

**NOTICE IN REGARD TO STID PROPOSAL & STID DIRECTIONS REQUEST**  
**(THE "NOTICE")**

THIS NOTICE CONTAINS IMPORTANT INFORMATION OF INTEREST TO THE BENEFICIAL OWNERS OF THE BONDS (AS DEFINED BELOW).

If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (if you are in the United Kingdom), or from another appropriately authorised independent financial adviser and such other professional advice from your own professional advisors as you deem necessary.

FURTHER INFORMATION REGARDING THE MATTERS REFERRED TO IN THIS NOTICE IS AVAILABLE IN THE STID PROPOSAL (THE "STID PROPOSAL") AND THE STID DIRECTIONS REQUEST (THE "STID DIRECTIONS REQUEST") (TOGETHER, THE "STID DIRECT VOTING MATTER") ISSUED ON OR ABOUT THE DATE OF THIS NOTICE AND YOU ARE ENCOURAGED TO READ THIS NOTICE IN CONJUNCTION WITH THE SAME.

**WALES & WEST UTILITIES FINANCE PLC**  
**(THE "ISSUER")**

**Holders of the**

**£250,000,000 6.25 per cent. Guaranteed Bonds due 2021**  
**(ISIN: XS0438200361) (the "Series I Bonds") (the "Series I Bondholders")**

**Holders of the**

**£200,000,000 5.125 per cent. Guaranteed Bonds due 2016**  
**(ISIN: XS0471076876) (the Series II Bonds" (the "Series II Bondholders"))**

**and**

**Holders of the**

**£100,000,000 Sub-Class A1 2.496 per cent. Guaranteed Index-Linked Bonds due 2035**  
**(ISIN: XS0497976216)**

**£300,000,000 Sub-Class A2 5.75 per cent. Guaranteed Fixed Rate Bonds due 2030**  
**(ISIN: XS0497976562)**

**£250,000,000 Sub-Class A3 4.625 per cent. Secured Guaranteed Bonds due 2023**  
**(ISIN: XS0702021311)**

**£150,000,000 Sub-Class A4 5.000 per cent. Secured Guaranteed Bonds due 2028**  
**(ISIN: XS0702020933)**

**issued pursuant to the £5,000,000,000**  
**Guaranteed Bond Programme unconditionally and irrevocably guaranteed by Wales & West Utilities Holdings Limited and Wales & West Utilities Limited (the "Guarantors")**

**of the Issuer**

**(together with the Series I Bonds and the Series II Bonds the "Bonds")  
(together with the Series I Bondholders and the Series II Bondholders , the  
"Bondholders")**

We refer to the Bonds constituted by (i) a bond trust deed dated 31 March 2010 (as the same may be amended or restated from time to time the "**Programme Bond Trust Deed**") between, among others, Wales & West Utilities Finance PLC as Issuer, (the "**Issuer**"), the Guarantors and Deutsche Trustee Company Limited as bond trustee (the "**Bond Trustee**") (ii) Bonds constituted by a bond trust deed dated 10 July 2009 (as the same may be amended or restated from time to time the "**Series I Bond Trust Deed**") between among others, the Issuer and the Bond Trustee and (iii) Bonds constituted by a supplemental bond trust deed dated 2 December 2009 supplemental to the Series I Bond Trust Deed (as the same may be amended or restated from time to time the "**Series II Bond Trust Deed**") between among others the Issuer and the Bond Trustee (the Programme Bond Trust Deed, the Series I Bond Trust Deed and the Series II Bond Trust Deed (the "**Relevant Bond Trust Deeds**" and each a "**Relevant Bond Trust Deed**"). All defined terms used in this notice and not otherwise defined have the meanings given to them in the Relevant Bond Trust Deeds and the STID (as defined below).

On 23 October 2014, pursuant to clause 9.1 (*Voting, Instructions and Notification of Outstanding Principal Amount of Qualifying Debt*) of a security trust and intercreditor deed dated 31 March 2010 (as amended or supplemented from time to time prior to the date of this notice) between, among others, the Issuer, the Proposer (as defined below), the Bond Trustee and Deutsche Trustee Company Limited as security trustee (the "**Security Trustee**") (the "**Security Trust and Intercreditor Deed**" or the "**STID**"), Wales & West Utilities Limited as proposer (the "**Proposer**") delivered to the Security Trustee a STID Proposal requesting certain amendments in relation to a proposed change to the Financial Year accounting date from of each Obligor: (a) for the Financial Year ending on 31 December 2014 from 31 December 2014 to 30 December 2014; (b) for the Financial Year ending 30 December 2015, from 30 December 2015 to 31 March 2016; and (c) thereafter, for each Financial Year, to 31 March of each year, and various consequential amendments to the CTA and MDA (each as defined below) as more particularly described in the STID Proposal (a copy of which is attached hereto as Schedule 1) (the "**Amendments**") (the "**STID Proposal**").

Pursuant to clause 9.2.3(a)(iv) of the STID, the Proposer has certified in the STID Proposal that the consent of Majority Creditors only is required for the implementation of the STID Proposal (subject to relevant Quorum Requirement being met), following which the Security Trustee shall concur with the giving of any consent. As a consequence of the requirement for the Majority Creditors to vote on the STID Proposal, the Security Trustee has issued a STID Directions Request (a copy of which is attached hereto as Schedule 2) notifying, among others, the Bond Trustee as the Class A DIG Representative of the Bondholders of the STID Proposal and has requested a vote in writing for or against the implementation of the STID Proposal from all Class A DIG Representatives (the STID Directions Request together with the STID Proposal, a "**STID Direct Voting Matter**").

In respect of any STID Direct Voting Matter, each of the Bondholders shall be entitled to direct the Bond Trustee to vote for or against the implementation of the STID Proposal on its behalf as its DIG Representative pursuant to clauses 9.12 (*Voting by the Bond Trustee as DIG*

*Representative of the Bondholders*) or 9.13 (*Voting by the Existing Trustee as Class A DIG Representative of the Existing Bondholders*) of the STID (as the case may be).

Pursuant to Part B (*Provisions for Voting in respect of STID Direct Voting Matters*) of Schedule 4 (*Meeting and Voting Provisions*) of the Programme Bond Trust Deed and Schedule 6 (*Provisions for Voting in respect of STID Direct Voting Matters*) of the Series I Bond Trust Deed and the Series II Bond Trust Deed by this Notice, the Bond Trustee is transmitting a copy of the STID Direct Voting Matter to the Qualifying Bondholders (as such term is used in the Relevant Bond Trust Deeds) to enable each Qualifying Bondholder to vote on the STID Direct Voting Matter by not later than 24 hours before 14 November 2014 (14 November 2014, the "**Voting Date**"). Qualifying Bondholders should refer to the section within this Notice entitled "*Voting and Quorum*" for details of how to vote.

Any Bondholder who requires further information in relation to the STID Direct Voting Matter should contact the Proposer using the contact details below.

The Notice (including the STID Proposal and the STID Directions Request), the Programme Bond Trust Deed, the Series I Bond Trust Deed, the Series II Bond Trust Deed, the STID, the MDA (as defined below) and the CTA (as defined below) are available for inspection by Bondholders at the specified office of the Principal Paying Agent as described below in the section headed, "*Documents available for inspection*".

### **GENERAL INFORMATION**

In accordance with normal practice, the Bond Trustee has not been involved in the formulation of the proposed Amendments outlined in the STID Proposal or the matters outlined in the STID Directions Request or this Notice and the Bond Trustee expresses no opinion on the merits of the proposed Amendments or any matter set out in the STID Direct Voting Matter or this Notice. The Bond Trustee is not responsible for the accuracy, completeness, validity or correctness of the statements made in the STID Direct Voting Matter or this Notice or omissions therefrom and makes no representation that all relevant information has been disclosed to the Bondholders in or pursuant to the STID Direct Voting Matter or this Notice. Each person receiving this Notice acknowledges that such person has not relied on the Bond Trustee or the Principal Paying Agent in connection with its decision on whether, or how, to vote in relation to the STID Direct Voting Matter. Bondholders must make their own analysis and investigation regarding the STID Proposal and should take their own independent advice on the merits and on the consequences of voting or not voting in favour of or against the STID Proposal, including any tax consequences. If such person is in any doubt about any aspect of the STID Proposal and/or the action it should take, it should consult its professional advisers.

Any Bondholder who votes in relation to the STID Direct Voting Matter, agrees that by doing so it discharges and exonerates the Bond Trustee from any responsibility or liability for which it may have become or may become responsible under the Relevant Bond Trust Deeds, the Bonds or any Finance Document or any document related thereto in respect of any act or omission in connection with the passing of the STID Proposal or the executing of any deeds, agreements, documents or instruments and the performance of any acts, matters or things done to carry out and give effect to the matters contemplated in the STID Proposal.

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

This Notice is sent without prejudice to any other rights of any party under or in respect of the Relevant Bond Trust Deeds or any related document, and all such rights are expressly reserved. No failure or delay by any party in exercising any right, power or remedy under the Relevant Bond Trust Deeds or any other related document shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or remedy prevent any further or other exercise of any other right, power or remedy.

The attention of Bondholders is drawn to the Quorum Requirements required for a STID Direct Voting Matter which are to be found in clause 9.15 (*Quorum Requirement*) of the STID.

## VOTING AND QUORUM

The following is a summary of the arrangements which have been made for the purpose of Bondholders (in this section, referred to as the Qualifying Bondholders) voting in respect of the STID Direct Voting Matter in respect of their Bonds as set out in the Relevant Bond Trust Deeds. Full details of these arrangements are set out in Part B (*Provisions for Voting in respect of STID Direct Voting Matters*) of Schedule 4 (*Meeting and Voting Provisions*) of the Programme Bond Trust Deed and Schedule 6 (*Provisions for Voting in respect of STID Direct Voting Matters*) of the Series I Bond Trust Deed and the Series II Bond Trust Deed along with the following definitions including, "Block Voting Instruction", "Deposited Bonds", "Qualifying Bondholder", "Vote" and "Voting Date". The voting procedures are described below.

### 1. Who is entitled to vote on the STID Direct Voting Matter?

The Bonds are currently held in the form of a Global Bond which is held by a common depositary for the accounts of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**" and each of Euroclear and Clearstream, a "**clearing system**").

Each person who is the owner of a particular nominal amount of the Bonds, as shown in the records of Euroclear, Clearstream or their respective accountholders ("**Accountholders**"), (a "**Beneficial Owner**") should note that they are not the legal holders of the Bonds for the purposes of the Vote and will only be entitled to vote in accordance with the procedures set out below in "*Procedures for Voting*". On this basis, the only Bondholder currently able to vote with respect to the Bonds represented by the Global Bond will be the holder of the Global Bond, which is Deutsche Bank AG, London Branch as common depositary of Euroclear and Clearstream, Luxembourg. Beneficial Owners who hold their interests through a clearing system and who wish to vote may convey their voting instructions by contacting the relevant clearing system (or through the relevant Accountholder, if applicable) and arrange for votes to be cast on their behalf. See "*Procedures for Voting*" below.

## 2. Procedures for Voting

You may vote on the STID Direct Voting Matter only by delivering voting instructions through the clearing systems with respect to your Bonds. No physical meetings of bondholders will be held in respect of the Vote.

### (A) Issue of Block Voting Instructions:

Qualifying Bondholders who are Beneficial Owners and who wish to vote should contact the relevant clearing system (through the relevant Accountholder, if applicable) to make arrangements for the votes relating to such Bonds in which they have an interest to be cast on their behalf by or on behalf of the Principal Paying Agent acting as a proxy.

Qualifying Bondholders who are Beneficial Owners and who wish to vote must have made arrangements to vote with the relevant clearing system (through the relevant Accountholder, if applicable) in time for the relevant clearing system to arrange for a representative of the Principal Paying Agent to be appointed as a proxy not later than 24 hours before the Voting Date. Qualifying Bondholders wishing to vote are strongly urged to contact the relevant clearing system (through the relevant Accountholder, if applicable) as soon as possible.

### (B) General provisions relating to the Vote:

For the purposes of determining the Votes cast on the STID Direct Voting Matter by a Qualifying Bondholder, each Qualifying Bondholder shall have one vote in respect of each £1 of Principal Amount Outstanding of Bonds held or represented by it.

Each Qualifying Bondholder must vote by not later than 5pm (London time) on 13 November 2014 (such date being not later than 24 hours before the Voting Date (the Voting Date being 14 November 2014)).

By requesting the relevant clearing system to block their Bonds, the Accountholders give permission to disclose to the Principal Paying Agent the details of the direct participant account name and number.

The Bond Trustee shall vote as the Class A DIG Representative in respect of the STID Direct Voting Matter by promptly notifying the Security Trustee, in accordance with the STID, of all Votes received by it from Qualifying Bondholders on or prior to the Voting Date.

Any vote cast by the Bond Trustee as Class A DIG Representative in accordance with a Block Voting Instruction shall be valid even if such Block Voting Instruction has been amended, revoked or re-issued, provided that the Bond Trustee had not been notified in writing of such amendment, revocation or re-issue by 24 hours before the Voting Date and the Bond Trustee shall have no liability to any person in respect of the foregoing.

The STID Direct Voting Matter duly approved in accordance with the STID shall be binding on all Bondholders, Receiptholders and Couponholders.

## DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following (together, the "**Bondholder Information**") will be available from the date of the Notice for inspection by Bondholders at the specified office of the Principal Paying Agent along with other documents required to be so available by the Conditions of any Bonds:

- (a) this Notice;
- (b) the STID Proposal;
- (c) the STID Directions Request;
- (d) for reference purposes, the Programme Bond Trust Deed, the Series I Bond Trust Deed, the Series II Bond Trust Deed, the STID, the Master Definitions Agreement dated 31 March 2010 (as amended or supplemented from time to time prior to the date of this notice) between among others, the Proposer and the Security Trustee (the "**MDA**") and the Common Terms Agreement dated 31 March 2010 (as amended or supplemented from time to time prior to the date of this notice) between, among others, the Proposer and the Security Trustee (the "**CTA**").

The Notice should be read in conjunction with the Bondholder Information.

## CONTACT INFORMATION

Further information relating to the STID Direct Voting Matter can be obtained from Ian Weldon for the Proposer directly:

Telephone number: +44 (0) 292 027 8841

Email: [ian.weldon@wwutilities.co.uk](mailto:ian.weldon@wwutilities.co.uk)

The address of the Issuer, the Proposer, the Principal Paying Agent and the Bond Trustee are set out below:

**Wales & West Utilities Finance PLC** as Issuer

Wales and West House  
Spooner Close  
Celtic Springs  
Coedkernew  
Newport  
NP10 8FZ

Fax number: +44 (0) 292 027 8870

Attention: Ian Weldon

**Wales & West Utilities Limited** as Proposer

Wales and West House  
Spooner Close

**Deutsche Bank AG, London  
Branch** as Principal Paying Agent

Winchester House

Celtic Springs  
Coedkernew  
Newport  
NP10 8FZ

Fax number: +44 (0)292 027 8870

Attention: Ian Weldon, Head of Treasury and Tax

1 Winchester Street  
London EC2N 2DB

Fax number: +44 (0) 20 7547 5919

Attention: (ABS Group – EMEA)

**Deutsche Trustee Company Limited** as Bond Trustee

Winchester House,  
1 Winchester Street,  
London EC2N 2DB

Fax number: +44 (0)20 7547 5919

Attention: Managing Director (TAS)

Email: [raman.subberwal@db.com](mailto:raman.subberwal@db.com) and [sue.rose@db.com](mailto:sue.rose@db.com)

**ANNOUNCEMENTS**

The Bond Trustee shall, following receipt from the Security Trustee of the result of any vote in respect of the STID Direct Voting Matter, promptly notify the Bondholders in accordance with the relevant conditions of the Bonds.

**Deutsche Trustee Company Limited**

**as Bond Trustee and Class A DIG Representative**

**23 October 2014**

**SCHEDULE 1  
STID PROPOSAL**

To: Deutsche Trustee Company Limited  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
(the "**Security Trustee**")

23 October 2014

Dear Sirs

**STID Proposal relating to the proposed amendment to the terms of the Common Terms Agreement and the Master Definitions Agreement each between, *inter alios*, Wales & West Utilities Limited (the "Proposer"), the Class A Initial Credit Facility Providers, the Class B Initial Credit Facility Providers, the Initial DSR Liquidity Facility Providers and the Security Trustee each dated 31 March 2010 as amended on 4 December 2012 and 24 June 2013**

1. We refer to:
  - (a) a security trust and intercreditor deed dated 31 March 2010 (as amended or supplemented from time to time prior to the date of this letter) entered into by, amongst others, the Proposer, the Class A Initial Credit Facility Providers, the Class B Initial Credit Facility Providers, the Initial DSR Liquidity Facility Providers and the Security Trustee (the "**STID**");
  - (b) a master definitions agreement, dated 31 March 2010 (as amended or supplemented from time to time prior to the date of this letter) entered into by, amongst others, the Proposer, the Class A Initial Credit Facility Providers, the Class B Initial Credit Facility Providers, the Initial DSR Liquidity Facility Providers and the Security Trustee (the "**Master Definitions Agreement**"); and
  - (c) a common terms agreement, dated 31 March 2010 (as amended or supplemented from time to time prior to the date of this letter) entered into by, amongst others, the Proposer, the Class A Initial Credit Facility Providers, the Class B Initial Credit Facility Providers, the Initial DSR Liquidity Facility Providers and the Security Trustee (the "**Common Terms Agreement**").
2. This is a STID Proposal for the purposes of the STID. In accordance with Clause 9 of the STID, we set out below the details of the proposed amendments to the Common Terms Agreement and the Master Definitions Agreement.
3. Capitalised terms used but not otherwise defined in this STID Proposal have the meanings given to them in the Master Definitions Agreement.

#### 4. REASONS FOR THE STID PROPOSAL

4.1 For accounting periods beginning on or after 1 January 2015, UK companies are generally required to account under FRS 102 rather than UK GAAP. The Proposer wishes to defer entry into FRS 102 for the following reasons (i) to align accounting reference dates for statutory accounting and regulatory reporting to March 31st - this will simplify accounting processes after alignment and streamline resource requirements in the finance function; (ii) to allow for comprehensive testing of IT systems changes relating in particular to the capitalisation of repex expenditure, this programme is ongoing and will run into 2015; and (iii) to partially mitigate a potential adverse timing tax effect of adoption of FRS 102, being that tax relief for repex expenditure will change from being deductible as incurred to deductible as depreciated. It is therefore proposed to sequentially amend the Financial Year accounting dates of each Obligor as follows:

- (a) for the Financial Year ending on 31 December 2014, from 31 December 2014 to 30 December 2014;
  - (b) for the Financial Year ending on 30 December 2015, from 30 December 2015 to 31 March 2016; and
  - (c) thereafter, for each Financial Year, to 31 March of each year,
- (together, the "**Amended Financial Year Accounting Dates**").

4.2 Pursuant to paragraph 33 (*Year End*) of Schedule 4 (*Covenants*) of the CTA, an Obligor may change its financial year end with the prior written consent of the Security Trustee (such consent not to be unreasonably withheld or delayed). The definition of "Calculation Date" provides that the calculation dates are 30 June and 31 December "or any other calculation date agreed as a result of a change in the financial year end date of any Obligor". To give effect to those provisions the consent of the Majority Creditors to the proposed change of year end and the consequential amendments to the Common Terms Agreement and Master Definitions Agreement as described in this STID Proposal is required.

4.3 The proposed amendments to the Common Terms Agreement and the Master Definitions Agreement set out in this STID Proposal are requested by the Proposer in connection with the Amended Financial Year Accounting Dates (in respect of such Obligor's statutory company accounts only) and consequentially the basis on which the financial covenants are calculated in respect of the periods ending: (i) 30 December 2014 ("**Accounting Date Transition Period 1**"); and (ii) 31 March 2016 ("**Accounting Date Transition Period 2**") (together, being the "**Accounting Date Transition Periods**") and the dates from which they are calculated for future periods. Pursuant to Schedule 4, Part 2, paragraph 1(b) (*Covenants - Financial Covenants - Forecasts*) of the Common Terms Agreement, the Proposer requests that such financial covenants in the Common Terms Agreement:

- (a) in respect of Accounting Date Transition Period 1, are calculated on the basis of its audited consolidated financial statements for the twelve month (less one day) financial period ending 30 December 2014;

- (b) in respect of Accounting Date Transition Period 2, are calculated on the basis of its audited consolidated financial statements for the fifteen month (plus one day) financial period ending 31 March 2016 and the unaudited financial statements for the six month (plus one day) financial period ending 30 June 2015; and
- (c) following the Accounting Date Transition Periods, in respect of each accounting period thereafter, are calculated on the basis of its audited financial statements for the year end 31 March in each year and the unaudited financial statements for the half year ending 30 September in each year.

4.4 This STID Proposal also constitutes notice from the Proposer to the Security Trustee pursuant to Schedule 4, Part 1, paragraph 3(b) (*Covenants - Information Covenants – Form of financial statements*) of the Common Terms Agreement. The Proposer hereby certifies that it does not consider that the terms of this STID Proposal would, if accepted and agreed, have the consequence specified in Schedule 4, Part 1, paragraph 3(c) (*Covenants – Information Covenants – Form of financial statements*) of the Common Terms Agreement.

## 5. **PROPOSED AMENDMENTS TO THE COMMON TERMS AGREEMENT AND THE MASTER DEFINITIONS AGREEMENT**

The proposed amendments (the "**Amendments**") to the Common Terms Agreement and the Master Definitions Agreement are set out in Schedule 1 of this STID Proposal (such requested Amendments, the "**Consent Request**").

## 6. **MAJORITY CREDITORS' CONSENT**

6.1 In accordance with Clause 9.2.3(a)(iv) (*Minimum Content of STID Proposal*) of the STID, the Proposer hereby certifies that the implementation of the proposed Amendments set out in the Consent Request requires the consent of Majority Creditors only (subject to the relevant Quorum Requirement being met) and the Proposer and that the consent of the Security Trustee to the Amendments described in the Consent Request and to the change of year end described above shall be granted pursuant to sub-clause 8.2.4 (*Procedure for Modifications, Consents and Waivers*) of the STID if the consent of the Majority Creditors is obtained.

6.2 Pursuant to Clause 9.2.4 (*Minimum Content of STID Proposal*) of the STID, votes of the relevant DIG Representatives must be received by no later than 14 November 2014, being the initial Decision Period.

6.3 In accordance with Clause 9.2.3(b) (*Minimum Content of STID Proposal*) of the STID, the Proposer hereby certifies that the implementation of this STID Proposal is not a matter which requires the consent of any other Secured Creditors in addition to the consent of the Majority Creditors and the Security Trustee.

6.4 The Proposer hereby certifies that sub-clause 9.2.4(b)(i) of the STID does not apply.

6.5 The Proposer hereby confirms and certifies that the implementation of the proposed Amendments as set out in the Consent Request does not (i) relate to or affect any Entrenched Right or Reserved Matter (each as described in Clause 8 (*Modifications*,

*Consents and Waivers*) of the STID) and (ii) change or have the effect of changing any of the financial ratios.

- 6.6 The Proposer hereby certifies that all the Class A Debt is denominated in pounds sterling.
- 6.7 The Proposer hereby certifies that no Default or Potential Trigger Event is subsisting at the date hereof.
- 6.8 The Amendments shall become effective when the Security Trustee consents and executes an amendment agreement to give effect to them in accordance with sub-clause 8.2.4 (*Procedure for Modifications, Consents and Waivers*) of the STID. Pursuant to Clauses 8.2 (*Procedure for Modifications, Consents and Waivers*) and 9.8 (*Binding Decision of Majority Creditors*) of the STID, such amendments will bind the Obligors and the Secured Creditors and each of the Obligors and Secured Creditors shall be bound to give effect to them.
- 6.9 This STID Proposal shall constitute a certificate for the purposes of sub-clause 15.4.3 of the STID.

Please countersign a copy of this STID Proposal to confirm consent to the amendments set out in the Consent Request.

Yours faithfully

By:

By:

Date:

Date:

**Authorised signatory on behalf of Wales & West Utilities Limited as the Proposer**

**Authorised signatory on behalf of Wales & West Utilities Limited as the Proposer**

Accepted and Agreed

By:

Date:

**Authorised signatory on behalf of  
Deutsche Trustee Company Limited as the  
Security Trustee**

## SCHEDULE 1

### 1) Common Terms Agreement

The Proposer requests that:

- a) Schedule 4 (*Covenants*), Part 1 (*Information Covenants*), paragraph 1 (*Financial Statements*);
- b) Schedule 4 (*Covenants*), Part 1 (*Information Covenants*), paragraph 5 (*Investors' Report*);
- c) Schedule 8 (*Form of Compliance Certificate*), Part 1 (*Compliance Certificate*); and
- d) Schedule 9 (*Form of Investors' Report*), paragraph 1 (*Ratios*);

are amended as per the attached blackline of the Common Terms Agreement.

### 2) Master Definitions Agreement

The Proposer requests that:

- a) the definition of the "Calculation Date";
- b) the definition of the "Financial Year";
- c) the definition of the "Investors' Report";
- d) the definition of the "O&M Reserve Required Amount";
- e) the definition of the "Rolling Average Period";
- f) the definition of the "Test Date"; and
- g) the definition of the "Test Period"

are amended as per the attached blackline of the Master Definitions Agreement.

**WALES & WEST UTILITIES FINANCE PLC**  
as Issuer

**WALES & WEST UTILITIES HOLDINGS LIMITED**  
**WALES & WEST UTILITIES LIMITED**

**MGN GAS NETWORKS (SENIOR FINANCE) LIMITED**  
as Initial Subordinated Creditor

**DEUTSCHE TRUSTEE COMPANY LIMITED**  
as Security Trustee

**DEUTSCHE TRUSTEE COMPANY LIMITED**  
as Bond Trustee

**DEUTSCHE TRUSTEE COMPANY LIMITED**  
as Existing Bond Trustee

**BARCLAYS BANK PLC**  
as Class A Initial Facility Agent, Class B Initial Facility Agent,  
Initial DSR Liquidity Facility Agent, Initial Issuing Bank, Class A Initial L/C Facility Agent, Initial L/C Facility Provider and Initial O&M Reserve  
Facility Agent

**BANCO SANTANDER, S.A., BARCLAYS BANK PLC, BNP PARIBAS, CITIBANK, N.A., LONDON BRANCH, DEUTSCHE BANK AG,  
LONDON BRANCH, DNB NOR BANK ASA, ING BANK N.V., NATIONAL AUSTRALIA BANK LIMITED (ABN 12 004 044 937),  
MORGAN STANLEY & CO. INTERNATIONAL PLC and THE ROYAL BANK OF SCOTLAND PLC**  
as Existing Hedge Counterparties

**BANCO SANTANDER, S.A., LONDON BRANCH, BARCLAYS BANK PLC, BNP PARIBAS, LONDON BRANCH, ING BANK N.V.,  
LONDON BRANCH, NATIONAL AUSTRALIA BANK LIMITED (ABN 12 004 044 937) and THE ROYAL BANK OF SCOTLAND PLC**  
as Class A Initial Credit Facility Providers

**BARCLAYS BANK PLC, BNP PARIBAS, LONDON BRANCH, ING BANK N.V., LONDON BRANCH, NATIONAL AUSTRALIA BANK  
LIMITED (ABN 12 004 044 937) and THE ROYAL BANK OF SCOTLAND PLC**  
as Class B Initial Credit Facility Providers

**BANCO SANTANDER, S.A., LONDON BRANCH, BARCLAYS BANK PLC, BNP PARIBAS, LONDON BRANCH, ING BANK N.V.,  
LONDON BRANCH, NATIONAL AUSTRALIA BANK LIMITED (ABN 12 004 044 937) and THE ROYAL BANK OF SCOTLAND PLC**  
as Initial DSR Liquidity Facility Providers

**BANCO SANTANDER, S.A., LONDON BRANCH, BARCLAYS BANK PLC, BNP PARIBAS, LONDON BRANCH, ING BANK N.V.,  
LONDON BRANCH, NATIONAL AUSTRALIA BANK LIMITED (ABN 12 004 044 937) and THE ROYAL BANK OF SCOTLAND PLC**  
as Initial O&M Reserve Facility Providers

**BANCO SANTANDER, S.A., LONDON BRANCH, BARCLAYS BANK PLC, BNP PARIBAS, LONDON BRANCH, ING BANK N.V.,  
LONDON BRANCH, NATIONAL AUSTRALIA BANK LIMITED (ABN 12 004 044 937) and THE ROYAL BANK OF SCOTLAND PLC**  
as Class A Initial Term Facility Providers

**BARCLAYS BANK PLC**  
as Standstill Cash Manager

**BARCLAYS BANK PLC**  
as Account Bank

**DEUTSCHE BANK AG, LONDON BRANCH**  
as Agent Bank, Principal Paying Agent and Existing Bond Paying Agent

**DEUTSCHE BANK LUXEMBOURG S.A.**  
as Registrar and Transfer Agent

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**COMMON TERMS AGREEMENT**

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## SCHEDULE 4

### COVENANTS

#### Part 1

#### Information Covenants

##### 1. Financial Statements

- (a) Each Obligor must supply to the Security Trustee, each Facility Agent, each Hedge Counterparty, the Bond Trustee and the Existing Bond Trustee, in sufficient copies for all the Secured Creditors (except Bondholders and Existing Bondholders) and to each Rating Agency:

(i) its consolidated (in the case of WWH and WWU) or (in the case of the Issuer) its unconsolidated financial statements for each of its Financial Years, audited by the Auditors, provided that:

~~(1)~~ for the Financial Year ending ~~31~~30 December 201~~24~~, each Obligor must supply its consolidated (in the case of WWH and WWU) or (in the case of the Issuer) its unconsolidated audited financial statements for the ~~nine~~-~~twelve~~ month (less one day) financial period ending ~~31~~30 December 201~~24~~; and

(2) for the Financial Year ending 31 March 2016, each Obligor must supply its consolidated (in the case of WWH and WWU) or (in the case of the Issuer) its unconsolidated audited financial statements for the fifteen month (plus one day) financial period ending 31 March 2016; and

(ii) in the case of WWH and WWU, its unaudited interim consolidated financial statements, for the first half-year of each of its Financial Years- (which in the case of the Financial Year ending 31 March 2016, shall be for the six month (plus one day) financial period ending on 30 June 2015).

- (b) All financial statements must be supplied within 5 Business Days of the date upon which they are available and in any event:

(i) in the case of the audited financial statements, within 150 days of the end of each Financial Year; and

(ii) in the case of the interim financial statements, within 90 days, of the end of each first half-year of each Financial Year- (determined in the case of the Financial Year ending 31 March 2016, in accordance with paragraph 1(a)(ii) above).

##### 2. Compliance Certificate

- (a) Each of the Issuer and WWU must supply to the Security Trustee, the Bond Trustee, the Existing Bond Trustee, each Facility Agent, each Hedge Counterparty, and each Rating Agency a Compliance Certificate with the

required by the Security Trustee, at such Obligor's cost, promptly arrange for the Auditors, or if the Auditors are unable or unwilling to provide the services, the Reporting Accountants, to perform agreed procedures in connection with the alleged material discrepancy, inconsistency or error in relation to such financial information reviewed by the Auditors or Reporting Accountants (as the case may be) and a copy of the Auditor's or Reporting Accountants' (as the case may be) report must be delivered to the Security Trustee. Prior to the occurrence of a Potential Trigger Event or Trigger Event, the Security Trustee will not be entitled to request the review of the information provided to it by an Obligor by the Auditors or (as the case may be) Reporting Accountants at the cost of that Obligor on more than two occasions in any calendar year.

5. **Investors' Report**

WWU must supply to the Security Trustee, the Bond Trustee, the Existing Bond Trustee, each Rating Agency, each Facility Agent and each Hedge Counterparty in sufficient copies for all of the relevant Secured Creditors (except Bondholders and Existing Bondholders), within the earlier of ~~:(a)~~ 45 days after publication of the relevant Financial Statements ~~or; and (b)~~ 150 days from ~~31 December~~ the end of its Financial Year or 90 days from ~~30 June in each~~ the end of its first-half year; ~~(determined in the case of the Financial Year ending 31 March 2016, in accordance with paragraph 1(a)(ii) of Part 1 of this Schedule 4),~~ an Investors' Report in respect of the period ending on the preceding Calculation Date, starting from 30 September 2010, ~~provided that WWU shall also deliver an Investors' Report within 90 days from 30 September 2012 in respect of the Calculation Date which occurred (prior to the change of the Financial Year accounting date taking effect) on 30 September 2012.~~ WWU must make such Investors' Report available on the Designated Website (as defined below) (or such other website to which investors and potential investors could reasonably be expected to have access) within such timeframe. The Security Trustee, the Bond Trustee and the Existing Bond Trustee will have the right to investigate the calculations contained in any Investors' Report and to call for other substantiating evidence if it certifies to WWU that it has reason to believe that the ratios set out in the Investors' Report are incorrect or misleading in any material respect or in the event that there appears to be, in the reasonable opinion of the Security Trustee, or if the Security Trustee is notified in writing by a DIG Representative or a Secured Creditor that there appears to be, a material deterioration in the historical ratios.

6. **WWU Information**

So far as permitted by any applicable law or any binding confidentiality obligations, WWU must supply to the Security Trustee, the Bond Trustee, the Existing Bond Trustee, each Facility Agent, each Hedge Counterparty, each of the Rating Agencies rating the Senior Debt at that time and, in the case of (g) below, each Financial Guarantor:

- (a) details of any proposed material change to the GT Licence (excluding for this purpose any proposed modification to the GT Licence on which Ofgem is proposing to consult generally with respect to the gas transportation licences of regulated gas transportation companies until such time as such consultation has completed) or any proposed material changes to the constitutional documents of

SCHEDULE 8  
FORM OF COMPLIANCE CERTIFICATE

**Part 1**  
**Compliance Certificate**

To: Deutsche Trustee Company Limited as Security Trustee, Bond Trustee and Existing Bond Trustee

cc: Rating Agencies, Hedge Counterparties and Facility Agents

From: WALES & WEST UTILITIES FINANCE PLC (the "Issuer")  
WALES & WEST UTILITIES LIMITED ("WWU")

[Date]

Dear Sirs

**Common Terms Agreement dated 31 March 2010 between, among others, the Issuer, WWU and the Security Trustee (the "Common Terms Agreement")**

Capitalised terms not defined in this certificate have the meaning given to them in the Master Definitions Agreement.

1. We refer to the Common Terms Agreement. This is a Compliance Certificate.
2. We confirm that:

(a) \_\_\_\_\_ the ratios<sup>1</sup> for each Test Period or, as the case may be, Test Date, are as detailed ~~in the table~~ below in respect of ~~the each~~ Calculation Date ~~of [insert for which the ratios are required to be calculated.~~

~~(m) [Insert relevant ratio for each Test Period or Test Date required to be calculated on such Calculation Date];~~

Date	1. — Calculati on Date [•]	2. <del>31</del> <del>December</del> <del>[•] Test Date</del> [•]	3. <del>31</del> <del>December</del> <del>[•]<sup>2</sup> Test</del> <del>Date [•]</del>	4. <del>31</del> <del>December</del> <del>Test</del> Date [•]	5. <del>31</del> <del>December</del> <del>Test</del> Date [•]	6. <u>Test Date</u> [•] <sup>3</sup>
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<sup>1</sup> ~~iii~~ In the case of the Compliance Certificate in respect of: (i) the Calculation Date falling on ~~31~~30 December 201~~2~~4, the ratios will be calculated on the basis of the audited financial statements of WWU for the ~~nineteen~~twelve-month (less one day) financial period ending ~~31~~30 December ~~2012 and 2014~~; (ii) the ~~management accounts~~ Calculation Date falling on 30 June 2015, the ratios will be calculated on the basis of the unaudited financial statements of WWU for the ~~three~~six-month (plus one day) financial period ending ~~31~~ on 30 June 2015; and (iii) the Calculation Date falling on 31 March ~~2012 extracted from~~2016, the ratios will be calculated on the basis of the audited financial statements of WWU for the ~~twelve~~fifteen-month (plus one day) financial period ending 31 March 201~~2~~6.

<sup>2</sup> ~~The number of Test Dates dependent on the particular Calculation Date and those numbered 3 to 5 may not be required for certain Calculation Dates.~~

Class A RAR  (at such Calculation Date or, in the case of forward- looking ratios, as at the relevant Test Date						
Senior RAR  (at such Calculation Date or, in the case of forward- looking ratios, as at the relevant Test Date)						

Test Period	1. [•] to [•]	2. [•] to [•]	3. [•] to [•]	4. [•] to [•]	5. [•] to [•]	<a href="#">6. [•] to [•]<sup>4</sup></a>
Class A ICR						
Class A Adjusted ICR						
Senior Adjusted ICR						
Class A Average Adjusted ICR						
Senior Average Adjusted ICR						

(together the "**Ratios**").

---

<sup>3</sup> [Include additional columns for each subsequent Test Date \(as may be required\).](#)

3. We confirm that each of the above Ratios has been calculated in respect of the relevant period(s) for which it is required to be calculated under the Common Terms Agreement and has not breached the Trigger Event Ratio Levels and has not caused Paragraph 17 (*Ratios*) of Part 2 (*WWU and the Issuer*) of Schedule 6 (*Events of Default*) to the Common Terms Agreement to be breached.

4. We set out below the computation of the following ratios set out in the table in Paragraph 2 above for your information:

*[append in reasonable detail the computations necessary to demonstrate compliance]*

- (a) Class A ICR
- (b) Class A Adjusted ICR
- (c) Senior Adjusted ICR
- (d) Class A Average Adjusted ICR
- (e) Senior Average Adjusted ICR
- (f) Class A RAR
- (g) Senior RAR

5. We also confirm that:

- (a) no Default or Potential Trigger Event is outstanding nor has any occurred since the [Initial Closing Date<sup>5</sup>/date of the previous Compliance Certificate];
- (b) WWU's insurances are being maintained in accordance with the Common Terms Agreement; and
- (c) the aggregate amount of all accretions by indexation to the original notional amounts of any Super-Senior RPI Linked Hedging Agreements is less than 6 per cent. of RAV as at [*insert Calculation Date*].

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<sup>4</sup> [Include additional columns for each subsequent Test Period \(as may be required\).](#)

<sup>5</sup> Note: applicable to the Compliance Certificate in respect of 30 September 2010 only.

SCHEDULE 9  
**FORM OF INVESTORS' REPORT**

To: Deutsche Trustee Company Limited as Security Trustee, the Bond Trustee and the Existing Bond Trustee

cc: Rating Agencies  
Facility Agents  
Hedge Counterparties

From: WALES & WEST UTILITIES FINANCE PLC (the "**Issuer**")  
WALES & WEST UTILITIES LIMITED ("**WWU**")  
**Template for Investors' Report**

**General Overview**

**Regulatory and business update**

News, if relevant, on Periodic Reviews and other significant regulatory and business developments (including any highly publicised incidents)

Significant announcements/publications by Ofgem/government

Service Performance Overview

Significant Board/Management changes

Permitted Subsidiaries acquired pursuant to a Permitted Acquisition

**Capital Expenditure/Replacement Expenditure**

Material matters on Capital Expenditure/Replacement Expenditure

**Outsourcing Agreement and/or Capex/Repex Contract**

Significant outsourcing developments (new calls for tender, contracts signed etc.)

**Financing**

Any significant financing developments, e.g. new issues, redemptions etc.

**Surplus**

Policy of payment of customer rebates/dividends

**Debt Service Reserve Accounts**

Balance on each of the Debt Service Reserve Accounts

**Authorised Investments**

Detailed breakdown of all Authorised Investments

## Ratios<sup>6</sup>

1. We confirm that in respect of the Calculation Date on [*insert Calculation Date*], by reference to the most recent financial statements that we are obliged to deliver to you in accordance with Paragraph 1 (*Financial Statements*) of Part 1 (*Information Covenants*) of Schedule 4 (*Covenants*) to the Common Terms Agreement that the ratios are as detailed in the table below in respect of the Calculation Date on [*insert Calculation Date*].

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<sup>6</sup> In the case of the Investors' Report in respect of: (i) the Calculation Date falling on ~~31~~30 December 201~~24~~, the ratios will be calculated on the basis of the audited financial statements of WWU for the ~~nine~~twelve-month (less one day) financial period ending ~~31~~30 December ~~2012 and 2014~~; (ii) the ~~management accounts~~Calculation Date falling on 30 June 2015, the ratios will be calculated on the basis of the unaudited financial statements of WWU for the ~~three~~six month (plus one day) financial period ending ~~31~~on 30 June 2015; and (iii) the Calculation Date falling on 31 March 2012 extracted from 2016, the ratios will be calculated on the basis of the audited financial statements of WWU for the ~~twelve~~fifteen-month (plus one day) financial period ending 31 March 201~~26~~.

Date	1. <del>—</del> Calculati on Date [•] [•]	2. <del>31</del> <del>December</del> Test Date [•] [•]	3. <del>31</del> <del>December</del> <del>{•}</del> <sup>7</sup> Test Date [•] [•]	4. <del>31</del> <del>December</del> <del>{•}</del> Test Date [•] [•]	5. <del>31</del> <del>December</del> <del>{•}</del> Test Date [•] [•]	6. <u>Test Date</u> <u>[•]</u> <sup>8</sup> [•]
Class A RAR  (at such Calculation Date or, in the case of forward- looking ratios, as at the relevant Test Date						
Senior RAR  (at such Calculation Date or, in the case of forward- looking ratios, as at the relevant Test Date)						
Test Period	1. [•] to [•]	2. [•] to [•]	3. [•] to [•]	4. [•] to [•]	5. [•] to [•]	6. <u>[•] to [•]</u> <sup>9</sup>
Class A ICR						
Class A Adjusted ICR						
Senior Adjusted ICR						
Class A Average Adjusted ICR						

<sup>7</sup> ~~The number of Test Periods and forward looking test dates varies dependent on the particular Calculation Date and those numbered 3 to 5 may not be required for certain Calculation Dates.~~

<sup>8</sup> Include additional columns for each subsequent Test Date (as may be required).

<sup>9</sup> Include additional columns for each subsequent Test Period (as may be required).

Senior Average Adjusted ICR						
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(together the "**Ratios**").

2. We confirm that each of the above Ratios has been calculated in respect of each of the relevant period(s) for which it is required under the Common Terms Agreement and has not breached the Trigger Event Ratio Levels and has not caused Paragraph 17 (*Ratios*) of Part 2 (*WWU and the Issuer*) of Schedule 6 (*Events of Default*) to the Common Terms Agreement to be breached.
3. We set out below the computation of the following ratios set out in the table in Paragraph 1 above for your information:

*[insert in reasonable detail the computations necessary to demonstrate compliance]*

- (a) Class A ICR
  - (b) Class A Adjusted ICR
  - (c) Senior Adjusted ICR
  - (d) Class A Average Adjusted ICR
  - (e) Senior Average Adjusted ICR
  - (f) Class A RAR
  - (g) Senior RAR
4. We certify that on *[insert date of calculation]* the Annual Finance Charge was [•] and the Monthly Payment Amount was [•].
  5. Details of the calculation of the Annual Finance Charge for the current twelve month period.
  6. Details of any recalculation or adjustments to the Annual Finance Charge and Monthly Payment Amount in accordance with paragraph 8.11 of Schedule 10 (*Cash Management*) to the Common Terms Agreement.
  7. We also confirm that:
    - (a) no Default or Potential Trigger Event is outstanding nor has any occurred since the Initial Closing Date<sup>10</sup>/date of the previous Compliance Certificate];
    - (b) WWU's insurances are being maintained in accordance with the Common Terms Agreement; and

**WALES & WEST UTILITIES FINANCE PLC**  
as Issuer

**WALES & WEST UTILITIES HOLDINGS LIMITED**

**WALES & WEST UTILITIES LIMITED**

**MGN GAS NETWORKS (SENIOR FINANCE) LIMITED**

as Initial Subordinated Creditor

**DEUTSCHE TRUSTEE COMPANY LIMITED**  
as Security Trustee

**DEUTSCHE TRUSTEE COMPANY LIMITED**  
as Bond Trustee

**DEUTSCHE TRUSTEE COMPANY LIMITED**  
as Existing Bond Trustee

**BANCO SANTANDER, S.A., BARCLAYS BANK PLC, BNP PARIBAS, CITIBANK, N.A., LONDON BRANCH, DEUTSCHE BANK AG,  
LONDON BRANCH, DNB NOR BANK ASA, ING BANK N.V., NATIONAL AUSTRALIA BANK LIMITED (ABN 12 004 044 937),  
MORGAN STANLEY & CO. INTERNATIONAL PLC and THE ROYAL BANK OF SCOTLAND PLC**  
as Existing Hedge Counterparties

**BARCLAYS BANK PLC**

as Class A Initial Facility Agent, Class B Initial Facility Agent,  
Initial DSR Liquidity Facility Agent, Initial Issuing Bank, Class A Initial L/C Facility Agent, Initial L/C Facility Provider and Initial O&M Reserve  
Facility Agent

**BANCO SANTANDER, S.A., LONDON BRANCH, BARCLAYS BANK PLC, BNP PARIBAS, LONDON BRANCH, ING BANK N.V.,  
LONDON BRANCH, NATIONAL AUSTRALIA BANK LIMITED (ABN 12 004 044 937) and THE ROYAL BANK OF SCOTLAND PLC**  
as Class A Initial Credit Facility Providers

**BARCLAYS BANK PLC, BNP PARIBAS, LONDON BRANCH, ING BANK N.V., LONDON BRANCH, NATIONAL AUSTRALIA BANK  
LIMITED (ABN 12 004 044 937) and THE ROYAL BANK OF SCOTLAND PLC**  
as Class B Initial Credit Facility Providers

**BANCO SANTANDER, S.A., LONDON BRANCH, BARCLAYS BANK PLC, BNP PARIBAS, LONDON BRANCH, ING BANK N.V.,  
LONDON BRANCH, NATIONAL AUSTRALIA BANK LIMITED (ABN 12 004 044 937) and THE ROYAL BANK OF SCOTLAND PLC**  
as Initial DSR Liquidity Facility Providers

**BANCO SANTANDER, S.A., LONDON BRANCH, BARCLAYS BANK PLC, BNP PARIBAS, LONDON BRANCH, ING BANK N.V.,  
LONDON BRANCH, NATIONAL AUSTRALIA BANK LIMITED (ABN 12 004 044 937) and THE ROYAL BANK OF SCOTLAND PLC**  
as Initial O&M Reserve Facility Providers

**BANCO SANTANDER, S.A., LONDON BRANCH, BARCLAYS BANK PLC, BNP PARIBAS, LONDON BRANCH, ING BANK N.V.,  
LONDON BRANCH, NATIONAL AUSTRALIA BANK LIMITED (ABN 12 004 044 937) and THE ROYAL BANK OF SCOTLAND PLC**  
as Class A Initial Term Facility Providers

**BARCLAYS BANK PLC**  
as Standstill Cash Manager

**BARCLAYS BANK PLC**  
as Account Bank

**DEUTSCHE BANK AG, LONDON BRANCH**  
as Agent Bank, Principal Paying Agent and Existing Bond Paying Agent

**DEUTSCHE BANK LUXEMBOURG S.A.**  
as Registrar and Transfer Agent

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**MASTER DEFINITIONS AGREEMENT**

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"**Business**" means Transportation Business and Permitted Non-Transportation Business or otherwise as permitted under the Common Agreements.

"**Business Day**" means (other than in any Hedging Agreement, where "**Business Day**" has the meaning given to it in that Hedging Agreement):

- (a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in London and each (if any) additional city or cities specified in the relevant Final Terms; and
- (b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, 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 in each (if any) additional city or cities specified in the relevant Final Terms.

"**Calculation Agency Agreement**" means, in relation to the Bonds of any Tranche, an agreement in or substantially in the form of Schedule 1 (*Form of Calculation Agency Agreement*) to the Agency Agreement.

"**Calculation Agent**" means, in relation to any Tranche of Bonds, the person appointed as calculation agent in relation to such Tranche of Bonds by the Issuer pursuant to the provisions of a Calculation Agency Agreement (or any other agreement) and shall include any successor calculation agent appointed in respect of such Tranche of Bonds.

"**Calculation Date**" means (other than for the purposes of the Conditions and other than in any Hedging Agreement, where "**Calculation Date**" has the meaning given to it in that Hedging Agreement), ~~30 June and 31 December in each year starting on 31 December 2012~~, 31 March and 30 September, or any other calculation date agreed as a result of a change in the financial year end date of any Obligor, ~~and, for other than in the purposes case of delivering the Initial Compliance Certificate and calculating the ratios contained therein only, the Preliminary calendar year starting 1 January 2015.~~ "**Calculation Date**" shall mean 30 June only.

"**Capex/Repex Contract**" means any agreement pursuant to which WWU outsources goods and services which are Capital Expenditure or Replacement Expenditure.

"**Capex/Repex Facilities**" means the Class A Capex/Repex Facility and the Class B Capex/Repex Facility.

"**Capital Expenditure**" means any capital expenditure made by WWU (net of any associated non-refundable grants and contributions received) incurred (or, in respect of any future period, forecast to be incurred) relating to increases in capacity or enhancement of service levels, quality or security of supply without taking account of expenditure relating to Replacement Expenditure.

"**Capitalised Replacement Expenditure**" means, in respect of any date, cumulative Replacement Expenditure incurred to such date to the extent that such Replacement Expenditure is expected, in the reasonable opinion of WWU, to be included in Ofgem's determination of RAV on the next Periodic Review Effective Date.

- (i) any termination amount due from any member of the WWU Financing 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 WWU'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
- (l) any guarantee, indemnity or similar assurance against financial loss of any person in respect of any item referred to in paragraphs (a) to (k) above (other than any guarantee or indemnity in respect of obligations owed by one member of the WWU Financing Group to another).

"**Financial Statements**" means, at any time, the most recent financial statements of an Obligor, consolidated where applicable, most recently delivered to the Security Trustee.

"**Financial Year**" means:

(a) the twelve months (less one day) ending on 30 December 2014;

(b) the fifteen months (plus one day) ending on 31 ~~December in~~ March 2016; and

(c) thereafter, the twelve month period ending on 31 March of each year,

or such other period as may be approved by the Security Trustee.

"**Fitch**" means Fitch Ratings Limited, or any successor to the rating agency business of Fitch Ratings Limited.

"**Fixed-rate Debt**" has the meaning given to such term in Paragraph 14.6 of Schedule 7 (*Hedging Policy and Overriding Provisions Relating to Hedging*) to the CTA.

"**Fixed Rate Bond**" means a Bond on which interest is calculated at a fixed rate payable in arrear on a fixed date or fixed dates in each year and on redemption or on such other dates as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms).

"**Floating Rate Bond**" means a Bond on which interest is calculated at a floating rate payable in arrear in respect of such period or on such date(s) as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms).

"**Form of Transfer**" means the form of transfer endorsed on an Individual Bond Certificate in the form or substantially in the form set out in Part B (*Form of Individual Bond Certificate*) of Schedule 3 (*Forms of Global and Individual Bond Certificates*) to the Bond Trust Deed.

"**FSMA**" means the Financial Services and Markets Act 2000, as amended.

"**G&R Deed**" means a guarantee and reimbursement deed (or agreement of similar name and effect) between, among others, the Issuer and a Financial Guarantor in connection with a particular Tranche of Wrapped Bonds.

(including any RPI Linked Hedging Agreement) or any other Hedging Agreement specified as such in the relevant Accession Memorandum to the STID or, as the case may be, the relevant Additional Finance Document Notice.

**"Interest Rate Hedging Transaction"** means any Hedging Transaction with a Hedge Counterparty to hedge exposure to interest rates, including any RPI Linked Hedging Transaction or any other Hedging Transaction specified as such in the relevant Accession Memorandum to the STID.

**"Intra-Group Loans"** means the amounts outstanding, from time to time, in respect of the following:

- (a) the Initial Issuer/WWU Loan Agreement;
- (b) the Initial Subordinated Loan;
- (c) the WWH/WWU Loan Agreement;
- (d) the Issuer/WWU Loan Agreements; and
- (e) any other financial indebtedness between members of the WWU Financing Group from time to time.

**"Investment Grade"** means a rating of at least BBB- by S&P or BBB- by Fitch.

**"Investment Proceeds"** means:

- (a) any net proceeds received upon disposal or realisation; or
- (b) any sum received upon maturity of an Authorised Investment, but excluding all Income.

**"Investor Presentation"** means any written investor presentation (approved in writing for such use in advance and signed or initialled for identification purposes by the Issuer) used in connection with marketing and investor presentations in respect of Bonds of any Series. For the avoidance of doubt, the Prospectus is not an Investor Presentation.

**"Investors' Report"** means each report produced by WWU and the Issuer ~~to be delivered within the earlier of 45 days after publication of the relevant Financial Statements or within 150 days from 31 December or 90 days from 30 June in each year (commencing on 31 December 2012) or within 90 days from 30 September 2012 in respect of the Calculation Date which occurred (prior to the change of the Financial Year accounting date taking effect) on 30 September 2012,~~ substantially in the form set out in Schedule 9 (*Form of Investors' Report*) to be delivered in accordance with paragraph 5 (*Investors' Report*) of Part 1 (*Information Covenants*) of Schedule 4 (*Covenants*) to the CTA.

**"ISDA"** means the International Swaps and Derivatives Association, Inc.

**"ISDA Master Agreement"** means an agreement in the form of the 1992 or (subject to the Hedging Policy) 2002 ISDA Master Agreement (Multi Currency Cross Border) published by ISDA or any successor thereto unless otherwise agreed by the Security Trustee.

**"O&M Reserve Required Amount"** means not less than:

- (a) if the Senior RAR as calculated at the most recently occurring Calculation Date for each Test Date (taking into account the incurrence of any Financial Indebtedness pursuant to Paragraph (i) of the definition of Permitted Financial Indebtedness following such Calculation Date) is equal to or lower than 67.5 per cent., zero; and
- (b) if the Senior RAR as calculated at the most recently occurring Calculation Date for any Test Date (taking into account the incurrence of any Financial Indebtedness pursuant to Paragraph (i) of the definition of Permitted Financial Indebtedness following such Calculation Date) is greater than 67.5 per cent., 10 per cent. of WWU's Projected Operating Expenditure and Replacement Expenditure (excluding, for the avoidance of doubt, any Capitalised Replacement Expenditure and/or Pass Through Costs) for ~~the~~ 12~~twelve~~ months from the most recently occurring ~~31 December~~Calculation Date.

**"Operating Accounts"** means each account at the Account Bank specified in the Account Bank Agreement as an Operating Account including any sub-account and any replacement account or other operating accounts from time to time.

**"Order"** means the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.

**"Outsourcing Agreement"** means any agreement pursuant to which WWU sub-contracts, tenders or outsources either the day to day operation of its assets, business services and service delivery (including any maintenance expenditure) or acquires technical know-how and access to other Intellectual Property Rights in relation to gas transportation services that, in the case of any outsourcing WWU could, if not outsourced, perform itself.

**"Outstanding"** means:

- (i) in relation to the Bonds of all or any Sub-Class, all the Bonds of such Sub-Class issued other than:
  - (a) those Bonds which have been redeemed pursuant to the Bond Trust Deed;
  - (b) those Bonds in respect of which the date (including, where applicable, any deferred date) for redemption in accordance with the Conditions has occurred and the redemption moneys (including all interest payable thereon) have been duly paid to the Bond Trustee or to the Principal Paying Agent in the manner provided in the Agency Agreement (and where appropriate notice to that effect has been given to the relative Bondholders in accordance with Condition 17 (*Notices*)) and remain available for payment against presentation of the relevant Bonds and/or Receipts and/or Coupons;
  - (c) those Bonds which have been purchased and cancelled in accordance with Condition 8(h) (*Redemption, Purchase and Cancellation - Cancellation*);
  - (d) those Bonds which have become void or in respect of which claims have become prescribed, in each case under Condition 13 (*Prescription*);

**"Restricted Payment Condition"** means each of the conditions in paragraph 34 (*Restricted Payments*) of Part 3 (*General Covenants*) Schedule 4 (*Covenants*) to the CTA which must be satisfied or waived by the Security Trustee before a Restricted Payment may be made by the Issuer or WWU.

**"Restricted Secured Liabilities"** means all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of each Restricted Chargor to any Secured Creditor under each Finance Document to which such Restricted Chargor is a party.

**"Retail Price Index" or "RPI"** means

- (a) (except in the case of an RPI Linked Hedging Agreement) the all items retail price index for the United Kingdom published by the Office for National Statistics each month (or at any future date such other index of retail prices as may have then replaced it for the purposes of Ofgem's determination of price limits for gas transportation services); or
- (b) in the case of an RPI Linked Hedging Agreement, such other index or retail prices as specified in such RPI Linked Hedging Agreement.

**"Reverse Charge"** means the charge arising as a result of section 8(1) of VATA.

**"Rights"** means all rights vested in the Security Trustee by virtue of, or pursuant to, its holding the interests conferred on it by the Security Documents or otherwise under the other Finance Documents or under the Ancillary Documents and all rights to make demands, bring proceedings or take any other action in respect of such rights.

**"Rolling Average Period"** means on each Calculation Date up to and including 30 December 2014, the Test Period ending on 31 December or, as the case may be, 30 December, that falls in the same calendar year as that Calculation Date and the next subsequent two consecutive Test Periods and on each Calculation Date thereafter, the Test Period ending on 31 March that falls in the same calendar year as that Calculation Date and the next subsequent two consecutive Test Periods, save that, where the test comes to be calculated at a time when information is not available in respect of any forward looking Test Period (as a result of Ofgem's determination of price limits for a Periodic Review not having been published in draft or final form) then such Rolling Average Period will be the three ~~12-month~~ periods which run consecutively backwards and/or (to the extent information is available for the relevant Test Period) forwards from such Calculation Date for which such information is available for the last Test Period in such calculation.

**"RPI Linked Hedging Agreement"** means a Hedging Agreement with a Hedge Counterparty in respect of one or more Treasury Transactions to hedge payments (including payments in respect of indexation accretion) to be made by the Issuer or, as the case may be, WWU by reference to RPI.

**"RPI Linked Hedging Transaction"** means a Hedging Transaction with a Hedge Counterparty to hedge payments to be made by the Issuer, or, as the case may be, WWU by reference to RPI.

**"Scheduled Debt Service"** has the meaning given to it in Paragraph 10.6.1 of Schedule 10 (*Cash Management*) to the CTA.

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.

"**Test Date**" means each of the following dates in respect of the Senior RAR and the Class A RAR ~~in respect of any Calculation Date from and including 31 December 2012;~~

~~(a) 31~~ in respect of the Calculation Date falling on 30 December 2014;

~~(a)(i)~~ 30 December in the same calendar year as such Calculation Date;

~~(b)(ii)~~ 31 ~~December in the calendar year immediately following the calendar year in which such Calculation Date falls~~ March 2016;

~~(c)(iii)~~ each subsequent 31 ~~December~~ March to and including the Date Prior; and

~~(d)(iv)~~ if the Calculation Date falls within the 13 month period immediately prior to the Date Prior, 31 ~~December~~ March falling 12 months following the Date Prior; and

~~provided that, for the in respect of each Calculation Date on 31 December 2012, the first Test Date shall be 31 December 2012.~~

~~(b) "Test Period" means in respect of a Calculation Date from~~ falling thereafter, and including 31 ~~December 2012, each of the following periods~~ March 2016:

~~(c)(i)~~ the period of 12 months ending on 31 ~~December~~ 31 March in the same calendar year as such Calculation Date;

~~(d)(ii)~~ the period of 12 months starting on 1 ~~January~~ 31 March in the calendar year immediately following the calendar year in which such Calculation Date falls;

~~(iii)~~ each subsequent 31 March to and including the Date Prior; and

~~(iv)~~ if the Calculation Date falls within the 13 month period immediately prior to the Date Prior, 31 March falling 12 months following the Date Prior.

"Test Period" means in respect of:

(a) the Calculation Date falling on 30 December 2014, each of the following periods:

(i) the period of 12 months (less one day) ending on 30 December 2014;

(ii) the period of 15 months (plus one day) starting on 31 December 2014;

~~(c)(iii)~~ each subsequent 12 month period up to and including the 31 ~~December~~ March most recently preceding the Date Prior; and

~~(iv)~~ if the Calculation Date falls within the 13 month period immediately prior to the Date Prior, the 12 month period starting on the date immediately following the Date Prior;

(b) each Calculation Date thereafter, up to and including 31 March 2016, each of the following periods:

- (i) the period of 15 months (plus one day) ending on 31 March 2016;
  - (i) the period of 12 months starting on 1 April 2016;
  - (ii) each subsequent 12 month period up to and including the 31 March most recently preceding the Date Prior; and
  - (iii) if the Calculation Date falls within the 13 month period immediately prior to the Date Prior, the 12 month period starting on the date immediately following the Date Prior; and
- (c) annually thereafter, in respect of a Calculation Date, each of the following periods:
- (i) the period of 12 months ending on 31 March in the same calendar year as such Calculation Date;
  - (ii) the period of 12 months starting on 31 March in the calendar year immediately following the calendar year in which such Calculation Date falls;
  - (iii) each subsequent 12 month period up to and including the 31 March most recently preceding the Date Prior; and
  - ~~(iv)~~ if the Calculation Date falls within the 13 month period immediately prior to the Date Prior, the 12 month period starting on the date immediately following the Date Prior.

~~provided that for the Calculation Date on 31 December 2012, the first Test Period shall be from (and including) 1 January 2012 to (and including) 31 December 2012.~~

"TFEU" means the Treaty on the Functioning of the EU, as amended.

"Threshold Class A RAR" means (A) if the Higher Leverage Regime is not continuing, 0.70:1; or (B) if the Higher Leverage Regime is continuing, 0.75:1.

"Threshold Senior RAR" means (i) if the Higher Leverage Regime is not continuing, 0.775:1; or (ii) if the Higher Leverage Regime is continuing, 0.85:1.

"Total Notional Hedged Amount" has the meaning given to such term in Paragraph 14.6 of Schedule 7 (*Hedging Policy and Overriding Provisions Relating to Hedging*) to the CTA.

"Tranche" means all Bonds which are identical in all respects save for the Issue Date, Interest Commencement Date and Issue Price of the Bonds.

"Transaction Account" means the account of the Issuer or, as the case may be, WWH, entitled "Transaction Account" held at the Account Bank and includes any sub-account relating to that account and any replacement account from time to time.

"Transaction Documents" means:

- (a) a Finance Document; and
- (b) any other document designated as such by the Security Trustee and the Issuer.

**SCHEDULE 2**  
**STID DIRECTIONS REQUEST**

## **STID Directions Request**

Date: 23 October 2014

From: Deutsche Trustee Company Limited (the "**Security Trustee**" acting pursuant to and in accordance with the STID (as defined below))

To: Each DIG Representative of the Qualifying Class A Debt and each Secured Creditor or its Secured Creditor Representative, as applicable

Re: STID Directions Request in respect of a STID Proposal regarding certain amendments described in the proposal attached hereto as Schedule 1 (the "**STID Proposal**") pursuant to the Security Trust and Intercreditor Deed (the "**STID**") dated 31 March 2010 (as amended or supplemented from time to time prior to the date of this letter) and entered into between, among others, Wales & West Utilities Limited (the "**Proposer**") and the Security Trustee

### **1. DEFINITIONS**

Unless otherwise defined herein, defined terms used in this letter (and its Schedules) shall have the same meaning as ascribed to them in the master definitions agreement dated 31 March 2010 (as amended or supplemented from time to time prior to the date of this letter) (the "**MDA**") and entered into between, among others, the Proposer and the Security Trustee.

### **2. FINANCE DOCUMENTS**

We refer to the Finance Documents and, in particular:

- 2.1 the Common Terms Agreement dated 31 March 2010 (as amended or supplemented from time to time prior to the date of this letter) (the "**CTA**") and entered into between, among others, the Proposer and the Security Trustee; and
- 2.2 the MDA.

### **3. STID DIRECTIONS REQUEST**

Pursuant to clause 9.3 (*Notice of Secured Creditors of STID Proposal*) of the STID, this letter is a STID Directions Request.

### **4. THE STID PROPOSAL**

- 4.1 The STID Proposal originates from the Proposer and relates to a request to authorise and direct the Security Trustee to consent to certain amendments in respect of the Finance Documents referenced at paragraph 2 (*Finance Documents*).

## 5. CONSENT AND CERTIFICATION

5.1 In the form and manner set out in Schedule 2 hereto, the Security Trustee requests from each relevant DIG Representative:

5.1.1 a vote in writing for or against the implementation of the STID Proposal on behalf of the relevant Qualifying Debt Provider; and

5.1.2 a certificate 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 Debt,

both of which must be received by the Security Trustee no later than 14 November 2014 (the "**STID Voting Date**"), that date being at least 15 Business Days after the date this STID Directions Request is deemed to be given to the relevant DIG Representative in accordance with clause 18.3 (*Effectiveness*) of the CTA.

## 6. ENTRENCHED RIGHTS OR RESERVED MATTERS NOTICE

6.1 It is noted that, under the provisions of clauses 9.3.5 and 9.3.6 of the STID, Secured Creditors (or their Secured Creditor Representatives where applicable) are entitled to serve on the Security Trustee an Entrenched Rights or Reserved Matters Notice within 15 Business Days after the date on which this STID Directions Request is deemed to be given in accordance with clause 18.3 (*Effectiveness*) of the CTA, certifying that, in the reasonable opinion of the relevant Secured Creditor (or its Secured Creditor Representative where applicable), it is an Affected Secured Creditor notwithstanding the content of the STID Proposal and that the consent of such Affected Secured Creditor (or its Secured Creditor Representative where applicable) to the implementation of the STID Proposal is required pursuant to an Entrenched Right or Reserved Matter and that such Affected Secured Creditor (or its Secured Creditor Representative where applicable), does not consent to the implementation of such STID Proposal.

6.2 If the Security Trustee does not receive such Entrenched Rights or Reserved Matters Notice within such 15 Business Day period it shall act in accordance with the decision of the Majority Creditors (provided that the Quorum Requirement is met) in relation to the STID Proposal pursuant to clause 9.5 (*Effective Time of Majority Creditor Decisions on STID Proposal*) of the STID and each Secured Creditor (or its Secured Creditor Representative where applicable) will be deemed to:

6.2.1 waive any right to send an Entrenched Rights or Reserved Matters Notice under clauses 9.3.5 and 9.3.6 of the STID in respect of the STID Proposal;

6.2.2 acknowledge that, pursuant to clause 9.5 (*Effective Time of Majority Creditor Decisions on STID Proposal*) of the STID, the Security Trustee is duly authorised and must promptly implement the STID Proposal following the earlier of (i) the date on which the Security Trustee has received votes in favour of the STID Proposal from DIG Representatives representing more than 50 per cent. of the Outstanding Principal Amount of the Qualifying Class A Debt and (ii) the STID Voting Date if the Majority Creditors have voted in favour of the STID Proposal and the relevant Quorum Requirement is satisfied

and that in accordance with clause 8.2 (*Procedure for Modifications, Consents and Waivers*) of the STID, the Security Trustee's actions in implementing such STID Proposal will bind the Secured Creditors;

6.2.3 acknowledge that, in accordance with clause 9.8 (*Binding Decisions of the Majority Creditors*) of the STID, the decision of the Majority Creditors in relation to the STID Proposal will bind the Secured Creditors in all circumstances provided that the relevant Quorum Requirement was met; and

6.2.4 acknowledge that, in accordance with clause 9.9 (*Binding Vote of DIG Representatives*) of the STID, the vote of a DIG Representative in relation to the STID Proposal will bind all relevant Qualifying Debt Providers represented by such DIG Representative in all circumstances, provided that the DIG Representative voted in accordance with a decision binding on all Qualifying Debt Providers under the Finance Documents.

## 7. **EFFECTIVE TIME**

It should be noted that the provisions of clause 9.5 (*Effective Time of Majority Creditor Decisions on STID Proposal*) of the STID applies to this STID Directions Request.

Please send all correspondence relating to this STID Directions Request to the Security Trustee at the address above for the attention of Raman Subberwal and Sue Rose or by email to [raman.subberwal@db.com](mailto:raman.subberwal@db.com) and [sue.rose@db.com](mailto:sue.rose@db.com)

Yours faithfully

For and on behalf of  
**Deutsche Trustee Company Limited**

**Schedule 1**  
**STID Proposal**

## Schedule 2

Each party listed in the first column below (a) certifies that it is a DIG Representative entitled under the terms of the STID to vote on the STID Proposal, (b) certifies as to the Outstanding Principal Amount held or represented by it in the Base Currency (£) and (c) confirms whether it is for or against the STID Proposal described above in accordance with clause 9 of the STID.

<b>Class A DIG</b>	<b>Entitled to Vote</b> (indicate by writing "Yes" or "No")	<b>Outstanding Principal Amount (£)</b>	<b>Vote on STID Proposal</b> (indicate by writing "For" or "Against")	<b>Signature of Authorised Signatory(ies)</b>
Barclays Bank plc as Class A Initial Facility Agent in respect of the Class A Initial Term Facilities				
Barclays Bank plc as Class A Initial Facility Agent in respect of the Initial Credit Facilities				
Barclays Bank plc as Class A Initial L/C Facility Agent in respect of the L/C Facility				

<b>Class A DIG</b>	<b>Entitled to Vote</b> (indicate by writing "Yes" or "No")	<b>Outstanding Principal Amount (£)</b>	<b>Vote on STID Proposal</b> (indicate by writing "For" or "Against")	<b>Signature of Authorised Signatory(ies)</b>
Deutsche Trustee Company Limited as Bond Trustee in respect of a £5,000,000,000 Guaranteed Bond Programme, £250,000,000 6.25 per cent. Guaranteed Series I Bonds due 2021 and £200,000,000 5.125 per cent. Guaranteed Series II Bonds due 2016				