-U.S. Person in accordance with Rule 903 or 904 of Regulation S;
- (c) It understands that the Issuer has not been registered under the Investment Company Act;
- (d) It understands that such Bonds, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend to the following:

EACH PERSON WHO PURCHASES OR OTHERWISE ACQUIRES THIS BOND OR AN INTEREST THEREIN SHALL BE DEEMED TO REPRESENT AND AGREE THAT IT IS NEITHER A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, (A “**U.S. PERSON**”)) NOR A U.S. RESIDENT (AS DETERMINED FOR PURPOSES OF THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED, (A “**U.S. RESIDENT**”)). ANY PURPORTED RESALE OR OTHER TRANSFER OF THIS BOND (OR BENEFICIAL INTEREST THEREIN) TO, OR FOR THE ACCOUNT OF, A U.S. PERSON OR A U.S. RESIDENT WILL BE OF NO FORCE AND EFFECT, WILL BE NULL AND VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO FINCO, THE BOND TRUSTEE OR ANY INTERMEDIARY.

- (e) It understands that the Issuer, the Registrar, the Dealers and their Affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
 - (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Regulation; and
- (b) the expression an "offer" includes 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 for the Bonds.

In relation to each Member State of the European Economic Area, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by the Prospectus as completed by the Final Terms in relation thereto to the public in that Member State except that it may make an offer of such Bonds to the public in that Member State:

- (a) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) *Other exempt offers*: at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation.

provided that no such offer of Bonds referred to in paragraphs (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Bonds to the public**" in relation to any Bonds in any 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 for the Bonds and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

United Kingdom Selling Restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Bonds which have 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 whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is

reasonable to expect will acquire, hold, manage or dispose of investments (as principal or as agent) for the purposes of their businesses,

where the issue of the Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) 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) 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.

Belgium

Other than in respect of Bonds for which "Prohibition of Sales to Belgian Consumers" is specified as "Not Applicable" in the applicable Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Bonds may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a "**Belgian Consumer**") and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Bonds, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Bonds, directly or indirectly, to any Belgian Consumer.

General

Save for obtaining the approval of the Prospectus by the FCA in accordance with Part VI of the FSMA for the Bonds to be admitted to listing on the Official List of the FCA and to trading on the Market of the London Stock Exchange, no action has been or will be taken in any jurisdiction by the Issuer or the Dealers 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, regulations and directives in each country or 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 or Drawdown Prospectus (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 17 October 2019 and by resolution of the Board of Directors of each of the Guarantors on 17 October 2019. 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 FCA 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 Memorandum and Articles of Association of each of the Issuer and the Guarantors will be available for inspection at <https://eversholtrail.co.uk/investors>.

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 performance or financial position of the Issuer since 31 December 2018 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2018, the date of the Issuer's last published audited financial statements.

There has been no significant change in the financial performance or financial position of the Guarantors or any of their subsidiaries since 31 December 2018 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 2018.

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 Deloitte LLP, of Deloitte LLP, Statutory Auditor, 2 New Street Square, London, EC4A 3BZ, 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 2017 and 31 December 2018.

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 Bonds

Interest on Floating Rate Bonds will accrue at a rate linked to LIBOR, EURIBOR or SONIA (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*", "*RISK FACTORS*" 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 Issuers, the Guarantors and their respective affiliates in the ordinary course of business. Certain of the Dealers may from time to time also enter into swap and other derivative transactions with the Issuer and/or the Guarantors and their respective affiliates.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantors or their respective affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuers and/or the Guarantors routinely hedge their credit exposure to the Issuer and/or the Guarantors consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Bonds issued under the Programme. Any such short positions could adversely affect future trading prices of Bonds issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

ALTERNATIVE PERFORMANCE MEASURES

Investors should review all APMs in conjunction with Eversholt UK Rails Group's financial statements incorporated by reference in this Prospectus (the "**Financial Statements**"), which relate solely to Eversholt UK Rails Group's past performance for the financial years ended 31 December 2017 and 31 December 2018.

Metric	Definition and, if applicable, components of APM	Rationale for inclusion	Basis for calculation, including any assumptions, and reconciliation with financial statements (if applicable)	Comparatives and reconciliations for corresponding previous reporting period (if applicable)
EBITDA	A financial measure to express earnings before interest costs, tax, depreciation and amortisation.	Measure of operating performance. Eversholt UK Rails Group believes this is useful information as such measures are used by investors and industry analysts.	Total revenue (comprised of finance lease income plus operating lease income plus maintenance income plus other income) less: (i) heavy maintenance costs required in any given period to ensure that the assets (trains) of the Group are kept in good condition and remain fully operational throughout their expected useful life; and (ii) the Group's indirect costs or fixed expenses of operating its business.	Comparatives provided on p. 97 of Prospectus.

The line items used to calculate the above APMs for the applicable financial periods can be located in the documents incorporated by reference in this Prospectus and available 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) www.eversholtrail.co.uk/investors, 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,

as indicated in the table below:

Documents	Line Items
Financial Statements	Total Revenue Cost of sales (Maintenance cost) Administrative expense

Please note that the websites referred to in this section do not form part of this Prospectus. For the avoidance of doubt, attention should only be given to the specific line items referred to in the table above and the whole content of the websites is not incorporated by reference in this Prospectus.

GLOSSARY OF TERMS

2021 Debt	means the right of the 2021 Debt Provider to receive from LeaseCo 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) (now in liquidation).
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, which has been dissolved via voluntary strike-off on 11 December 2018.
380 Fleet	the thirty-eight c380 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 380Co on 15 February 2010) dated 28 July 2010 as novated and amended pursuant to an amendment and novation agreement effective on 31 December 2015 between, amongst others, Siemens plc, 380Co, LeaseCo so as now to exist between amongst others, Siemens plc and LeaseCo.
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 – Covenants - General – (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 as amended and restated on 9 November 2015 and further amended on 5 December 2016 and as extended 19 December 2017 and 7 November 2018.
ACF Facility Agent	means any facility agent under any Authorised Credit Facility.
ACF Lender	means Lenders as defined under the ACF Agreement.
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

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:

- (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 HoldCo 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,

but excluding any proceeds of a claim:

- (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 HoldCo 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 originally 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:

- (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 Acquisition Documents; and
- (f) 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 Deloitte 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 originally dated 4 November 2010 (as supplemented on 14 November 2014, on 13 July 2017, on or around 25 October 2019 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 Receipholders 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.

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 Expenditure Indebtedness

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.

CC Report

means the UK Competition Commission's report dated 7 April 2009 regarding its inquiry into the market for the leasing of rolling stock for franchised passenger services.

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.

Chargeable Real Property

means:

- (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.

CK Group

means CKHH and its Subsidiaries (excluding Eversholt UK Rails Group).

Clearing Systems

means Euroclear and Clearstream, Luxembourg.

Clearstream, Luxembourg

means Clearstream Banking, société anonyme, Luxembourg.

Code

means the U.S. Internal Revenue Code of 1986, as amended.

Code of Practice

means each of the Full Service ROSCOs is required to have a Code of Practice that includes a set of commitments that govern the Full Service 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 Full Service 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, 16 May 2014 and 28 June 2017.

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 credits in respect of Taxes on income;</p> <p>less</p> <p>(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.</p>
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.
Control Period	means a five-year regulatory control period;
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 Directive 2013/36/EU and Regulation (EU) No. 575/2013.
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 Ireland PLC, Barclays Bank PLC, BNP Paribas, CIBC World Markets plc, Crédit Agricole Corporate and Investment Bank, HSBC Bank plc, Lloyds Bank Corporate Markets plc, MUFG Securities EMEA plc, RBC Europe

Limited, NatWest Markets Plc 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 originally dated 4 November 2010 (as amended on 14 November 2014, as further amended on 13 July 2017 and as further amended on or around 25 October 2019) 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.

Deloitte

means Deloitte LLP, Statutory Auditor, 2 New Street Square, London, EC4A 3BZ.

DEMUs

means Diesel Electric Multiple Units. A multiple unit train consisting of multiple carriages powered by one or more on-board diesel engines or using electricity as the motive power, with traction equipment in each unit.

DepotCo

means Eversholt Depot Finance Limited.

Designated Website

means an electronic website (without password protection) designated by the Finance Documents and maintained by MaintCo as Security Group Agent for the Security Group 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.

As at the date of this Prospectus, the Designated Website is accessible at:

www.eversholtrail.co.uk/investors

DfT

means the Department for Transport. The DfT is the UK Government department responsible for transport. Transport Scotland and Scottish Ministers have responsibility for transport for Scotland and for the award of future Scotrail franchises. The Welsh Government and Transport for Wales having “responsibility for transport in Wales and for the award of future rail franchises in Wales.”

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:

- (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.

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;

(ii) any of the matters that give rise to Entrenched Rights under the STID;
or

- (iii) 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 subparagraph (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, Railways Pension Scheme or Maximum Pension Liability Amount or any defined term used in those

definitions; or

- (vii) 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 Holdings

means European Rail Finance Holdings Limited.

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 (*Events of Default*) to the Common Terms Agreement (as described in "*Summary of the Financing Agreements – Common Terms*")

Agreement – Events of Default").

Eversholt UK Rails Group

means UK Rails S.A.R.L. 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 HoldCo Group (other than a member of the HoldCo 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.

FCA

means the Financial Conduct Authority in its capacity as competent authority under FSMA.

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

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:

- (a) including any upfront fees or costs which are included as part of the effective interest rate adjustments;

- (b) any commitment or other on-going financing fees in respect of the Senior Debt;
- (c) taking into account any on-going 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 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**).

Finance Only ROSCO

means rolling stock owning and leasing companies (in the UK) that do not generally provide ancillary services such as engineering expertise, fleet introduction, maintenance and other asset management services, and source these services instead from third parties.

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 per cent., 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; 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.

Full Service ROSCO

means the three original rolling stock owning and leasing companies (in the UK) which are now known as Eversholt UK Rails Group, Angel and Porterbrook and which provide ancillary services such as engineering expertise, fleet introduction, maintenance and other asset management services.

Funded Non-Obligors

means any member of the Security Group, including 365Co, that is not an Obligor.

Further Enforcement Instruction Notice

means a notice from the Security Trustee, following receipt by the Security Trustee of 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.

HMRC	means HM Revenue & Customs (including its predecessors, HM Inland Revenue and HM Customs & Excise).
HoldCo	means Eversholt UK Rails (Holding) Limited.
HoldCo Group	means HoldCo and its Subsidiaries from time to time.
Holding Company	means a holding company within section 1159 of the Companies Act 2006 or in respect of the Irish Obligors means a holding company within the meaning of section 8 of the Irish Companies Act.
HSI	means High Speed & Intercity.
IEP	means Intercity Express Programme.
IFRS	means international accounting standards within the meaning of IAS Regulation 1606/2002.
Independent Expert	<p>means one of:</p> <ul style="list-style-type: none"> (a) Steer Davies Gleave (in respect of revenue projections); (b) Interfleet (in respect of technical assumptions); or (c) such other expert as the Security Trustee and the Security Group Agent may agree from time to time in good faith. <p>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.</p>
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 Financial Indebtedness	<p>means:</p> <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	<p>means</p> <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) NatWest Markets Plc; (vi) Société Générale; and (vii) SMBC Nikko Capital Markets Limited <p>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.</p>
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	<p>means, in respect of any company:</p> <ul style="list-style-type: none"> (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

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:

- (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 Security 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,

but excluding any proceeds of any claim:

- (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 (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 Agreement Group Loan

means any loan agreement entered into between Obligor.

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, 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 Companies Act

means the Irish Companies Act 2014 as amended from time to time.

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.
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.
LeaseCo	means Eversholt Rail Leasing Limited.
LeaseCo Schedule 10 Tax Charge	means a Schedule 10 Tax Charge arising in LeaseCo as a direct consequence of the issue of the Relevant PPS Shares in an amount not exceeding £50,000.
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 floatation 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.
Lock-Up Remedy Date	means: <ul style="list-style-type: none"> (a) following the occurrence of a Trigger Event in respect of a Financial Covenant Trigger Event, the date on which one Compliance Certificate has been delivered which evidences that no Trigger Event is continuing; and (b) following the occurrence of a Trigger Event (other than in respect of a Financial Covenant Trigger Event), the date on which the Trigger Event is remedied in accordance with Part 3 (Trigger Event Remedies) of Schedule 3 (Trigger Events) of the CTA.
London Stock Exchange	means The London Stock Exchange plc.

MaintCo

means Eversholt Rail 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 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 under the ACF Agreement (as amended and restated from time to time).

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 "*Summary of the Financing Agreements – Common Terms Agreement*").

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 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.
Master Definitions Agreement	means the master definitions agreement between, among others, the Issuer and the Bond Trustee dated 4 November 2010, which was further amended on 12 December 2012, 16 May 2014 and 28 June 2017.
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. <p>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).</p>
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.

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 HoldCo 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 Obligor);
- (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 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 the Issuer, HoldCo, Rail HoldCo, FinCo Parent, MaintCo, DepotCo, LeaseCo, EIL, ERFL Holdings, ERFL or ERFL 2 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.

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.

Ordinary Shares

means the 50,500,000 ordinary shares of £1 each of ERFL Holdings of which 500,001 are allotted, called up and fully paid.

ORR

means the Office of Rail and Road. 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

- (b) (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 Railways 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.

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 Railways 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 Railways Pension Scheme setting out the amounts that would be payable to the Railways Pension Scheme pursuant to section 75 of the Pensions Act 1995 if the Railways 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 Railways 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 Trustee	means Railways Pension Trustee Company Limited or any successor trustee(s) from time to time of the Railways 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 HoldCo 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) a potential 380 fleet disposal;
- (q) of treasury shares in any member of the Security Group in connection with the HoldCo 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
- (x) 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

**Permitted
Termination**

Finance

Lease

(b) Existing Finance Leases.

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 Subordinated Debt

means:

- (a) any Subordinated Debt;
- (b) any Subordinated Intragroup Liabilities; and/or
- (c) any Subordinated Debt Guarantee.

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 Regulation

means Regulation (EU) 2017/1129.

Protection Documents

means:

- (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.

Qualifying Secured Creditor

means

- (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):
 - (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 Obligor 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,
 - (i) 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;

- (ii) 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
- (iii) 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 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.

Railways Pension Scheme or RPS

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 Railways 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 Railways Pension Scheme as such, either the MaintCo 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.

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 Act 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.

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.

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

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.

In relation to any Relevant Period ending prior to the first anniversary of the Relevant Date:

- (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 Relevant Date to the Calculation Date and Net Interest Payable shall be determined by annualised Net Interest Payable for the same period; and
- (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.

Relevant Proceeds	means amounts which are to be applied in actual prepayment or defeasance of Senior Debt pursuant to Schedule 13 (<i>Disposals, Acquisition Claim Proceeds and Insurance Proceeds</i>) 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(a)(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 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: <ul style="list-style-type: none"> (a) in respect of repayment in connection with a Tranche of Bonds, Spens as calculated in accordance with Condition 8 (<i>Redemption, Purchase and Cancellation</i>); 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 HoldCo Group (excluding Obligors),

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));
- (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 Undertaking

Section 54

means any Section 54 Undertaking relating to an Operating Lease.

ROSCOs

means Full Service ROSCOs and Finance Only ROSCOs.

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.

RSS	means Long Term Passenger Rolling Stock Strategy.
RSSSG	means Rolling Stock Strategy Steering Group.
S&P	means S&P's Rating Services and any successor to the rating agency business of S&P'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: <ul style="list-style-type: none"> (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 HoldCo Group (save for HoldCo);
- (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:

- (a) the following initial financial accommodation:
 - (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.

SONIA

means the Sterling Overnight Index Average.

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 as amended on 12 December 2012.

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 Debt

means any Financial Indebtedness of (i) a Subordinated 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 HoldCo (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 HoldCo 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 HoldCo (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.
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.
Subscription Agreement	means any subscription agreement entered into by the Dealers 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.
Subsidiary	means: <ul style="list-style-type: none"> (a) a subsidiary within the meaning of section 1159 of the Companies Act 2006;

- (b) unless the context otherwise requires, a subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006; and
- (c) in respect of the Irish Obligors, a subsidiary within the meaning of section 7 of the Irish Companies Act.

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 14 (*Replacement of Bonds, Coupons, Receipts 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 U.S. Treasury Regulations §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended).

TEFRA D Rules

means U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended).

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.

U.S. or US	means the United States of America.
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 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.
VAT	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.
VAT Group	means a group as defined for the purposes of VAT Grouping Legislation.
VAT Grouping Legislation	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.
VATA	means the Value Added Tax Act 1994.
Voted Qualifying Secured Debt	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.
Voting Date	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.
Working Capital	means, on any date, Current Assets less Current Liabilities.
Working Capital Indebtedness	means any Financial Indebtedness incurred for the purposes of working capital (as determined in accordance with Applicable Accounting Principles).

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