

**“Acceleration of Liabilities”** or **“Acceleration”** means an acceleration of any Secured Liabilities or termination of a commitment (or equivalent action) including:

- (a) the early termination of any hedging obligations (whether by reason of an event of default, termination event or other right of early termination) under an NWEN Programme Hedging Agreement; or
- (b) the taking of any other steps to recover any payment due in respect of any Secured Liabilities, which have matured for repayment or become immediately due and repayable and are overdue, by a Secured Creditor or Secured Creditors pursuant to the terms of the applicable Finance Document and in accordance with the STID,

**“acceleration”** and **“accelerate”** will be construed accordingly;

**“Accession Date”** means (a) with respect to the STID, the date on which an Accession Memorandum takes effect, subject to and in accordance with clause 2.3 (Effectiveness of Accession), clause 2.5.4 (Accession of Subordinated Creditor), clause 2.6.4 (Accession of Permitted Subsidiary) or clause 19 (Benefit of Deed) (as applicable) of the STID; (b) with respect to the Note Trust Deed in relation to a Financial Guarantor, the date upon which an Accession Memorandum and supplemental note trust deed are delivered to the Note Trustee in accordance with clause 28 (New Financial Guarantors) of the Note Trust Deed and, in relation to a Guarantor, the date upon which an Accession Memorandum is delivered to the Note Trustee in accordance with clause 29 (New Guarantors) of the Note Trust Deed; (c) with respect to the Agency Agreement, the date on which an Accession Memorandum is delivered in accordance with clause 30 (New Guarantors) of the Agency Agreement; and (d) with respect to the Tax Deed of Covenant, the date on which an Accession Memorandum is delivered in accordance with clause 3.5 (Accession of Permitted Subsidiaries) of the Tax Deed of Covenant;

**“Accession Memorandum”** means:

- (a) with respect to the STID, each memorandum to be entered into pursuant to clause 2 (Accession) or clause 19 (Benefit of Deed) (as applicable) of the STID and which is substantially in the form set out in schedule 1 (Form of Accession Memorandum) to the STID;
- (b) with respect to the Note Trust Deed, a memorandum in substantially the form set out in (i) schedule 5 (Form of Accession Memorandum - Financial Guarantor) to the Note Trust Deed pursuant to which a Financial Guarantor accedes to the Note Trust Deed; or (ii) schedule 6 (Form of Accession Memorandum - Guarantor) to the Note Trust Deed pursuant to which a Guarantor accedes to the Note Trust Deed;
- (c) with respect to the Agency Agreement, a memorandum in substantially the form set out in schedule 3 (Form of Accession Memorandum) to the Agency Agreement pursuant to which a Guarantor accedes to the Agency Agreement; or
- (d) with respect to the Tax Deed of Covenant, a memorandum in substantially the form set out in schedule 2 (Form of Deed of Accession) to the Tax Deed of Covenant pursuant to which a Permitted Subsidiary accedes to the Tax Deed of Covenant;

**“Account”** means any bank account of any Obligor;

**“Account Bank Agreements”** means (a) the account bank agreement dated on or about the date of this Agreement between, among others, the Obligors, the Initial Account Bank, the Standstill Cash Manager and the Security Trustee and (b) any other account bank agreement

entered into by an Obligor from time to time in accordance with the Finance Documents (including, without limitation, paragraph 6 of schedule 11 (Cash Management) of the CTA;

**“Account Banks”** means the Initial Account Bank and any other person for the time being acting as an Account Bank pursuant to an Account Bank Agreement (each an **“Account Bank”**);

**“Acquisition Debt”** means the Financial Indebtedness created pursuant to the facilities agreement dated 22 November 2007 between North West Electricity Networks Limited (as borrower and guarantor), North West Electricity Networks (Finance) Limited (as guarantor), North West Electricity Networks (Holdings) Limited (as guarantor) and HSBC Bank plc (as mandated lead arranger, original lender, agent and security trustee) as amended and restated on 14 April 2008 and from time to time;

**“Additional Indebtedness Test”** means in respect of raising additional Financial Indebtedness:

- (a) the Net Debt to RAV Ratio for each Relevant Period calculated by reference to the then most recently occurring Covenant Calculation Date, taking into account the proposed additional indebtedness, must not be more than 90 per cent.; and
- (b) the Adjusted ICR for each Relevant Period calculated by reference to the then most recently occurring Covenant Calculation Date, taking into account the proposed additional indebtedness, must not be less than 1.1x;

**“Additional Secured Creditor”** means any person not already a Secured Creditor which becomes a Secured Creditor pursuant to the provisions of clause 2 (Accession) of the STID (*provided that*, for the avoidance of doubt, any Subordinated Creditor acceding to the STID pursuant to clause 2.5 (Accession of Subordinated Creditor) of the STID will not constitute a Secured Creditor);

**“Adjusted ICR”** means, in respect of a Relevant Period, the interest cover ratio, which shall be calculated as the ratio of Net Cash Flow less Regulatory Depreciation (in respect of such Relevant Period) to Net Interest Service (in respect of such Relevant Period);

**“Administrative Party”** means the Security Trustee, any Account Bank, the Note Trustee, the Standstill Cash Manager, any Agent or any Facility Agent;

**“Advance”** means any advance or other credit accommodation (including, for the avoidance of doubt, any loan) provided under any Authorised Credit Facility;

**“Affected Secured Creditor”** means any Secured Creditor whose Entrenched Rights or Reserved Matters are affected by a STID Directions Request given by the Security Trustee pursuant to the STID;

**“Affiliate”** means a Subsidiary or a Holding Company of a person or any other Subsidiary of that Holding Company;

**“Affirming Creditor”** has the meaning given to such term in clause 9.10.2 (Disputes) of the STID;

**“Agency Agreement”** means the agreement dated on or about the date of this Agreement between the Issuer, NWEN, the Note Trustee and the Agents referred to therein 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”** means the Agent Bank, the Principal Paying Agent, the Registrar, the Transfer Agent, any Paying Agent or any other agent appointed by the Issuer pursuant to the Agency Agreement or Calculation Agency Agreement;

**“Agent Bank”** means HSBC Bank plc (or any successor Agent Bank appointed pursuant to the Agency Agreement) as agent bank pursuant to the Agency Agreement;

**“Agent/Delegate Liabilities”** has the meaning given to it in clause 17.10 of the Note Trust Deed;

**“Ancillary Documents”** means the valuations, reports, legal opinions, tax opinions, accountants’ reports and the like addressed to or given for the benefit of the Security Trustee, any Obligor or any Secured Creditor in respect of the Security Assets;

**“Applicable Accounting Principles”** means, in respect of the Issuer, IFRS or in respect of the other members of the NWEN Financing Group, IFRS or generally accepted accounting principles in the United Kingdom as applied from time to time;

**“Applicable Currency Account”** has the meaning given to it in paragraph 9.4.2 of schedule 11 (Cash Management) to the Common Terms Agreement;

**“Appointed Business”** means the business of distributing electricity in the North West of England, providing metering and connection services in that area and any other business from time to time permitted in accordance with the terms of ENW’s Licence or as permitted by or is subject to a derogation or waiver of the Regulator;

**“Appointee”** means any attorney, manager, agent, delegate, nominee, custodian or other person appointed by the Note Trustee under the Note Trust Deed;

**“Appropriate Expert”** has the meaning given to such term in clause 9.10.3 (Disputes) of the STID;

**“Arranger”** means HSBC Bank plc;

**“Asset Services Agreement”** means the agreement entitled “Asset Services Agreement relating to the Asset Owner’s Electricity Distribution Network” dated 9 March 2007 between United Utilities Electricity plc (now ENW) and United Utilities Electricity Services Limited (as amended on 5 October 2007) as further amended, restated or supplemented from time to time;

**“Associate”** means:

- (a) any person who has a Controlling interest in any member of the NWEN Financing Group; and
- (b) any person who is Controlled by a member of the NWEN Financing Group,

and in each case, any Affiliate of such person;

**“Assumptions”** means those assumptions provided by NWEN which formed the basis for the ENW Business Financial Model;

**“Auditors”** means Deloitte or the auditors of each member of the NWEN Financing Group from time to time;

**“Authorised Credit Facility”** means any facility or agreement entered into by NWEN or the Issuer for Senior Debt as permitted by the terms of the CTA, the providers of which are parties to, or have acceded to, the STID and the CTA, and includes, without limitation, any

DSR Liquidity Facilities, the Capex Facility Agreement, the Issuer/NWEN Loan Agreements, the NWEN Programme Hedging Agreements and any other document entered into in connection with the foregoing facilities or agreements or the transactions contemplated in the foregoing facilities or agreements (excluding, however, the Dealership Agreement and the Common Agreements);

**“Authorised Credit Facility Agent”** means any facility agent under any Authorised Credit Facility;

**“Authorised Credit Facility Provider”** means a lender or other provider of credit or financial accommodation under any Authorised Credit Facility (and includes, as at the date of this Agreement, each Capex Facility Provider);

**“Authorised Forex Bank”** has the meaning given to it in paragraph 9.4.2 of schedule 11 to the Common Terms Agreement;

**“Authorised Investments”** means:

- (a) securities issued by the government of the United Kingdom;
- (b) demand or time deposits, certificates of deposit and short-term unsecured debt obligations, including commercial paper, or other investments with similar liquidity and effective credit quality characteristics to time deposits, provided that the issuing entity or, if such investment is guaranteed, the guaranteeing entity, is rated the Minimum Short-term Rating or (if the relevant Authorised Investments have an original maturity in excess of one year) the Minimum Long-term Rating;
- (c) any other obligations, provided that in each case the relevant investment has the Minimum Short-term Rating or (if the relevant Authorised Investments have an original maturity in excess of one year) the Minimum Long-term Rating and is denominated in sterling or has been hedged in accordance with the Hedging Policy; and
- (d) any liquidity funds and any other money market funds having the Minimum Short-term Rating;

**“Authorised Signatory”** means any person who is duly authorised by any Obligor or any Party (such authorisation not having been withdrawn at the relevant time) and in respect of whom a certificate has been provided signed by a director of that Obligor or such Party setting out the name and signature of that person and confirming such person’s authority to act;

**“Available DSR Liquidity Commitment”** means on any day, an amount equal to the aggregate commitment of each DSR Liquidity Facility Provider under its DSR Liquidity Facility Agreement less the aggregate principal amount which it has advanced and/or has been rolled-over (including by way of a Standby Drawing) and which at such time has not been repaid under that DSR Liquidity Facility Agreement.

**“Available DSR Liquidity Amount”** means on any day, an amount equal to the sum of:

- (a) the aggregate Available DSR Liquidity Commitment; and
- (b) the aggregate Available Standby Amount,

under each DSR Liquidity Facility Agreement.

**“Available Funds”** has the meaning given to it in paragraph 9.6.1 of schedule 11 (Cash Management) of the CTA;

**"Available Standby Amount"** means on any day, an amount equal to the aggregate of all outstanding Standby Drawings made under any DSR Liquidity Facility Agreements less an amount equal to the aggregate of all withdrawals made by NWEN from the Debt Service Reserve Account in respect of amounts funded by way of Standby Drawings.

**"Base Currency"** means pounds Sterling;

**"Basic Terms Modifications"** has the meaning given to such term in Condition 15(b);

**"Bearer Notes"** means those of the Notes which are in bearer form;

**"Borrowings"** means, at any time, Financial Indebtedness:

- (a) excluding any liabilities of the type referred to in paragraph (g) of the definition of Financial Indebtedness (but including any counter indemnity obligation which is due and payable);
- (b) excluding any debt as between members of the NWEN Financing Group or any Structural Intragroup Loans; and
- (c) including (without double counting and for the avoidance of doubt) any accretion portion of Financial Indebtedness which is indexed;

**"Business"** means Appointed Business and Permitted Non-Appointed Business or otherwise as permitted under the Finance Documents;

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

- (a) in relation to any sum payable in euro, a TARGET 2 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; or
- (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; or
- (c) other than in relation to the making of any payment, a day on which commercial banks and foreign exchange markets settle payments generally in London;

**"Calculation Agency Agreement"** means, in relation to the Notes 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 Notes, the person appointed as calculation agent in relation to such Tranche of Notes 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 Notes;

**"Calculation Date"** has the meaning given to it in the Conditions;

**“Capex Facility”** means the term loan facility made available by the Capex Facility Provider to NWEN on or about the date of this Agreement pursuant to the Capex Facility Agreement to meet the capital expenditure and general corporate purposes of the NWEN Financing Group;

**“Capex Facility Agent”** means HSBC Bank plc in its capacity as agent bank appointed under the Capex Facility Agreement;

**“Capex Facility Agreement”** means the agreement documenting the Capex Facility;

**“Capex Facility Provider”** means each of Barclays Bank PLC, HSBC Bank plc and The Royal Bank of Scotland plc or any respective successor thereto;

**“Capital Expenditure”** means any expenditure or obligation in respect of expenditure which, in accordance with Applicable Accounting Principles, is treated as capital expenditure (including the capital element of any expenditure obligation in connection with a finance lease);

**“Cash”** means, at any time, cash denominated in sterling or euro or any other major international currency in hand or at bank and (in the latter case) credited to a bank account in the name of a member of the NWEN Financing Group and to which a member of the NWEN Financing Group is alone (or together with other members of the NWEN Financing Group) beneficially entitled and for so long as:

- (a) that cash is repayable on demand;
- (b) repayment of that cash is not contingent on the prior discharge of any other Financial Indebtedness of any member of the NWEN Financing Group or of any other person whatsoever or on the satisfaction of any other condition;
- (c) there is no Security Interest over that cash except pursuant to the Finance Documents and any Permitted Security Interest constituted by a netting or set-off arrangement entered into by members of the NWEN Financing Group in the ordinary course of their banking arrangements;
- (d) the cash is freely available to be applied in repayment or prepayment of the Senior Debt or, in the case of ENW, the cash is freely available for distribution to NWEN; and
- (e) the cash has not accrued as a result of, nor is attributable to, an Overpayment,

moneys standing to the credit of the Debt Service Reserve Account shall constitute Cash for the purpose of this definition;

**“Cash Management Side Letter”** means the side letter entered into between, amongst others, NWEN, the Issuer, the Cash Manager and the Standstill Cash Manager the Security Trustee, the Note Trustee and the Principal Paying Agent in connection with certain cash management and payment mechanics relating to the Payment Priorities.

**“Cash Manager”** means (i) during and after a Standstill Period (except where a Standstill Period is terminated pursuant to clause 13.4.1(iii) (Termination of Standstill) of the STID), the Standstill Cash Manager, and (ii) at all other times ENW.

**“Change of Control”** means:

- (a) on and from the Programme Date, SPV HoldCo ceasing to hold legally and beneficially 100 per cent. of the issued share capital of NWEN; or

(b) NWEN ceasing to hold (i) legally and beneficially 100 per cent. of the issued share capital of ENW or (ii) beneficially 100 per cent. of the issued share capital of the Issuer;

“**Chargor**” has the meaning given to it in the Security Agreement;

“**Class**” means each class of Notes, the available Classes of Notes being Wrapped Notes and Unwrapped Notes;

“**Clearstream, Luxembourg**” means Clearstream Banking, *société anonyme*;

“**Common Agreements**” means any Security Document, the Note Trust Deed, the Common Terms Agreement, the Master Definitions Agreement, each Account Bank Agreement, the CP Agreement, the Tax Deed of Covenant, the Calculation Agency Agreement(s) and any Finance Document to which no Secured Creditor other than the Security Trustee and/or the Issuer and/or any Agent is a party;

“**Common Safekeeper**” means, in respect of Notes where the relevant Final Terms indicate that the relevant Global Note is a New Global Note, the common safekeeper for Euroclear and/or Clearstream, Luxembourg appointed in respect of the Notes in accordance with the Note Trust Deed and the Agency Agreement;

“**Common Service Provider**” means, in respect of Notes where the relevant Final Terms indicate that the relevant Global Note is a New Global Note, the common service provider for Euroclear and/or Clearstream, Luxembourg appointed in respect of the Notes in accordance with the Note Trust Deed and the Agency Agreement;

“**Common Terms Agreement**” or “**CTA**” means the common terms agreement entered into on or about the date of this Agreement between the parties to this Agreement;

“**Companies Act 1985**” means the United Kingdom Companies Act 1985;

“**Companies Act 2006**” means the United Kingdom Companies Act 2006;

“**Competition Act**” means the United Kingdom Competition Act 1998;

“**Competition Commission**” or “**CC**” means the United Kingdom Competition Commission;

“**Compliance Certificate**” means a certificate, substantially in the form of schedule 9 (Form of Compliance Certificate) to the Common Terms Agreement in which NWEN, periodically, provides certain financial statements to the Security Trustee (and any Rating Agency on request) as required by the Common Terms Agreement;

“**Conditions**” means the terms and conditions of the Notes (as set out in schedule 1 (Terms and Conditions of the Notes) to the Note Trust Deed), as supplemented, amended and/or replaced by the relevant Final Terms;

“**Contracting Secured Creditor**” means a Secured Creditor (other than the Security Trustee) party to an Authorised Credit Facility;

“**Control**” of one person by another person means (other than in the Tax Deed of Covenant where it has the meaning defined therein) that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise and whether acting alone or in concert with another or others) has the power to appoint and/or remove the majority of the members of the governing body of that person or otherwise controls or has the power to control the affairs and policies of that person (and references to “**Controlled**” and “**Controlling**” shall be construed accordingly);

**“Coupon”** means an interest coupon appertaining to a Definitive Note, such coupon being:

- (i) if appertaining to a Fixed Rate Note, a Floating Rate Note or an Index-Linked Note, in the form or substantially in the form set out in part E (Form of Coupon) of schedule 2 (Forms of Global and Definitive Notes, Receipts, Coupons and Talons) to the Note Trust Deed or in such other form, having regard to the terms of issue of the Notes of the relevant Sub-Tranche, as may be agreed between the Issuer, the Principal Paying Agent, the Note Trustee and the relevant Dealer(s); or
- (ii) if appertaining to a Definitive Note which is neither a Fixed Rate Note nor a Floating Rate Note nor an Index-Linked Note, in such form as may be agreed between the Issuer, the Principal Paying Agent, the Note Trustee and the relevant Dealer(s),

and includes, where applicable, the Talon(s) appertaining thereto and any replacements for Coupons and Talons issued pursuant to Condition 14 (Replacement of Notes, Coupons, Receipts and Talons);

**“Couponholders”** means the several persons who are for the time being holders of the Coupons and includes, where applicable, the Talonholders;

**“Court”** means the High Court of England and Wales;

**“Covenant Calculation Date”** means the last day of each financial year and last day of each financial half year of the NWEN Financing Group;

**“CP Agreement”** means the conditions precedent agreement, dated on or around the date of this Agreement between, among others, the Note Trustee, the Security Trustee and the Obligors;

**“Currency Hedging Agreement”** means any Hedging Agreement with a Hedge Counterparty in respect of currency exchange transactions;

**“Dealers”** means, on the date of this Agreement, each of Barclays Bank PLC, HSBC Bank plc and The Royal Bank of Scotland plc (together with any other dealer(s) appointed from time to time by the Obligors pursuant to the Dealership Agreement;

**“Dealership Agreement”** means the agreement dated on or about the date of this Agreement between the Obligors, the Arranger and the Dealers named therein (or deemed named therein) concerning the purchase of Notes 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;

**“Debt”** means Financial Indebtedness incurred by the Obligors pursuant to the Programme from time to time;

**“Debt Service Ledger”** means the ledger on the Debt Service Payment Account maintained in accordance with the CTA and into which are credited, *inter alia*, any dividends received by NWEN from ENW and amounts paid by ENW to NWEN pursuant to the NWEN/ENW Loan Agreement;

**“Debt Service Payment Account”** means the account of NWEN entitled the “Debt Service Payment Account” held at the Initial Account Bank and includes any sub-account relating to that account and any replacement account from time to time;

**“Debt Service Reserve Account”** means the account of NWEN entitled the “Debt Service Reserve Account” held at the Initial Account Bank and includes any sub-account relating to that account and any replacement account from time to time;



**"Debt Service Reserve Account Balance"** means on any day, the aggregate amount standing to the credit of the Debt Service Reserve Account less the Available Standby Amount.

**"Decision Period"** has the meaning ascribed thereto in clause 9.2.4 of the STID;

**"Deemed Approval"** has the meaning given to it in clause 9.13.3 of the STID;

**"Default"** means:

- (a) an Event of Default;
- (b) a Trigger Event; or
- (c) a Potential Event of Default;

**"Default Situation"** means any period during which there subsists an Event of Default;

**"Definitive Note"** means a Bearer Note in definitive form issued or, as the case may require, to be 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 Note Trust Deed in exchange for either a Temporary Global Note or part thereof or a Permanent Global Note (all as indicated in the applicable Final Terms), such Bearer Note in definitive form being in the form or substantially in the form set out in part C (Form of Definitive Note) of schedule 2 (Forms of Global and Definitive Notes, Receipts, Coupons and Talons) to the Note 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 Note in bearer form) having Coupons and, where appropriate, Receipts and/or Talons attached thereto on issue;

**"DEFRA"** means the United Kingdom Department for the Environment, Food and Rural Affairs;

**"Designated Website"** means, for the purposes of the Finance Documents, the electronic website (without password protection) that the Issuer or NWEN designate as such (with the approval of the Security Trustee);

**"Determination Restricted Period"** means the period commencing on (and including) a Determination Date and ending on (and including) the immediately following Payment Date;

**"Determination Date"** means the date which is five Business Days prior to each Payment Date;

**"Directors"** means the Board of Directors for the time being of the Issuer or, as the case may be, the relevant member of the NWEN Financing Group;

**"Directors Certificate"** means a certificate issued by a director in accordance with the CP Agreement;

**"Discharge Date"** means the date on which all the obligations of each member of the NWEN Financing Group under the Finance Documents have been irrevocably discharged in full and no further obligations are capable of arising thereunder;

**"Dispute Notice"** has the meaning given to such term in clause 9.10.1 (Disputes) of the STID;

**"Dissenting Creditor"** has the meaning given to such term in clause 9.10.1 (Disputes) of the STID;

**“Distribution Connection and Use of System Agreement”** means the multiparty contract originally entered into in 2006 between the licensed electricity distributors, suppliers and generators in Great Britain which is referred to in standard condition 22 of the Licence and which is concerned with the use of electricity distribution systems to transport electricity to or from connections to them or any agreement or other instrument which for the time is a replacement for that 2006 agreement and makes analogous provision;

**“Dormant Company”** means a company:

- (a) which has been dormant since its incorporation or since the end of its previous financial year (and for this purpose "dormant" has the meaning given to it in Section 1169 of the Companies Act 2006);
- (b) the value of whose total assets is less than £1,250,000 (or its equivalent in another currency or currencies); and
- (c) which holds no shares in any other person (other than another Dormant Company).

**“Dormant ENW Subsidiary”** means each of the following Subsidiaries of ENW:

- (a) NB Property and Estate Services No 1 Ltd;
- (b) NB Leasing Ltd; and
- (c) NB Miles Platting Community Project Limited;

**“DSR Liquidity Facility”** means a debt service reserve liquidity facility made available under a DSR Liquidity Facility Agreement;

**“DSR Liquidity Facility Agent”** means, in respect of any DSR Liquidity Facility Agreement, the facility agent under such DSR Liquidity Facility Agreement.

**“DSR Liquidity Facility Agreement”** means any DSR liquidity facility agreement entered into from time to time by NWEN with a DSR Liquidity Facility Provider;

**“DSR Liquidity Facility Provider”** means any lender under a DSR Liquidity Facility Agreement who has acceded to the STID as a Secured Creditor;

**“DSR Liquidity Facility Requisite Ratings”** means the Minimum Short-term Rating;

**“Dual Currency Notes”** means a Note in respect of which the amount payable (whether in respect of principal or interest and whether at maturity or otherwise) will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree;

**“DUoS”** means Distribution Use of System;

**“DUoS Billing Adjustment”** means an amount of money received by ENW within a period of five Business Days following a Covenant Calculation Date, as payment for services provided no later than the Covenant Calculation Date for which payment was due to ENW on or prior to the Covenant Calculation Date or where payment has been delayed or due within five (5) Business Days of the Covenant Calculation Date as a result of delays in the billing process in the month ending on the Covenant Calculation Date;

**“Early Redemption Amount”** has the meaning, in relation to a Sub-Class of Notes, given to such term in the Conditions relating to such Sub-Class of Notes;

**“Early Termination Date”** has the meaning given to such term in the applicable Hedging Agreement;

“**EBIT**” means, in respect of any period for which it is being calculated, the consolidated operating profit of the NWEN Financing Group before taxation (including the results from discontinued operations):

- (a) **before deducting** any Interest Service;
- (b) **before including** any Interest Receivable;
- (c) **not including** any accrued interest owing to any member of the NWEN Financing Group;
- (d) **before taking into account** any Exceptional Items;
- (e) **after deducting** the amount of any profit (or adding back the amount of any loss) of any member of the NWEN Financing Group which is attributable to minority interests;
- (f) **after deducting** the amount of any profit of any Non-Group Entity to the extent that the amount of the profit included in the financial statements of the NWEN Financing Group exceeds the amount actually received in cash by members of the NWEN Financing Group through distributions by the Non-Group Entity;
- (g) **before taking into account** any unrealised gains or losses on any derivative instrument or financial instrument;
- (h) **before taking into account** any gain or loss arising from an upward or downward revaluation of any other asset;
- (i) **before taking into account** any gain or loss from the disposal of any asset to the extent that the net aggregate of gains or losses in the period exceeds £1,000,000 (indexed);
- (j) **before taking into account** any Pensions Deficit Repair Amounts; and
- (k) **excluding** the charge to profit represented by the expensing of stock options,

in each case, to the extent added, deducted or taken into account, as the case may be, for the purposes of determining operating profits of the NWEN Financing Group before interest and taxation;

“**EBITDA**” means, in respect of any period for which it is calculated, EBIT for that period after adding back any amount attributable to the amortisation, depreciation or impairment of assets of members of the NWEN Financing Group during that period (and taking no account of the reversal of any previous impairment charge made in that period);

“**EIN Signatories**” has the meaning given to such term in clause 9.12.1 (Emergency Instruction Procedure) of the STID;

“**EIN Specified Date**” has the meaning given to such term in clause 9.12.2(ii)(a) (Emergency Instruction Procedure) of the STID;

“**Electricity Act**” means the United Kingdom Electricity Act 1989, as amended by subsequent legislation;

“**Emergency**” means the disruption of the normal service of the distribution of electricity to the extent that it is treated as a major emergency under ENW’s policies, standards and procedures and requires actions on the part of ENW which would otherwise be inhibited or delayed by the provisions of the Finance Documents;

**“Emergency Instruction Notice”** has the meaning given to such term in clause 9.12.1 (Emergency Instruction Procedure) of the STID;

**“Emergency Instruction Procedure”** means an emergency instruction procedure provided for in the STID, subject to Entrenched Rights and Reserved Matters, to cater for circumstances when a Default Situation is subsisting, and certain decisions and instructions may be required in a timeframe which does not allow the Note Trustee to convene Noteholder meetings;

**“Energy Act”** means the United Kingdom Energy Act 2004, as amended by subsequent legislation;

**“Energy Administration Order”** means an order made pursuant to Section 156 of the Energy Act;

**“Enforcement Action”** means any step that a Secured Creditor is entitled to take, subject to and in accordance with the STID, to enforce its rights to repayment in respect of any Qualifying Senior Debt upon and following the occurrence of an Event of Default;

**“Enforcement Order”** means any order, direction or decision issued by the Regulator under Section 25 of the Electricity Act to enforce ENW’s compliance with the terms of its Licence;

**“Enterprise Act”** means the Enterprise Act 2002;

**“Entrenched Rights”** means the rights of the Secured Creditors (as applicable) provided by the terms of clauses 8.3 (Entrenched Rights of Senior Debt Providers and the Standstill Cash Manager) to 8.6 (Entrenched Rights of the NWEN Programme Hedge Counterparties) (inclusive) of the STID;

**“Entrenched Rights or Reserved Matters Notice”** has the meaning given to such term in clause 9.3.6(i) (Notice to Secured Creditors of STID Proposal) of the STID;

**“Environmental Claim”** means any claim, proceeding or investigation by any person pursuant to any Environmental Law;

**“Environmental Law”** means any applicable law (including any applicable regulations imposed by any relevant regulatory authority) in any jurisdiction in which ENW conducts its business which relates to the pollution or protection of the environment or harm to or the protection of human health or the health of animals or plants;

**“Environmental Permits”** means any permits, licences, consents, approvals and other authorisations, and the filing of any notification, report or assessment required under any Environmental Law for the operation of the businesses of any member of the NWEN Financing Group;

**“ENW”** means Electricity North West Limited, a company incorporated in England and Wales with limited liability (registration number 2366949);

**“ENW Business Financial Model”** means the latest business financial model prepared by ENW and delivered to the Security Trustee from time to time, in accordance with the Common Terms Agreement;

**“ENW Conditions”** means the terms and conditions of the notes issued pursuant to the ENW Note Programme as set out in the trust deed dated 17 July 2009 between, *inter alios*, ENW, the ENW Issuer and The Law Debenture Trust Corporation p.l.c.;

**“ENW Default”** means an ENW Event of Default or an ENW Potential Event of Default;

**“ENW Event of Default”** means in respect of ENW or any member of the ENW Group, an event of default under the ENW Note Programme;

**“ENW Group”** means at anytime, ENW, the ENW Issuer and each of ENW’s Subsidiaries;

**“ENW Group Hedge Counterparties”** means collectively, the Existing ENW Group Hedge Counterparties and the counterparties under any New ENW Group Hedge Agreements, each of which is individually an **“ENW Group Hedge Counterparty”**;

**“ENW Group Hedging Agreements”** means collectively, the Existing ENW Group Hedging Agreements and the New ENW Group Hedging Agreements, each of which is individually an **“ENW Group Hedging Agreement”**;

**“ENW Issuer”** means ENW Finance plc, a public company incorporated in England and Wales with limited liability;

**“ENW Issuer/NWEN Loan Agreement”** means the loan agreement entered into between the ENW Issuer and NWEN on or prior to the date of this Agreement pursuant to which the ENW Issuer initially advanced £20,500,000 to NWEN in connection with a back-to-back hedging arrangement between ENW and the ENW Issuer in respect of an index-linked swap;

**“ENW Net Debt to RAV Ratio”** means with respect to ENW on any Covenant Calculation Date, the ratio of Net Debt to RAV (each term as defined in the ENW Conditions) as at such Covenant Calculation Date, or in the case of forward-looking ratios for Relevant Periods ending after such Covenant Calculation Date, as at 31 March falling in such Relevant Period;

**“ENW Note Programme”** means the £1,000,000,000 medium term note programme of the ENW Issuer (guaranteed by ENW), as described in the prospectus dated 16 July 2009;

**“ENW Notes”** means the notes issued by the ENW Issuer pursuant to the ENW Note Programme;

**“ENW Potential Event of Default”** means in respect of ENW or any member of the ENW Group, 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 ENW Event of Default, and assuming no intervening remedy), would constitute an ENW Event of Default;

**“ENW/ENW Issuer Loan Agreement”** means the loan agreement entered into between the ENW Issuer and ENW pursuant to which the ENW Issuer will on-lend to ENW the proceeds of notes issued by it pursuant to the ENW Note Programme from time to time;

**“EPA”** means the United Kingdom Environmental Protection Act 1990;

**“Equivalent Amount”** means the amount in question expressed in the terms of the Base Currency, calculated on the basis of the Exchange Rate;

**“EU”** means the European Union;

**“EURIBOR”** has the meaning given to that term in the relevant Finance Document;

**“Euro”, “euro” or “€”** means 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;

**“Euroclear”** means Euroclear Bank S.A./N.V.;

**“Eurosystem”** means the monetary authority of the Member States which have adopted the euro as their sole official currency;

**“Event of Default”** means (other than in any NWEN Programme Hedging Agreement when used in relation to an NWEN Programme Hedge Counterparty, where “Event of Default” has the meaning given to it in that NWEN Programme Hedging Agreement) an event specified as such in schedule 6 (Events of Default) to the Common Terms Agreement;

**“Exceptional Items”** means any exceptional, one off, non-recurring or extraordinary items, including, without limitation, those arising on:

- (a) the restructuring of the activities of any entity and reversals of any provisions for the cost of restructuring;
- (b) disposals, revaluations or impairment of non-current assets; and
- (c) disposals of assets associated with discontinued operations;

**“Excess Cash”** means:

- (a) on each Payment Date, any amounts of Excess Funds standing to the credit of the Debt Service Ledger of the Debt Service Payment Account following the payment of the Permitted Payments in accordance with the Payment Priorities on such Payment Date; and
- (b) at any time, any amounts permitted (in accordance with, *inter alia*, the terms of the CTA) to be drawn down by NWEN under any Authorised Credit Facility, to the extent that such amounts are not required to be applied towards (a) repayment of the Acquisition Debt, or (b) making a loan to ENW pursuant to the NWEN/ENW Loan Agreement or subscribing for shares in ENW;

**“Excess Cash Ledger”** means the ledger on the Debt Service Payment Account maintained in accordance with the CTA and into which are credited amounts constituting Excess Cash;

**“Excess Funds”** means any amounts standing to the credit of the Debt Service Ledger of the Debt Service Payment Account as a result of moneys being retained in the Debt Service Payment Account on Payment Dates pursuant to paragraph (xii) of the Payment Priorities after deducting from such calculation any amounts to be retained, provisioned or reserved in the Debt Service Payment Account pursuant to paragraphs (i), (ii), (iii), (iv), (v), (vi), (vii), (ix) and (xi) of the Payment Priorities;

**“Exchange Date”** means the date specified as such in the relevant Final Terms;

**“Exchange Rate”** means the spot rate at which the Non-Base Currency is converted to the Base Currency as quoted by the Agent Bank (or the Calculation Agent on its behalf) as at 11.00 a.m.:

- (a) for the purposes of clause 9.3 (Notice to Secured Creditors of STID Proposal) and clause 9.6 (Senior DIG Directions Request) of the STID, respectively on the date that the STID Proposal or Senior DIG Proposal (as applicable) is dated; and
- (b) 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 (or the Calculation Agent on its behalf) to the Security Trustee;

**“Excluded Accounts”** means the Debt Service Reserve Account to the extent the balance standing to the credit of such account is attributable to a Standby Drawing under the relevant DSR Liquidity Facility, and each Swap Collateral Account;

**“Existing Disposal Commitment”** means:

- (a) the transfer of an asset or grant of an interest in it in pursuance of an obligation binding on ENW by virtue of the Asset Services Agreement or another Permitted Outsourcing; or
- (b) binding contractual commitments with respect to a sale, lease, licence, transfer or other disposal entered into by, or binding upon, ENW or its Subsidiaries (as the case may be) prior to the Programme Date in respect of:
  - (i) the transfer of the legal interest in telecommunications assets, the equitable interest in which was transferred to Thus plc by virtue of the sale by United Utilities plc (or one of its subsidiaries) of the telecommunications business formerly conducted by Your Communications Limited;
  - (ii) radio mast and aerial capacity (both tangible and intangible assets) transferred to United Utilities Property Solutions Limited and the subject of an agreement between that party and the Shere Group Limited and Radiosites Limited amended and restated on 22 December 2004;
  - (iii) interests in land formerly used for sub-stations, electric line supporting poles or towers, or by way of cable easements acquired on terms providing for the transfer or surrender of the interest to a third party upon ceasing to be so used, whether those terms comprise an option or its equivalent or provide for the payment of compensation in the event that the interest is not voluntarily so transferred by ENW; and
  - (iv) transfers of legal interests in retail premises, or premises formerly used for retail purposes, where the obligation to transfer arose by virtue of the sale by ENW in November 1996 of its business in electrical goods retailing;

**“Existing ENW Bonds”** means:

- (a) the Existing ENW Fixed Rate Notes; and
- (b) the £100,000,000 1.4746 per cent. index-linked bonds due April 2046 issued by ENW on or around 4 April 2006;

**“Existing ENW Facilities”** means:

- (a) the facility agreement dated 10 October 1997 (as amended on 20 February 2002, 5 December 2002 and 19 January 2007) between United Utilities Electricity PLC (since renamed ENW) and Mizuho Corporate Bank Limited; and
- (b) the facility agreement dated 29 June 2005 between United Utilities Electricity PLC (since renamed ENW) and the Commonwealth Bank of Australia;

**“Existing ENW Fixed Rate Notes”** means the £450,000,000 8.875 per cent. bonds due 2026 issued by ENW on or around 28 July 1995, 4 July 2001, 18 December 2001 and 11 February 2002;

**“Existing ENW Group Hedge Counterparties”** means collectively, the counterparties to ENW or the ENW Issuer in respect of the Existing ENW Group Hedging Agreements, each of which is individually an **“Existing ENW Group Hedge Counterparty”**;

**“Existing ENW Group Hedging Agreements”** means collectively, the hedging arrangements set out in part A of schedule 14 (Existing ENW Group Hedging Agreement) to the CTA and the index-linked back-to-back swap entered into on or about the date of this Agreement between ENW and the ENW Issuer, each of which is individually an **“Existing ENW Group Hedging Agreement”**;

**“Extended Decision Period”** has the meaning ascribed thereto in clause 9.2.4 of the STID;

**“Extraordinary Resolution”** has the meaning, in relation to the Notes, set out in paragraph 20 of schedule 4 (Provisions for Meetings of Noteholders) to the Note Trust Deed;

**“Facility Agent”** means any facility agent under any Authorised Credit Facility;

**“FG Event of Default”** means in relation to any Financial Guarantor, such events as are specified in that Financial Guarantor’s G&R Deed or equivalent document and, in relation to Wrapped Notes, set out in the relevant Final Terms;

**“FG Excepted Amounts”** means any additional amounts relating to premium, prepayment or acceleration, accelerated amounts and Subordinated Step-up Fee Amounts;

**“Final Terms”** means the final terms prepared in respect of each Tranche or Series of Notes issued by the Issuer;

**“Finance Documents”** means:

- (a) the Security Documents;
- (b) the Note Trust Deed;
- (c) the Notes issued under the Programme, from time to time, (including the applicable Final Terms);
- (d) each Financial Guarantee;
- (e) each G&R Deed;
- (f) each Financial Guarantee Fee Letter;
- (g) the NWEN Programme Hedging Agreements and any other credit support or collateral documentation entered into in connection therewith or pursuant thereto;
- (h) the Common Terms Agreement;
- (i) the Cash Management Side Letter;
- (j) any Issuer/NWEN Loan Agreement;
- (k) the NWEN/ENW Loan Agreement;
- (l) the Capex Facility Agreement;
- (m) each DSR Liquidity Facility Agreement;
- (n) the Agency Agreement;
- (o) the Issuer/ICSD Agreement;
- (p) each Account Bank Agreement;



- (q) the CP Agreement;
- (r) the Tax Deed of Covenant;
- (s) any Indemnification Deed;
- (t) any other Authorised Credit Facilities;
- (u) this Agreement; and
- (v) each agreement or other instrument between an Obligor and an Additional Secured Creditor designated as a Finance Document by such Obligor, the Security Trustee and such Additional Secured Creditor in the Accession Memorandum for such Additional Secured Creditor in each case as such document may be amended, varied, supplemented, novated or replaced as permitted in the Common Terms Agreement;

**“Finance Party”** means any person providing financial accommodation pursuant to an Authorised Credit Facility including all arrangers, agents and trustees appointed in connection with any such Authorised Credit Facility;

**“Financial Guarantee”** means any financial guarantee issued by a Financial Guarantor in respect of any Wrapped Note;

**“Financial Guarantee Fee”** means any fees and/or premia payable to the Financial Guarantor under an Financial Guarantee Fee Letter;

**“Financial Guarantee Fee Letter”** means each letter to be entered into between the Issuer and the Financial Guarantors containing the fees and/or premia to be paid by the Issuer in respect of any Financial Guarantees to be issued by the Financial Guarantors;

**“Financial Guarantor”** means any person which provides a Financial Guarantee in respect of any of the Wrapped Notes, and **“Financial Guarantors”** means all of them if there is more than one at any time;

**“Financial Guarantor Reserved Matters”** means those matters set out in part C (Financial Guarantor Reserved Matters) of schedule 3 (Reserved Matters) to the STID;

**“Financial Indebtedness”** means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any nominal principal amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument (including, for the avoidance of doubt, any accretion from any index-linked debt obligations);
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with the Applicable Accounting Principles, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) (i) any accretion under an Index-Linked Hedging Agreement or (ii) if any actual amount is due as a result of the termination or close-out of that hedging arrangement, that amount shall be included;

- (g) any counter-indemnity obligations in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;
- (h) any amount of any liability under an advance or deferred purchase agreement if either (i) one of the primary reasons behind entering into the agreement is to raise finance; or (ii) the agreement is in respect of the supply of assets or services and payment is due more than 120 days (or 270 days in the case of a purchase of group tax relief from an Affiliate) after the date of supply;
- (i) any arrangement pursuant to which an asset sold by the Obligor or otherwise disposed of by that person may be re-acquired by a member of the NWEN Financing Group (whether following the exercise of an option or otherwise, the purpose of which is to raise finance);
- (j) any amount raised by the issue of redeemable shares;
- (k) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing; and
- (l) the amount of any liability in respect of any guarantee for any of the items referred to in paragraphs (a) to (k) above but excluding for the avoidance of doubt, notes, bonds, stock or other indebtedness held by the Holding Companies of SPV HoldCo which is not connected to the Finance Documents;

**“FSA”** means the Financial Services Authority;

**“Financial Statements”** means, at any time, the most recent financial statements (excluding, for the avoidance of doubt, regulatory accounts) of an Obligor, consolidated where applicable, most recently delivered to the Security Trustee;

**“Financial Year”** means each period of four consecutive financial quarters ending on 31 March in each year;

**“Fitch”** means Fitch Ratings Limited;

**“Fixed Rate Note”** means a Note 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 Note”** means a Note 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 Note Certificate in the form or substantially in the form set out in part B (Form of Individual Note Certificate) of schedule 3 to the Note 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) dated on or before the relevant Issue Date between, among others, the Issuer and a Financial Guarantor in connection with a particular Tranche of Wrapped Notes;

**“Global Note”** means a Temporary Global Note and/or a Permanent Global Note, as the context may require;

**“Global Note Certificate”** means a Registered Note in global form in the form or substantially in the form set out in part A (Form of Global Note Certificate) of schedule 3 to the Note Trust Deed, together with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Note Trustee and the relevant Dealer(s), together with the copy of each applicable Final Terms annexed thereto, comprising some or all of the Registered Notes of the same Sub-Class sold outside the United States or to non-U.S. persons in reliance on Regulation S under the Securities Act, 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 Note Trust Deed;

**“Good Industry Practice”** in relation to the conduct of a business or activity means its conduct in good faith using standards, practices, methods and procedures conforming to all its material contractual obligations and all laws and regulations and licences and exercising the degree of skill, prudence, diligence and foresight which would reasonably be exercised by a skilled and experienced person engaged in the same type of undertaking in similar circumstances;

**“Governmental Agency”** means and includes, in relation to a state or supranational organisation, any agency, authority, central bank, department, government, legislature, ministry, official or public person (whether autonomous or not) of, or of the government of, that state or supranational organisation;

**“Guarantee”** means, in relation to each Guarantor, the guarantee of such Guarantor given by it pursuant to the Security Document to which it is a party;

**“Guaranteed Amounts”** has the meaning given to such term in the relevant Financial Guarantee;

**“Guarantors”** means SPV HoldCo, NWEN and the Issuer in their capacity as Guarantors pursuant to the Security Agreement together with any other entity which accedes to the Security Agreement as a Chargor in accordance with clause 22.3 (Further Subsidiaries) thereof, each in their capacity as a **“Guarantor”**;

**“Hedge Counterparties”** means collectively, the NWEN Programme Hedge Counterparties and the ENW Group Hedge Counterparties;

**“Hedging Agreements”** means collectively, the NWEN Programme Hedging Agreements and the ENW Group Hedging Agreements;

**“Hedging Income”** has the meaning given to it in paragraph 9.3 of schedule 11 (Cash Management) to the Common Terms Agreement;

**“Hedging Policy”** means the policy set out in schedule 7 (Hedging Policy and Overriding Provisions relating to the NWEN Programme Hedging Agreements) to the Common Terms Agreement for the purpose of hedging exposures to currency exchange, inflation and interest rate fluctuations;

**“HMRC”** means Her Majesty’s Revenue & Customs;

**“Holding Company”** means a company which holds the majority of voting rights in another company, or is a member of such company and has the right to appoint or remove a majority of its board of directors or to control the exercise of a majority of voting rights (either alone or in concert), or which is a direct or indirect holding company of a company which is itself the holding company of that other company;

**“ICE”** means the Institute of Civil Engineering;

**“IFRS”** means International Financial Reporting Standards as adopted by the EU;

**“Income”** means any interest, dividends or other income arising from or in respect of an Authorised Investment;

**“Indemnification Deed”** means, with respect to any Financial Guarantor, the deed so named and entered into on or about the date of the relevant Subscription Agreement between the Obligors, the Financial Guarantor and the Dealers;

**“Indemnification Sums”** has the meaning given to such term in clause 16.4 (Remuneration and Indemnification of the Security Trustee) of the STID;

**“Indemnity”** means the indemnity given to the Security Trustee by each relevant Senior DIG Representative or Secured Creditor as set out in, and to the extent required by, clause 15.5 (Indemnification of the Security Trustee by Secured Creditors) of the STID or delivered pursuant to clause 15.4.22 (Protections) of the STID;

**“Independent Review”** means an independent review resulting from a Trigger Event as set out in paragraph 3 (Independent Review) of part 2 (Trigger Event Consequences) of schedule 5 (Trigger Events) to the Common Terms Agreement;

**“Index Event”** has the meaning given to it in Condition 8(c);

**“Index-Linked Hedging Agreement”** means any Hedging Agreement with a Hedge Counterparty in respect of index-linked swap transactions;

**“Index-Linked Notes”** means Notes or a Series or Tranche specified as Index-Linked in the relevant Final Terms;

**“Individual Note Certificate”** means a Registered Note in definitive form issued or, as the case may require, to be 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 Note Trust Deed, such Registered Note in definitive form being in the form or substantially in the form set out in part B (Form of Individual Note Certificate) of schedule 3 of the Note Trust Deed having the relevant information supplementing, replacing or modifying the Conditions appearing in the applicable Final Terms endorsed thereon or attached thereto and having a Form of Transfer endorsed thereon;

**“Information Memorandum”** means (a) any information memorandum or prospectus prepared by or on behalf of, and approved by, the Issuer in connection with the establishment of the Programme and/or the issue of the Notes; or (b) any information memorandum or prospectus prepared by or on behalf of and approved by the Issuer in connection with the general syndication in the interbank market of any Authorised Credit Facility, as applicable;

**“Initial Account Bank”** means HSBC Bank plc, acting through its branch at 8 Canada Square, London, E14 5HQ;

**“Initial Date Representation”** means:

- (a) in respect of the issue of any Tranche of Notes or any Financial Guarantee, each representation set out in schedule 2 (General Representations) to the Common Terms Agreement and schedule 3 (ENW Representations) to the Common Terms Agreement other than paragraph 23(b) (Financial Indebtedness) and paragraph 25 (Treasury Transactions) of schedule 2 (General Representations) and paragraph 10 (Dormant Companies) of schedule 3 (ENW Representations) to the Common Terms Agreement; and

- (b) in respect of the entering into of a new Authorised Credit Facility after the date of this Agreement, each of those representations in schedule 2 (General Representations) to the Common Terms Agreement and schedule 3 (ENW Representations) to the Common Terms Agreement other than paragraph 23(b) (Financial Indebtedness), paragraph 25 (Treasury Transactions) and paragraph 27 (Notes valid and binding) of schedule 2 (General Representations) and paragraph 10 (Dormant Companies) of schedule 3 (ENW Representations) to the Common Terms Agreement,

*provided that* in respect of (a) and (b) above:

- (A) the representations contained in paragraph 6 (Validity and admissibility in evidence), paragraph 7 (Consents and approvals), paragraph 12 (No deduction or withholding), paragraph 19 (Full Disclosure), paragraph 20 (Choice of Law) and paragraph 27 (Notes valid and binding) of schedule 2 (General Representations) to the Common Terms Agreement shall be limited and refer only to the new Tranche of Notes, the new Financial Guarantee or the new Authorised Credit Facility (as the case may be) and the relevant Issue Date in respect thereof;
- (B) the representations contained in paragraph 29 (Information Memorandum and Investor Presentation) of schedule 2 (General Representations) to the Common Terms Agreement shall be limited to the Information Memorandum, the Prospectus and/or the Investor Presentation (if any, provided that the content of such Investor Presentation was expressly authorised by NWEN or ENW) prepared in respect of such Tranche of Notes, such Financial Guarantee or such Authorised Credit Facility (as the case may be); and
- (C) the representations contained in paragraph 9 (Assumptions behind calculations) of schedule 2 (General Representations) to the Common Terms Agreement shall be limited to any Investors Report or Compliance Certificate provided by NWEN with such Information Memorandum referred to in paragraph (B) above prepared in respect of such Tranche of Notes, such Financial Guarantee or such Authorised Credit Facility (as the case may be);

**“Initial Decision Period”** has the meaning ascribed to it in clause 9.2.4 of the STID;

**“Initial Issue Date”** means the date on which the first Tranche of Notes is issued under the Programme which, for the avoidance of doubt, shall be the Programme Date;

**“Insolvency Act”** means the Insolvency Act 1986;

**“Insolvency Event”** means, in respect of any person:

- (a) the initiation of or consent to Insolvency Proceedings by such person or any other person or the presentation of a petition for the making of an administration order or for the winding up of such person save for such proceedings which are frivolous or vexatious and which are discharged within 30 days of being made; or
- (b) the cessation or suspension of payment of its debts or a public announcement by such person of an intention to do so; or
- (c) such person is unable to pay its debts as they fall due within the meaning of section 123 of the Insolvency Act 1986 (other than section 123(1)(a) to (d) of the Insolvency Act 1986, provided that for the purpose of this paragraph (c), the words “to the satisfaction of the court” shall be deemed to be omitted from section 123(1)(e) and

section 123(2) of the Insolvency Act 1986 (or is deemed for the purposes of any other law applicable to it to be insolvent); or

- (d) a moratorium is declared in respect of any indebtedness of such person; or
- (e) the making of an administration order or an Energy Administration Order in relation to such person; or
- (f) an encumbrancer taking possession of the whole or any part of the undertaking or assets of such person; or
- (g) any distress, execution, attachment or other process being levied or enforced or imposed upon or against the whole or any part of the undertaking or assets of such person and such order, appointment, possession or process (as the case may be) not being discharged or otherwise ceasing to apply within 30 days; or
- (h) the making of an arrangement, composition, reorganisation with or conveyance to or assignment for the creditors of such person generally or the making of an application to a court of competent jurisdiction for protection from the creditors of such person generally; or
- (i) a meeting is convened for the purpose of considering a resolution or an effective resolution is passed or an order is made by a court of competent jurisdiction for the winding up or dissolution of such person; or
- (j) the appointment of an Insolvency Official in relation to such person or in relation to the whole or any part of the undertaking or assets of such person;

**“Insolvency Official”** means, in respect of any company, a liquidator, provisional liquidator, administrator, energy administrator, administrative receiver, receiver or manager, nominee, supervisor, trustee, conservator, guardian or other similar official appointed in respect of such company or in respect of all or any part of the company's assets or in respect of any arrangement or composition with creditors;

**“Insolvency Proceedings”** means the winding-up, dissolution, administration or energy administration of a company or corporation and shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such company or corporation is incorporated or of any jurisdiction in which such company or corporation carries on business including the seeking of liquidation, winding-up, reorganisation, dissolution, administration, special administration, arrangement, adjustment, protection or relief of debtors;

**“Instalment Notes”** means any Notes specified as being instalment notes in the relevant Final Terms;

**“Insurances”** means, as the context may require, any or all of the insurances described in or taken out pursuant to schedule 13 (Insurances) 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 schedule 13 (Insurances) to the Common Terms Agreement;

**“Insurer”** means each insurer from time to time of, or in relation to, any Insurances;

**“Intellectual Property Right”** means all right, title and interest in:

- (a) any trade mark, service mark, trade name, logo, patent, invention, design or similar right;
- (b) any designs, copyright, semi-conductor topography, database and know-how or intellectual property right; or
- (c) all such similar rights which may subsist in any part of the world, in each case whether registered or unregistered, whether in existence now or in the future, and includes any related application;

**“Interest Payment Date”** means, in respect of any Series of Notes, the interest payment dates specified in the relevant Final Terms.

**“Interest Rate Hedging Agreement”** means any Hedging Agreement with a Hedge Counterparty in respect of interest rate (including, to the extent relating to interest, index-linked) swap transactions;

**“Interest Receivable”** means, in respect of any period for which it is being calculated of the NWEN Financing Group on a consolidated basis, all interest receivable and all other income and capital gains (after taking account of any capital losses) earned by the NWEN Financing Group in each case from its Authorised Investments (whether such amounts are paid or payable) during that Relevant Period or in respect of forward-looking ratios and interest receivable or other income (but not projected capital gains) that is receivable during such Relevant Period;

**“Interest Service”** means, for any period for which it is being calculated, the aggregate amount of accrued interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments in the nature of interest in respect of Borrowings (including net hedging payments (excluding break costs)) whether paid or payable by any member of the NWEN Financing Group (calculated on a consolidated basis) in respect of that period:

- (a) **excluding** any upfront fees or costs;
- (b) **including** the interest (but not the capital) element of payments in respect of finance leases;
- (c) **including** any commission, fees (including without limitation any fees in respect of any Pensions Letter of Credit), discounts and other finance payments payable by (and deducting any such amounts payable to) any member of the NWEN Financing Group under any hedging arrangement;
- (d) **excluding** any interest cost or expected return on plan assets in relation to any post-employment benefit schemes;
- (e) if a Joint Venture is accounted for on a proportionate consolidation basis, after **adding** the NWEN Financing Group’s share of the finance costs or interest receivable of the Joint Venture; and
- (f) **taking no account** of (i) any unrealised gains or losses on any derivative instruments or financial instruments, and (ii) indexation accruals from index-linked debt or swaps,

and so that no amount shall be added (or deducted) more than once;

**“Interim Payments Ledger”** means the ledger on the Debt Service Payment Account maintained in accordance with the CTA and to which are credited those amounts retained in the Debt Service Payment Account pursuant to item (ix) of the Payment Priorities;

**“Intra-Group Debt Service Distribution”** means (i) any dividends or other distributions out of post-tax profits and any distributable reserves, any amounts due to NWEN pursuant to the NWEN/ENW Loan Agreement and (ii) any other amounts owed, in each case payable by ENW to NWEN, and subject to ENW’s financial, regulatory and operational commitments, the provisions of the ENW Conditions, the provisions of the Finance Documents, any fiduciary obligations of ENW’s directors and ENW’s obligations under its Licence;

**“Investment Grade”** means a rating of at least BBB- by S&P or BBB- by Fitch or Baa3 by Moody’s (or any replacement notation therefor, or such equivalent ratings by any other internationally recognised credit rating agency);

**“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 investor presentation prepared by the Dealers or a Dealer (the contents of which have been approved in writing by NWEN) or the Obligors in connection with any Series;

**“Investors Report”** means each report produced by NWEN to be delivered within 150 days after the end of each Financial Year, substantially in the form set out in schedule 10 (Form of Investors Report) to the Common Terms Agreement;

**“ISDA Master Agreement”** means an agreement in the form of the 1992 or 2002 ISDA Master Agreement (Multi-Currency Cross Border) or any successor thereto published by ISDA unless otherwise agreed by the Security Trustee;

**“Issue Date”** means a date that any Notes are issued by the Issuer;

**“Issue Price”** means the price as stated in the relevant Final Terms, generally expressed as a percentage of the nominal amount of the Notes, at which the Notes will be issued;

**“Issuer”** means ENW Capital Finance plc, a public company incorporated in England and Wales with limited liability under registered number 06873051;

**“Issuer Financial Year”** means each financial year of the Issuer ending on 31 March in each year;

**“Issuer Hedge Counterparties”** means any counterparty to an Issuer Hedging Agreement who is or becomes a party to the STID in accordance with the STID, and **“Issuer Hedge Counterparty”** means any such counterparty;

**“Issuer Hedging Agreement”** means any Treasury Transaction entered into by the Issuer with an Issuer Hedge Counterparty on or after the date of this Agreement in accordance with the Hedging Policy, the counterparty to which has acceded to the terms of the STID and the Common Terms Agreement and, save as specified in the Hedging Policy, has agreed to be bound by the terms of paragraphs 16 and 17 of schedule 7 (Hedging Policy and Overriding Provisions relating to NWEN Programme Hedging Agreements) to the Common Terms Agreement and references to **“Issuer Hedging Agreements”** shall be construed accordingly;

**“Issuer/ICSD Agreement”** means the letter agreement between the Issuer and the relevant international central securities depository dated on or about the date of this Agreement relating to New Global Notes under the Programme;



**“Issuer/NWEN B2B Hedging Agreements”** means collectively the hedging agreements entered into between the Issuer and NWEN in connection with respective corresponding Issuer Hedging Agreements on terms which substantially mirror the terms of the corresponding Issuer Hedging Agreements, each of which is, individually, an **“Issuer/NWEN B2B Hedging Agreement”**;

**“Issuer/NWEN Loan Agreements”** means the respective loan agreements to be entered into between the Issuer and NWEN on or about each Issue Date for the purpose of the Issuer on lending to NWEN the proceeds of each issue of Notes (each an **“Issuer/NWEN Loan Agreement”**);

**“Issuer Profit Amount”** means an annual profit element payment of £10,000 payable to the Issuer pursuant to the Issuer/NWEN Loan Agreements;

**“Issuer Transaction Account”** means the account of the Issuer entitled the “Issuer Transaction Account” held at the Initial Account Bank and includes any sub-account relating to that account and any replacement account from time to time;

**“Joint Venture”** means any joint venture entity, whether a company, unincorporated firm, undertaking, association, joint venture or partnership or other entity;

**“Junior HoldCo”** means North West Electricity Networks (Finance) Limited;

**“Lead Manager”** means in relation to any Tranche of Notes, the person named as the lead manager in the relevant Subscription Agreement;

**“LF Event of Default”** has the meaning given to such term in paragraph 3 of schedule 12 (DSR Liquidity Facilities) to the Common Terms Agreement;

**“Liability”** means any loss, damage, cost, charge, claim, demand, expense, judgment, action, proceeding or other liability whatsoever (including in respect of taxes, duties, levies, imposts and other charges) and including any irrecoverable value added tax or similar tax charged or chargeable in respect thereof and legal fees and expenses on a full indemnity basis;

**“LIBOR”** has the meaning given to that term in the relevant Finance Document;

**“Licence”** means, in respect of ENW, its licence pursuant to Section 6(1)(c) of the Electricity Act 1989 (as amended) with respect to the distribution of electricity to the North West of England and such other parts of Great Britain as approved by Ofgem from time to time;

**“Licence Condition”** means any of the conditions contained in the Licence;

**“Listing Rules”** means the Listing Rules of the Financial Services Authority;

**“London Stock Exchange”** means The London Stock Exchange PLC;

**“Majority Creditors”** means the Senior DIG Representatives in respect of more than 50 per cent. of the Voted Qualifying Senior Debt as determined on a “pound for pound” basis (in the case of Qualifying Senior Debt denominated in a currency other than sterling, as calculated on the basis of the Exchange Rate);

**“Make Whole Amount”** means (i) any “spens” or equivalent payment that may be required on a voluntary prepayment of fixed rate Notes by the Issuer to compensate the Noteholders for a future loss of yield, and/or (ii) any other amount in excess of the Principal Amount Outstanding of such Notes (as defined in the Conditions) required to be paid in connection with the early repayment of any Notes in accordance with Condition 8(b) (Redemption at the

Option of the Issuer) or Condition 8(d) (Redemption on Prepayment of an Issuer/NWEN Loan Agreement), as applicable, including any premia or similar payments;

**“Mandatory Cost Rate”** means, in relation to any Authorised Credit Facility, the addition to the interest rate payable to compensate that Authorised Credit Facility Provider for the cost of compliance with the requirements of the Bank of England and/or the FSA (or, in either case, any other authority which replaces all or any of its functions) in accordance with the formula(e) set out in the relevant Authorised Credit Facility;

**“Master Definitions Agreement”** or **“MDA”** means this Agreement;

**“Material Adverse Effect”** means a material adverse effect on:

- (a) the business, assets or financial condition of the NWEN Financing Group taken as a whole; or
- (b) the ability of an Obligor to (i) perform any of its payment obligations under any of the Finance Documents (subject to any applicable grace periods); or (ii) comply with its obligations under part 6 (Financial Covenants) of schedule 4 (Covenants) to the Common Terms Agreement; or
- (c) the legality, validity or enforceability (subject to the legal reservations) of any of the Finance Documents in a manner which is prejudicial in any material respect to the interests of the Secured Creditors;

**“Maturity Date”** means the date on which a Note is expressed to be redeemable or any other Authorised Credit Facility is expressed to be repayable in full;

**“Member State”** means a member state of the European Union;

**“Minimum Long-term Rating”** means, in respect of any person, such person’s long term unsecured and unsubordinated debt obligations being rated, in the case of S&P, **“A”** (save in respect of a Hedge Counterparty in respect of whom it will be **“A+”**); and, in the case of Fitch, **“A”** or their equivalent from time to time;

**“Minimum Rating”** means, in the case of S&P, the Minimum Short-term Rating and in the case of Fitch, the Minimum Short-term Rating and the Minimum Long-term Rating;

**“Minimum Short-term Rating”** means, in respect of any person, such person’s short term unsecured and unsubordinated debt obligations being rated, in the case of S&P, **“A-1”**; and, in the case of Fitch, **“F1”** or their equivalent from time to time;

**“Minor Disposal”** means a disposal or disposals of assets in an aggregate amount not exceeding 2 per cent. of RAV during any regulatory year;

**“Model Audit”** means an independent audit of the ENW Business Financial Model;

**“Month”** means a calendar month;

**“Moody’s”** means Moody’s Investors Service Inc.;

**“Net Cash Flow”** means:

- (a) in respect of any historical element of a Relevant Period, the aggregate EBITDA of the NWEN Financing Group as determined in accordance with the Applicable Accounting Principles in respect of such period;

- (i) adjusted to exclude any exceptional, one off or non-cash items and any over or under recoveries of ENW's regulated entitlement calculated in accordance with the price control formulae set out in its Licence;
  - (ii) plus any net working capital decrease less any DUoS Billing Adjustment made in the previous Relevant Period, minus any net working capital increase plus any DUoS Billing Adjustment in the current Relevant Period;
  - (iii) minus corporation tax paid; and
  - (iv) adding the amount of any cash receipts during that period in respect of any Tax rebates or credits; and
- (b) in respect of any forward looking element of a Relevant Period, the aggregate of anticipated EBITDA of the NWEN Financing Group in respect of such period, adjusted to exclude any anticipated exceptional, one off or non-cash items and any over or under recoveries of ENW's regulated entitlement calculated in accordance with the price control formulae set out in its Licence, plus any anticipated net working capital decrease, minus any anticipated net working capital increase and minus anticipated corporation tax payable, and adding the amount of any anticipated cash receipts during that period in respect of Tax rebates or credits;

**"Net Debt"** means, as at any particular time, the aggregate principal amount of all outstanding (or, in respect of a future date, forecast to be outstanding) obligations of the NWEN Financing Group (on a consolidated basis) in respect of Borrowings:

- (a) including, in the case of finance leases, only the capitalised value thereof; and
- (b) excluding (for the avoidance of doubt) any un-crystallised mark to market amount relating to any Hedging Agreement,

less (i) Cash of the NWEN Financing Group, (ii) Authorised Investments of the NWEN Financing Group and (iii) any DUoS Billing Adjustment of the NWEN Financing Group;

**"Net Debt to RAV Ratio"** means on any Covenant Calculation Date, the ratio of Net Debt to RAV as at such Covenant Calculation Date, or in the case of forward-looking ratios for Relevant Periods ending after such Covenant Calculation Date, as at 31 March falling in such Relevant Period;

**"Net Interest Service"** means, in respect of any period for which it is being calculated, the Interest Service for that period minus the Interest Receivable for that period;

**"New ENW Group Hedge Counterparties"** means any counterparty to a New ENW Group Hedging Agreement and **"New ENW Group Hedge Counterparty"** means any such counterparty;

**"New ENW Group Hedging Agreement"** means any Treasury Transaction entered into by ENW or the ENW Issuer on or after the date of this Agreement with an ENW Group Hedge Counterparty in accordance with the Hedging Policy and references to **"New ENW Group Hedging Agreements"** shall be construed accordingly;

**"New Global Note"** means a Global Note where the relevant Final Terms indicate that such Global Note is to be drafted in new global note form and that the Notes represented by such Global Note are intended to be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem;

**“New Hedge Counterparties”** means collectively, the NWEN Hedge Counterparties in respect of the NWEN Hedging Agreements, the Issuer Hedge Counterparties in respect of the Issuer Hedging Agreements and the ENW Group Hedge Counterparties in respect of the New ENW Group Hedging Agreements, each of which is individually a **“New Hedge Counterparty”**;

**“New Hedging Agreements”** means collectively, the NWEN Programme Hedging Agreements, the Issuer Hedging Agreements and the ENW Group Hedging Agreements, each of which is individually a **“New Hedging Agreement”**;

**“Non-Appointed Expense”** means any expense incurred in connection with activities other than Appointed Business;

**“Non-Base Currency”** means a currency other than pounds Sterling;

**“Non-Group Entity”** means any investment or entity (which is not itself a member of the NWEN Financing Group (including associates and Joint Ventures)) in which any member of the NWEN Financing Group has an ownership interest;

**“Non-Permitted Financial Indebtedness”** means any Financial Indebtedness that does not constitute Permitted Financial Indebtedness;

**“Non-trading ENW Subsidiary”** means ENW (ESPS) Pensions Trustees Limited;

**“Nor.Web JV Company”** means Nor.Web DPL Ltd., a company in which ENW holds a 50% shareholding;

**“Note Certificates”** means the Global Note Certificates and the Individual Note Certificates and **“Note Certificate”** means either a Global Note Certificate or an Individual Note Certificate, as the context may require;

**“Noteholders”** means the holders from time to time of the Notes;

**“Notes”** means the Wrapped Notes and the Unwrapped Notes, as the context may require, and **“Note”** shall be construed accordingly;

**“Note Trust Deed”** means the note trust deed in relation to the Programme dated on or around the date of this Agreement between, *inter alios*, NWEN, the Issuer and the Note Trustee;

**“Note Trustee”** means The Law Debenture Trust Corporation p.l.c. or any successor trustee appointed pursuant to the note trust deed for and on behalf of the holders of the Notes of each Series issued under the Programme from time to time;

**“Note Trustee Reserved Matters”** means those matters set out in part B (Note Trustee Reserved Matters) of schedule 3 (Reserved Matters) to the STID;

**“Notice”** or **“notice”** means, in respect of a notice to be given to Noteholders, a notice validly given pursuant to Condition 17 (Notices);

**“NWEN”** means North West Electricity Networks Limited, a company incorporated in England and Wales with limited liability (registration number 6428375);

**“NWEN Applicable Currency Account”** shall have the meaning given to it in paragraph 9.4.2 of schedule 11 (Cash Management) to the CTA;

**“NWEN/ENW Loan Agreement”** means the £100,000,000 loan facility (such facility amount subject to being increased from time to time) entered into between NWEN, as lender and

ENW as borrower on 17 July 2009 pursuant to which NWEN proposes to advance loans to ENW from time to time;

**"NWEN Financing Group"** means SPV HoldCo and each of SPV HoldCo's direct or indirect Subsidiaries from time to time;

**"NWEN Hedge Counterparties"** means any counterparty to a NWEN Hedging Agreement who is or becomes a party to the STID in accordance with the STID and **"NWEN Hedge Counterparty"** means any such counterparty;

**"NWEN Hedging Agreement"** means any Treasury Transaction entered into by NWEN with an NWEN Hedge Counterparty after the date of this Agreement in accordance with the Hedging Policy, the counterparty to which has acceded to the terms of the STID and the Common Terms Agreement and (save as specified in the Hedging Policy) has agreed to be bound by the terms of paragraphs 16 and 17 of schedule 7 (Hedging Policy and Overriding Provisions Relating to NWEN Programme Hedging Agreements) to the Common Terms Agreement), and references to **"NWEN Hedging Agreements"** shall be construed accordingly;

**"NWEN (Jersey)"** means North West Electricity Networks (Jersey) Limited;

**"NWEN Programme Hedge Counterparties"** means any NWEN Hedge Counterparties and any Issuer Hedge Counterparties;

**"NWEN Programme Hedging Agreements"** means any NWEN Hedging Agreements and any Issuer Hedging Agreements;

**"NWEN VAT Group"** means the VAT group with registration number 918384400 comprising with effect from 17 January 2008, ENW and its Subsidiaries, NWEN and in relation to which application was made on 29 June 2009 to include the Issuer, the ENW Issuer and SPV HoldCo, of which ENW is the representative member;

**"Obligors"** means SPV Holdco, the Issuer and NWEN, together with any other entity which accedes to the Finance Documents as an Obligor in accordance with the terms thereof, and **"Obligor"** means any of them;

**"Official List"** means the official list of the UK Listing Authority;

**"OFT"** means the Office of Fair Trading in the United Kingdom;

**"Operating Accounts"** means each account of ENW or its Subsidiaries including any sub-account and any replacement account from time to time;

**"Operating Budget"** means at any time the most recent annual consolidated operating budget prepared by NWEN on behalf of the NWEN Financing Group as further described in part 1 (Information Covenants) to schedule 4 (Covenants) to the Common Terms Agreement;

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

**"Outstanding"** means, in relation to the Notes of all or any Sub-Class, all the Notes of such Sub-Class issued other than:

- (a) those Notes which have been redeemed pursuant to the Note Trust Deed;
- (b) those Notes 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

Note 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 Noteholders in accordance with Condition 17 (Notices)) and remain available for payment against presentation of the relevant Notes and/or Receipts and/or Coupons;

- (c) those Notes which have been purchased and cancelled in accordance with Condition 8(f) –(Purchase of Notes) and 8(h) (Cancellation);
- (d) those Notes which have become void or in respect of which claims have become prescribed, in each case under Condition 13 (Prescription);
- (e) those mutilated or defaced Notes which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 14 (Replacement of Notes, Coupons, Receipts and Talons);
- (f) (for the purpose only of ascertaining the nominal amount of the Notes outstanding and without prejudice to the status for any other purpose of the relevant Notes) those Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 14 (Replacement of Notes, Coupons, Receipts and Talons); and
- (g) in the case of Bearer Notes, any Global Note to the extent that it shall have been exchanged for Definitive Notes or another Global Note and, in the case of Registered Notes, any Global Note Certificate to the extent that it shall have been exchanged for Individual Note Certificates, and, in each case, pursuant to its provisions, the provisions of the Note Trust Deed and the Agency Agreement,

**provided that** for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of the holders of the Notes of any Sub-Class;
- (ii) the determination of how many and which Notes of any Sub-Class are for the time being outstanding for the purposes of Condition 15 (Meetings of Noteholders, Modification, Waiver and Substitution), clause 9 (Voting, Instructions and Notification of Outstanding Principal Amount of Qualifying Senior Debt) of the STID and paragraphs 2, 5, 6 and 13 of schedule 4 (Provisions for Meetings of Noteholders) to the Note Trust Deed;
- (iii) any discretion, power or authority (whether contained in the Note Trust Deed or vested by operation of law) which the Note Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the holders of the Notes of any Sub-Class; and
- (iv) the determination by the Note Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the holders of the Notes of any Sub-Class,

those Notes of the relevant Sub-Class (if any) which are for the time being held by or on behalf of the Issuer, the other Obligors, any Subsidiary of the Issuer or the other Obligors, or any Associate of the Issuer or the other Obligors (other than any Associate which is a licensed or regulated financial institution which holds Notes in the ordinary course of its business), in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain Outstanding;

**“Outstanding Principal Amount”** means, as at any date that the same falls to be determined:

- (a) in respect of Wrapped Notes (unless an FG Event of Default has occurred and is continuing in respect of the Financial Guarantor of such Wrapped Notes), the aggregate of any unpaid amounts owing to an Financial Guarantor under a G&R Deed to reimburse it for any amount paid by it under a Financial Guarantee in respect of unpaid principal on such Wrapped Notes and the Principal Amount Outstanding (or the Equivalent Amount) under such Wrapped Notes (including any premium);
- (b) in respect of Wrapped Notes (if an FG Event of Default has occurred and is continuing in respect of the Financial Guarantor of such Wrapped Notes), the Principal Amount Outstanding (or the Equivalent Amount) of such Wrapped Notes (including any premium);
- (c) in respect of the Unwrapped Notes, the Principal Amount Outstanding (or the Equivalent Amount) of such Unwrapped Notes;
- (d) in respect of any other Unwrapped Debt, the principal amount outstanding (or the Equivalent Amount) of such Unwrapped Debt;
- (e) in respect of each NWEN Programme Hedging Agreement, the Equivalent Amount of the amount (if any) that would be payable to the relevant NWEN Programme Hedge Counterparty if an early termination date was designated on such date in respect of the transaction or transactions arising under the NWEN Programme Hedging Agreement pursuant to the ISDA Master Agreement governing such transaction or transactions and subject to the overriding provisions contained in the Common Terms Agreement and/or the STID; and
- (f) in respect of any other Secured Liabilities not covered elsewhere, the Equivalent Amount of the outstanding principal amount of such debt on such date in accordance with the relevant Finance Documents,

all as most recently certified or notified to the Security Trustee, pursuant to clause 9.9 (Notification of Outstanding Principal Amount of Qualifying Senior Debt) of the STID;

**“Out-turn Inflation”** means, in respect of any period for which the relevant indices have been published, the actual inflation rate applicable to such period determined by reference to movements in the Retail Price Index;

**“Overpayment”** means any amount recovered from customers by ENW in respect of any financial year in excess of any limit prescribed by the Regulator;

**“Participating Member State”** means a member state of the European Community that adopts or has adopted the euro as its lawful currency under the legislation of the European Union for European Monetary Union;

**“Partly Paid Note”** means a Note issued in the amount as specified in the relevant Final Terms and in respect of which further instalments will be payable in the amounts and on the dates as specified in the relevant Final Terms;

**“Party”** means, in relation to a Finance Document, a party to such Finance Document;

**“Paying Agents”** means HSBC Bank plc (or any successor Principal Paying Agent appointed pursuant to the Agency Agreement) (the **“Principal Paying Agent”**) and, together with any other Paying Agents appointed by the Issuer from time to time, the **“Paying Agents”**) will

provide certain issue and paying agency services to the Issuer in respect of Notes issued under the Programme, pursuant to the Agency Agreement;

**“Payment Date”** means 20 June and 20 December in each year, provided that if such date in any year is not a Business Day, the relevant Payment Date shall be the next following Business Day;

**“Payment Period”** means the period from, and including, a Payment Date to, but excluding, the next following Payment Date;

**“Payment Priorities”** means the provisions relating to the order of priority of payments set out in paragraph 9.3 of schedule 11 (Cash Management) to the Common Terms Agreement as adjusted following the taking of any Enforcement Action and following termination of a Standstill (other than pursuant to clause 13.4.1(iii) (Termination of Standstill) of the STID) in accordance with paragraph 9.3 of schedule 11 (Cash Management) to the Common Terms Agreement;

**“Pensions Deficit Repair Amounts”** means any amounts relating to (i) income (including, for the avoidance of doubt, Regulator-allowed revenues in respect of pensions contributions recoverable from customers) or (ii) charges, in each case attributable to past service costs and the repair of any deficit with respect to a post-employment benefit scheme;

**“Pensions Letter of Credit”** means any letters of credit issued by banks at the request of ENW to satisfy the obligation under an agreement, dated 16 October 2007, between ENW and the trustee of the Permitted Existing Pension Schemes;

**“Perfection Requirements”** means the making of appropriate registrations, filings or notifications on order to perfect any Security granted pursuant to any of the Finance Documents;

**“Periodic Review”** means any review of electricity distribution price controls conducted by the Regulator from time to time;

**“Periodic Review Period”** means the period commencing on a Periodic Review Effective Date and ending on the date which is one day before the next Periodic Review Effective Date;

**“Periodic Review Effective Date”** means the date from which the new electricity distribution price controls determined by a Periodic Review shall take effect;

**“Permanent Global Note”** means in relation to any Sub-Class of Bearer Notes a global note in the form or substantially in the form set out in part B (Form of Permanent Global Note) of schedule 2 (Forms of Global and Definitive Notes, Receipts, Coupons and Talons) to the Note Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Note Trustee and the Relevant Dealer(s), together with the copy of each applicable Final Terms annexed thereto, comprising some or all of the Bearer Notes of the same Sub-Class, 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 Note Trust Deed in exchange for the whole or part of any Temporary Global Note issued in respect of such Bearer Notes;

**“Permitted Acquisition”** means:

- (a) an acquisition by a member of the NWEN Financing Group of an asset (or any replacement or upgrade thereof) sold, leased, transferred or otherwise disposed of by another member of the NWEN Financing Group in circumstances constituting a



Permitted Disposal (including for the avoidance of doubt, in connection with a Permitted Outsourcing);

- (b) an acquisition by any member of the NWEN Financing Group of any Authorised Investments;
- (c) the incorporation of a limited liability company or the purchase of shares in an off the shelf limited liability company which becomes an Obligor by acceding to the Common Terms Agreement and the STID;
- (d) an investment by ENW or any of its Subsidiaries in a Permitted Joint Venture;
- (e) the acquisition by ENW or any of its Subsidiaries of (A) all of the issued share capital of a limited liability company or (B) (or if the acquisition is made by a limited liability company who has acceded to the Common Terms Agreement and the STID and whose sole purpose is to make the acquisition) a business or undertaking carried out as a going concern (in the case of (A) and (B) above, other than an acquisition of UUES or its business or undertaking), but only if:
  - (i) no Default is continuing on the signing of the sale and purchase agreement for the acquisition or would occur as a result of the acquisition;
  - (ii) the acquired company, business or undertaking is incorporated in England and Wales, Scotland or Northern Ireland and is engaged in business substantially the same as the Appointed Business; and
  - (iii) the consideration (including associated costs and expenses) for the acquisition and any Financial Indebtedness or assumed actual or contingent liability in each case remaining in the acquired company (or any such business) at the date of acquisition (when aggregated with the consideration (including associated costs and expenses) for any other Permitted Acquisition under this paragraph (iii) and any Financial Indebtedness or other assumed actual or contingent liability in each case remaining in any such acquired companies or businesses at the time of acquisition (the "**Total Purchase Price**") together with the amount of any investment in any Joint Venture does not in any Financial Year of ENW exceed in aggregate £5,000,000 (indexed) or its equivalent in other currencies.

Prior to making any Permitted Acquisition under this paragraph (e) ENW or its Subsidiary (as the case may be) must deliver to the Security Trustee not later than 15 Business Days before legally committing to make such acquisition a certificate signed by two of its directors to which must be attached a copy of the latest audited accounts (or if not available, management accounts) of the target company or business. Such certificate must give calculations showing in reasonable detail that ENW would have remained in compliance with its obligations under paragraph 2, of part 6 (Financial Covenants) of schedule 4 (Covenants) of the CTA if the covenant tests were recalculated for the Relevant Period ending on the most recent Covenant Calculation Date consolidating the financial statements of the target company (consolidated if it has Subsidiaries) or business with the financial statements of the NWEN Financing Group for such period on a pro forma basis and as if the consideration for the proposed acquisition had been paid at the start of that Relevant Period;

- (f) the acquisition by ENW or any Subsidiary of ENW (which has acceded to the Common Terms Agreement and the STID and whose sole purpose is to make the acquisition) of all of the issued share capital of UUES (and/or any other company

which for the time being is the provider of services to ENW under any Permitted Outsourcing (each of UUES and/or such other company, as the case may be, being an “**ASA Contracting Company**”) to effect or facilitate the termination of the Permitted Outsourcing provided by the ASA Contracting Company and whether the acquisition is made directly through the acquisition of the issued share capital of the relevant ASA Contracting Company or indirectly through the acquisition of the issued share capital of any non-trading holding company of such ASA Contracting Company, but only if:

- (i) no Default is continuing at the time of the signing of the sale and purchase agreement for the acquisition, or would occur as a result of the acquisition;
- (ii) the acquired company or companies is or are incorporated in England and Wales, Scotland or Northern Ireland and substantially all of the ASA Contracting Company’s business comprises the relevant Permitted Outsourcing;
- (iii) there is delivered to the Security Trustee at the time of the proposed acquisition of the ASA Contracting Company, a certificate of ENW signed by two directors of ENW (A) certifying that since its incorporation, the ASA Contracting Company has not incurred material liabilities (against which ENW is not fully indemnified by the seller of the ASA Contracting Company) other than those integral to the performance of its obligations under the relevant Permitted Outsourcing; (B) certifying that as a result of completing the proposed acquisition of the ASA Contracting Company, no Default will arise immediately following such completion in consequence of ENW (or any Subsidiary of ENW, as the case may be) completing the proposed acquisition; (C) certifying that such directors reasonably believe that each of ENW and each other member of the NWEEN Financing Group will, following the completion of the proposed acquisition of the relevant ASA Contracting Company be able to comply with its obligations under the Finance Documents; and (D) certifying that the directors of ENW believe that the proposed acquisition of the ASA Contracting Company will be of material benefit to ENW;
- (iv) there is delivered to the Security Trustee no later than 30 days after the end of the financial period of ENW (being a period of not less than four nor more than six weeks, subject to adjustment so as to end on 30 September or 31 March to the extent that either of those dates would fall within any such financial period, the “**Relevant Period**”) during which the proposed acquisition is completed, a certificate of ENW dated the date of signature but expressed to be given as of the end of the Relevant Period, signed by two Directors of ENW and in the form of a Compliance Certificate:
  - A.** prepared as if the end of the financial year of ENW had been the end of the Relevant Period; but
  - B.** on the basis of the management accounts of ENW (made up to the end of the Relevant Period) into which have been consolidated the financial results of the acquired ASA Contracting Company based on its management accounts (after bona fide adjustment by ENW to exclude those costs of the acquired ASA Contracting Company which would not have been incurred had the acquired ASA Contracting

Company been a subsidiary of ENW throughout the period for which the consolidation is undertaken); and

- C. confirming that each ratio, as so calculated, does not breach the Trigger Event Ratio Levels with any such breach, or inability to make any of the confirmations specified in the form of Compliance Certificate, constituting a Trigger Event as at the date of such certificate).
- (v) there is delivered to the Security Trustee at the time of the proposed acquisition of the relevant ASA Contracting Company both (A) a copy of a tax deed executed by both ENW and the seller of the ASA Contracting Company, and (B) a tax opinion of an internationally recognised law firm in respect of such tax deed, in each case in form and substance satisfactory to the Security Trustee (acting solely in reliance on such legal opinion and on the advice of its own legal and/or tax counsel at the Issuer's or NWEN's expense) which tax deed includes, amongst other things, protections in favour of ENW against pre-completion tax liabilities and protections against secondary tax liabilities, and which tax opinion demonstrates to the satisfaction of the Security Trustee and its legal and/or tax counsel that, *inter alia*, by joining the NWEN Financing Group, the ASA Contracting Company will not expose the NWEN Financing Group to any material secondary tax liabilities other than those for which ENW and the ASA Contracting Company have the benefit of an indemnity in the tax deed referred to in this paragraph, or other appropriate protection in the reasonable opinion of the Security Trustee acting on such advice and/or instructions, as it considers appropriate (and for the purposes of this sub-clause (v) only, a secondary tax liability will be material if the cost to the NWEN Financing Group would exceed 0.1 per cent. of RAV); and
- (vi) the ASA Contracting Company accedes to the Tax Deed of Covenant;
- (g) an acquisition of the assets of UUES and/or any other relevant ASA Contracting Company in connection with the termination of the Asset Services Agreement (or any successor or replacement agreement in respect thereof);
- (h) an acquisition by any member of the NWEN Financing Group of any share capital of another member of the NWEN Financing Group as part of a Permitted Share Capital Transaction; or
- (i) any acquisition arising pursuant to a Tax Deed Transaction.

**"Permitted Business"** means (1) in the case of ENW, the Appointed Business and any Permitted Non-Appointed Business; and (2) in the case of each other member of the NWEN Financing Group, (a) the business undertaken by it as at the date of this Agreement, and thereafter, (b) any business permitted under the terms of the Finance Documents and any Tax Deed Transaction) and (c) any other new business undertaken after the date of this Agreement by a member of the NWEN Financing Group with the approval of the Security Trustee, acting reasonably at its sole discretion or at the direction of the Majority Creditors;

**"Permitted Disposal"** means any sale, lease, licence, transfer or other disposal which:

- (a) subject (in the case of ENW and its Subsidiaries) to compliance with paragraph (c) below, (including for the avoidance of doubt, the proviso thereto), is made in the ordinary course of business of the disposing entity or in connection with an arm's

length transaction entered into for bona fide commercial purposes for the benefit of the Permitted Business;

- (b) is of assets in exchange for other assets comparable or superior as to type, value and quality;
- (c) in the case of ENW and its Subsidiaries only, would not result in the Net Debt to RAV for each Relevant Period calculated by reference to the most recently occurring Covenant Calculation Date (adjusted on a pro forma basis to take into account the proposed disposal and any prepayment to be made out of all or part of the proceeds of such Permitted Disposal), being more than the relevant Trigger Event Ratio Levels, provided that (unless permitted by any other paragraph of this definition) ENW shall not make any disposals in relation to its distribution business other than a Minor Disposal;
- (d) in the case of ENW and its Subsidiaries only, is a disposal for cash on arm's length terms of any surplus or obsolete or worn out assets which, in the reasonable opinion of ENW or its Subsidiary (as the case may be), are not required for the efficient operation of its Permitted Business and which does not cause a breach of any of the Trigger Event Ratio Levels;
- (e) in the case of ENW and its Subsidiaries only, is a disposal made in connection with or to give effect to any Permitted Outsourcing (including, without limitation, the disposal of the shares in or assets of UUES or any other ASA Contracting Company at any time after their acquisition pursuant to a Permitted Acquisition);
- (f) is a disposal or surrender of tax losses which is permitted pursuant to the Finance Documents;
- (g) in the case of ENW and its Subsidiaries only, is a disposal made on arms' length terms of assets forming part of any business which is not Permitted Business;
- (h) is a disposal of assets to another member of the NWEN Financing Group;
- (i) in the case of ENW and its Subsidiaries only, is of equipment pursuant to any finance leases;
- (j) is required by law or regulation or pursuant to an Existing Disposal Commitment;
- (k) in the case of ENW and its Subsidiaries only, is a licence in respect of Intellectual Property Rights;
- (l) in the case of ENW and its Subsidiaries only, is to a Permitted Joint Venture;
- (m) is a disposal of Authorised Investments for cash or for other Authorised Investments;
- (n) in the case of ENW and its Subsidiaries only, is a disposal in the ordinary course of its business of real estate used or formerly used for retail purposes at market value whether or not involving payment of consideration to third parties for them to assume the related leasehold obligations;
- (o) in the case of ENW and its Subsidiaries only, is a disposal of obsolete interests in land formerly used for operational purposes in the ordinary course of its business for nil consideration;

- (p) in the case of ENW and its Subsidiaries only, is a disposal of obsolete assets where the cost of recovery would exceed their scrap value, by abandoning them in the ground;
- (q) in the case of ENW and its Subsidiaries only, is a disposal of scrap for cash consideration where there is a willing third party buyer or for nil consideration where there is not; or
- (r) is a disposal of shares in NWEN on the Programme Date in accordance with the Share Exchange Agreement;

**“Permitted Emergency Action”** means any remedial action taken by ENW during an Emergency, which is in accordance with the policies, standards and procedures to the emergency planning manual of ENW (as amended from time to time) Ofgem guidance notes and Public Procurement Rules and which ENW considers necessary and which continues only so long as is required to remedy the Emergency but in any event not longer than 28 days or such longer period as agreed by ENW and the Security Trustee;

**“Permitted Existing Non-Appointed Business”** means any business other than the Appointed Business which is carried on by ENW as at the date of this Agreement and (a) which falls within the Permitted Non-Appointed Business Limits applicable to Permitted Existing Non-Appointed Business, (b) in respect of which all material risks related thereto are insured in accordance with the provisions relating to insurance contained in the Common Terms Agreement, and (c) which does not give rise to any material actual or contingent liabilities for ENW that are not properly provided for in its financial statements;

**“Permitted Existing Pension Schemes”** means:

- (a) the ENW Group of the Electricity Supply Pension Scheme (“**ESPS**”) established when NWEN acquired ENW in December 2007 which incorporates:
  - (i) a section for the defined benefit members of the former ESPS who are:
    - A.** currently employed by ENW, or retired and entitled to a pension in payment or;
    - B.** no longer employed by ENW but have a right to a pension payable from a future date; or
    - C.** persons who were employees of a Statutory Predecessor; or
    - D.** persons not employed by ENW and who have not been employed by UU or any other person in the business of distributing electricity in the North West of England or providing electricity metering and connection services in that area but who were transferred to the ENW ESPS following the acquisition of ENW by NWEN;
  - (ii) a section for the defined benefit members of the former ESPS who are now, or have since March 2007 at any time been employed by UUES some of whom may in the future be employed by ENW or by a contractor under a Permitted Outsourcing; and
  - (iii) a section for the defined benefit members of the United Utilities Pension Scheme (“**UUPS**”) who were employed by ENW or by UUES at the time of the acquisition of ENW by NWEN in December 2007 and who then transferred from the UUPS to become members of the ENW Group of the ESPS; or

- (b) any defined contribution pension scheme maintained for the benefit of employees of any member of the NWEN Financing Group or of persons employed by UUES or any contractor under a Permitted Outsourcing;

**“Permitted Financial Indebtedness”** means any Financial Indebtedness of ENW and its Subsidiaries existing as at the Programme Date and any Existing ENW Group Hedging Agreements, and:

the following Financial Indebtedness which **is** subject to the Additional Indebtedness Test:

- (a) in the case of the Issuer, further debt under the issue of one or more Series of Notes provided that the Financial Guarantors in respect of any series of Wrapped Notes have acceded to the Common Terms Agreement and the STID;
- (b) in the case of NWEN, further debt under (i) any Authorised Credit Facilities (provided that the Authorised Credit Facility Providers in respect thereof have acceded to the Common Terms Agreement and the STID), (ii) each Issuer/NWEN Loan Agreement to the extent of the issue by the Issuer of one or more Series of Notes and (iii) the ENW Issuer/NWEN Loan Agreement; or
- (c) in the case of ENW and any of its Subsidiaries, any Financial Indebtedness which (A) is incurred pursuant to or in connection with the ENW Note Programme or (B) is otherwise incurred by ENW in the ordinary course of its business, (including, for the avoidance of doubt any Financial Indebtedness incurred pursuant to:
  - (i) any capital expenditure or working capital facility;
  - (ii) any Existing ENW Facilities; and
  - (iii) any hedging agreement entered into in connection with the ENW Note Programme and which is subject to the terms of the Hedging Policy).

the following Financial Indebtedness which **is not** subject to the Additional Indebtedness Test:

- (d) in the case of NWEN, further debt under any DSR Liquidity Facility; and
- (e) in the case of any member of the NWEN Financing Group:
  - (i) Financial Indebtedness incurred under a Treasury Transaction provided that such Treasury Transaction is entered into in compliance with paragraph 19 (Treasury Transactions) of part 3 (Obligors’ General Covenants) of schedule 4 (Covenants) to the Common Terms Agreement;
  - (ii) any Financial Indebtedness owed to any other Obligor;
  - (iii) any Subordinated Debt;
  - (iv) Financial Indebtedness to the extent covered by a Pensions Letter of Credit; and
  - (v) such other Financial Indebtedness incurred by any member of the NWEN Financing Group with the consent of the Security Trustee;
- (f) in the case of ENW only:
  - (i) any Bankers Automated Clearing System (BACS) or other similar or equivalent payment mechanism indebtedness owed to any bank of which it is a customer and which provides payment clearing services to it;

- (ii) the amount of any liability under an advance or deferred purchase agreement unless either (i) one of the primary reasons behind entering into the agreement is to raise finance; or (ii) the relevant payment is advanced or deferred for a period in excess of 90 days;
- (iii) Financial Indebtedness constituting refundable customer contributions in the form of payments from developers to ENW in the ordinary course of business in respect of capital upgrades to the network carried out by such developers which ENW is required to refund to such developers in the event that the developers meet the load targets specified for such upgrades to the network); and
- (iv) Financial Indebtedness consisting of refundable customer deposits in the form of payments from electricity suppliers to ENW in the ordinary course of business in respect of ensuring sufficient credit cover is in place to meet the industry arrangements for the time being in force, as currently exemplified by the Distribution Connection and Use of System Agreement;

**“Permitted Hedge Termination”** means the termination of a NWEN Programme Hedging Agreement in accordance with the NWEN Programme Hedging Agreement subject always to the Hedging Policy;

**“Permitted Investment”** means:

- (a) in respect of ENW or any of its Subsidiaries, any investment or expenditure (including any Capital Expenditure) which is in respect of a Permitted Business, does not contravene the Licence and is made on arm’s length terms entered into for bona fide commercial purposes and is consistent with ENW’s statutory and regulatory obligations; or
- (b) in respect of ENW and each of its Subsidiaries, any investment or expenditure as in the reasonable opinion of the applicable company is required for the regular repair and maintenance of its existing assets, or to replace obsolete, worn out, damaged or destroyed assets including the upgrade or replacement of IT and communications systems which in the reasonable opinion of the applicable company is required for the efficient operation of its Permitted Business or in accordance with any finance leases; or
- (c) in respect of any Obligor, any investment, expenditure or acquisition as may be approved by the Majority Creditors (which may include, subject to such approval, any equity investment by any Obligor in any of its Subsidiaries by way of a subscription for shares);

**“Permitted Joint Venture”** means any investment in any Joint Venture:

- (a) within the NWEN Financing Group as at the date of this Agreement;
- (b) which is:
  - (i) incorporated or established, and carries on its principal business, in the European Union or the United States of America;
  - (ii) engaged in a business substantially the same as a Permitted Business; and
  - (iii) in any Financial Year of ENW, the aggregate (the **“Joint Venture Investment”**) of:

- A. all amounts subscribed for shares in, lent to, or invested in all such Joint Ventures by ENW or any of its Subsidiaries;
- B. the contingent liabilities of ENW or its Subsidiary (as the case may be) under any guarantee given in respect of the liabilities of any such Joint Venture; and
- C. the market value of any assets transferred by ENW or its Subsidiary (as the case may be) to any such Joint Venture,

when aggregated with the Total Purchase Price in respect of Permitted Acquisitions in that Financial Year permitted pursuant to paragraph (e) of the definition of "Permitted Acquisition" does not exceed £5,000,000 (or its equivalent in other currencies);

**"Permitted New Non-Appointed Business"** means any business other than the Appointed Business and Permitted Existing Non-Appointed Business provided that (a) such business: (i) is prudent in the context of the overall business of ENW and continues to be prudent for the duration of that Permitted New Non-Appointed Business; and (ii) is not reasonably likely to be objected to by the Regulator; and (iii) falls within the Permitted Non-Appointed Business Limits applicable to Permitted Non-Appointed Business; (b) all material risks related thereto are insured in accordance with Good Industry Practice; and (c) such business does not give rise to any material actual or contingent liabilities for ENW that are not or would not be properly provided for in its financial statements;

**"Permitted Non-Appointed Business"** means Permitted Existing Non-Appointed Business and Permitted New Non-Appointed Business;

**"Permitted Non-Appointed Business Income"** means income received by ENW pursuant to its Permitted Non-Appointed Business;

**"Permitted Non-Appointed Business Limits"** in respect of Permitted Non-Appointed Business, means that Permitted Non-Appointed Business Income during the current Relevant Period and, if applicable, the immediately two preceding Relevant Periods does not exceed 2.5 per cent. of ENW's aggregate income during such Relevant Periods;

**"Permitted Outsourcing"** means:

- (a) the Asset Services Agreement and any successor agreement to it;
- (b) any other outsourcing agreement or series of such agreements providing for the outsourcing of the whole or any part or parts of the services which are the subject of the Asset Services Agreement; and
- (c) any outsourcing agreement relating to IT or any other support service required for the conduct of the Appointed Business or any Permitted Non-Appointed Business,

and, in each case, any action or transaction (including without limitation, the disposal of any one or more subsidiaries of ENW) entered into by any member of the NWEN Financing Group in connection with, in contemplation of or ancillary thereto;

**"Permitted Payments"** means the application of moneys credited to the Debt Service Payment Account in accordance with the Payment Priorities;

**"Permitted Post Closing Events"** means:



- (a) payment of transaction fees and expenses, to the extent not paid on the Programme Date; or
- (b) any other payments listed in writing by ENW as at the Programme Date and signed by way of approval by the Security Trustee;

**“Permitted Security Interest”** means:

- (a) a Security Interest created under the Security Documents or contemplated by the Finance Documents;
- (b) any Security Interest specified in the cash management provisions of the Common Terms Agreement, if the principal amount thereby secured is not increased;
- (c) a Security Interest comprising a netting or set off arrangement entered into by a member of the NWEN Financing Group in the ordinary course of its banking arrangements;
- (d) a right of set off, banker’s liens or the like arising by operation of law or by contract by virtue of the provision of any overdraft facility and like arrangements arising as a consequence of entering into arrangements on the standard terms of any bank providing an overdraft;
- (e) any Security Interest arising under statute or by operation of law in favour of any government, state or local authority in respect of taxes, assessments or government charges which are being contested by the relevant member of the NWEN Financing Group in good faith and with a reasonable prospect of success;
- (f) any Security Interest created in respect of any pre-judgment legal process or any judgment or judicial award relating to security for costs, where the relevant proceedings are being contested in good faith by the relevant member of the NWEN Financing Group by appropriate procedures and with a reasonable prospect of success;
- (g) any Security Interest comprising a netting or set-off arrangement entered into under any Hedging Agreement entered into in accordance with the Hedging Policy where the obligations of other parties thereunder are calculated by reference to net exposure thereunder (but not any netting or set-off relating to such NWEN Financing Group Hedging Agreement in respect of cash collateral or any other Security Interest except as otherwise permitted hereunder);
- (h) a lien arising under statute or by operation of law (or by agreement having substantially the same effect) in the ordinary course of business provided that such lien is discharged within 30 days of any member of the NWEN Financing Group becoming aware that the amount owing in respect of such lien has become due;
- (i) a lien in favour of any bank over goods and documents of title to goods arising in the ordinary course of documentary credit transactions entered into in the ordinary course of trade;
- (j) a Security Interest created over shares and/or other securities acquired in accordance with the Common Terms Agreement held in any clearing system or listed on any exchange which arise as a result of such shares and/or securities being so held in such clearing system or listed on such exchange as a result of the rules and regulations of such clearing system or exchange;

- (k) a Security Interest approved by the Security Trustee, the holder of which has become a party to the STID;
- (l) a Security Interest over or affecting any asset acquired on arm's length terms after the date hereof and subject to which such asset is acquired, if:
  - (i) such Security Interest was not created in contemplation of the acquisition of such asset;
  - (ii) the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition of such asset by a member of the NWEN Financing Group; and
  - (iii) (A) such Security Interest is removed or discharged within six months of the date of acquisition of such asset; or (B) the holder thereof becomes party to the STID;
- (m) a Security Interest arising in the ordinary course of business and securing amounts not more than 90 days overdue or if more than 90 days overdue, the original deferral was not intended to exceed 90 days and such amounts are being contested in good faith;
- (n) a Security Interest arising under or contemplated by any finance leases, hire purchase agreements, conditional sale agreements or other agreements for the acquisition of assets on deferred purchase terms provided that such agreements are in respect of assets acquired in the ordinary course of business and for an aggregate amount not exceeding 0.5 per cent. of RAV;
- (o) a right of set off existing in the ordinary course of trading activities between ENW and its suppliers or customers;
- (p) a Security Interest arising on rental deposits in connection with the occupation of leasehold premises in the ordinary course of business;
- (q) any retention of title arrangements entered into by ENW in the ordinary course of business;
- (r) in addition to any Security Interests subsisting pursuant to the above, any other Security Interests provided that the aggregate principal amount secured by such other Security Interests does not at any time exceed an amount equal to £2,000,000 (indexed);
- (s) any netting/set-off arrangements in the ordinary course of banking arrangements for netting debit and credit balances of ENW and its Subsidiaries; or
- (t) any performance bonds entered into on an arm's length basis for the purpose of guaranteeing obligations in the ordinary course of business provided that the amount of indebtedness in respect of such performance bonds does not in aggregate exceed 0.2 per cent. of RAV;

**"Permitted Share Capital Transaction"** has the meaning given to it in paragraph 35 (Share Capital) of part 3 (Obligors' General Covenants) of schedule 4 (Covenants) of the CTA.

**"Permitted Subsidiary"** means the Subsidiaries of the Obligors as at the date of this Agreement, and any other direct or indirect Subsidiary of NWEN from time to time which is acquired by NWEN or by any of its Subsidiaries pursuant to a Permitted Acquisition and is

notified in writing to the Security Trustee on or as soon as practicable after the date of such Permitted Acquisition;

**“Potential Event of Default”** means any event which, with the lapse of time and/or the giving of any notice and/or the making of any determination (in each case where the lapse of time and/or giving of notice and/or determination is provided for in the terms of such Event of Default, and assuming no intervening remedy), would constitute an Event of Default;

**“Potential Trigger Event”** 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 Trigger Event, and assuming no intervening remedy or waiver), would become a Trigger Event;

**“Principal Amount Outstanding”** means, in relation to a Note, Sub-Class or Class, the original face value thereof (in relation to any Index-Linked Notes, as adjusted in accordance with the Conditions) less any repayment of principal made to the Holder(s) thereof in respect of such Note, Sub-Class or Class;

**“Principal Paying Agent”** means HSBC Bank plc under the Agency Agreement, or its Successors thereto;

**“Proceeds”** means the aggregate of all receipts or recoveries by the Security Trustee pursuant to, or upon enforcement of, any of the Rights (including pursuant to clause 11.7 (Receipts Held in Trust) of the STID) after deducting (to the extent not already deducted or retained prior to such receipt or recovery by the Security Trustee ) all sums which the Security Trustee is required under the Finance Documents or by applicable law to pay to any other person before distributing any such receipts or recoveries to any of the Secured Creditors;

**“Programme”** means the £1,000,000,000 debt programme established by the Issuer for the issuance of Notes to be admitted to the Official List and to trading on the London Stock Exchange and for the raising of further financial indebtedness by NWEN from time to time;

**“Programme Date”** means 21 July 2009;

**“Programme Limit”** means £1,000,000,000 (subject to increase in accordance with the Dealership Agreement);

**“Proportion”** has the meaning given to such term in clause 9.11.2 (Voting by the Note Trustee as Senior DIG Representative of the Noteholders) of the STID;

**“Proposer”** has the meaning given to such term in clause 9.1 (Instigation of STID Proposal) of the STID;

**“Prospectus”** means any Prospectus prepared by or on behalf of, and approved by, the Issuer in connection with the establishment of the Programme and/or the issue of the Notes or any information memorandum or Prospectus prepared by or on behalf of and approved by the Issuer in connection with the general syndication in the interbank market of any Authorised Credit Facility;

**“Public Procurement Rules”** means public procurement rules of the United Kingdom affecting the electricity distribution sector and including any jurisprudence of the courts of the United Kingdom and of the European Communities and decision of the European Commission in respect of such rules;

**“Qualifying Senior Debt”** means the aggregate Outstanding Principal Amount of Senior Debt entitled to be voted by the Senior DIG Representatives;

**“Qualifying Senior Debt Provider”** means a provider of Qualifying Senior Debt;

**“Quorum Requirement”** means the quorum requirement for the purposes of voting in accordance with the provisions of the STID, as set out in clause 9.13 (Quorum Requirement) of the STID;

**“Rating Agencies”** means those internationally recognised rating agencies as are from time to time providing ratings for the Notes issued by the Issuer and which shall comprise at least two such rating agencies at any time;

**“Rating Requirement”** means confirmation from any two Rating Agencies or, where expressly stated, all Rating Agencies then rating the Notes that, in respect of any matter where such confirmation is required, the resulting rating of the Unwrapped Notes (and/or Shadow Rating of the Wrapped Notes, as the case may be) will be BBB by S&P and BBB by Fitch (or equivalent rating by any other Rating Agency then rating any Notes) or above;

**“RAV”** means, in respect of ENW in relation to any date, the aggregate of:

- (a) the regulatory asset value for such date as last determined and notified to ENW by the Regulator at the most recent Periodic Review or such interim determination or other procedure through which the Regulator may make such determination of regulatory asset value on an equally definitive basis to that of a Periodic Review or interim determination; and
- (b) such other sum so determined and notified which the Regulator has determined may not be wholly recovered from customers within the regulatory period to which the determination relates and which may only be so recovered over a period of time extending beyond the end of that regulatory period,

in each case adjusted for Out-turn Inflation and, where necessary, by interpolation;

**“Receipt”** means a receipt attached on issue to a Definitive Note redeemable in instalments for the payment of an instalment of principal such receipt being in the form or substantially in the form set out in part D (Form of Receipt) of schedule 2 (Forms of Global and Definitive Notes, Receipts, Coupons and Talons) to the Note Trust Deed or in such other form as may be agreed between the Issuer, the Principal Paying Agent, the Note Trustee and the relevant Dealer(s) and includes any replacements for Receipts or Talons issued pursuant to Condition 14 (Replacement of Notes, Coupons, Receipts and Talons);

**“Receiptholders”** means the persons who are for the time being holders of the Receipts;

**“Recurring Fees”** means any scheduled fees payable under an Authorised Credit Facility which are calculated by reference to the costs and expenses of the relevant Authorised Credit Facility Provider properly incurred in the provision and maintenance of such Authorised Credit Facility;

**“Reference Bank”** has the meaning given to that term in the relevant Finance Document, provided that if no Reference Bank is specified in the relevant Finance Document, the Reference Bank shall be HSBC Bank plc or any other two reference banks;

**“Register”** means a register of the Noteholders of a Sub-Class of Registered Notes;

**“Registered Notes”** means those of the Notes which are for the time being in registered form;

**“Registrar and Transfer Agent”** means HSBC Bank plc (or any successor Transfer Agent appointed pursuant to the Agency Agreement) (the **“Transfer Agent”**) will provide certain transfer agency services to the Issuer in respect of the Registered Notes and HSBC Bank plc

(or any successor Registrar appointed pursuant to the Agency Agreement) (the “**Registrar**”) will provide certain registrar services to the Issuer in respect of the Registered Notes, in each case, pursuant to the Agency Agreement;

“**Regulation S**” has the meaning given to such term in the Securities Act;

“**Regulator**” means the Gas and Electricity Markets Authority (“**GEMA**”), operating through the Office of Gas and Electricity Markets (“**Ofgem**”) and any successors thereto;

“**Regulatory Accounts**” has the meaning given to it in the Licence;

“**Regulatory Depreciation**” means in relation to any period for which it is being calculated, the amount equal to the depreciation value to calculate movements in the RAV as determined by Ofgem at the most recent Periodic Review or such interim determination or other procedure through which Ofgem may make such determination of regulatory asset value on an equally definitive basis to that of an Electricity Distribution Price Control Review or interim determination (pro-rated as necessary and adjusted as necessary for Out-turn Inflation);

“**Regulatory Financial Statements**” means the individual financial statements of ENW, prepared in the form required by the “accounts condition” to the Licence;

“**Regulatory Information**” means the regulatory accounts ENW is required to submit to Ofgem in July of each year;

“**Regulatory Period**” means the period in respect of which a set of price control conditions are fixed by (currently) the Regulator (currently a five year period);

“**Relevant Date**” has the meaning set out in Condition 6(m) (Definitions);

“**Relevant Dealer**” means, in relation to the date of this Agreement, HSBC Bank plc and in relation to a Relevant Subscription Agreement which is made between the Issuer and more than one Dealer after the date of this Agreement, the institutions specified as such in the relevant Final Terms and/or such Relevant Subscription Agreement; and, in relation to a Relevant Subscription Agreement which is made between each Obligor and a single Dealer, such Dealer;

“**Relevant Debt Provider**” has the meaning given to it in clause 9.9.2 (Notification of Outstanding Principal Amount of Qualifying Senior Debt) of the STID;

“**Relevant Inflation Rate**” shall have the meaning given to it in paragraph 29 (Financial Indebtedness) of part 3 (Obligors’ General Covenants) of schedule 4 (Covenants) to the Common Terms Agreement (as applicable);

“**Relevant Legislation**” means the Electricity Act, the Utilities Act 2000, the Enterprise Act and the Energy Act and any other laws and regulations relating to the business of distributing electricity in England (in each case, as such legislation is amended, supplemented or replaced from time to time);

“**Relevant Period**” means:

- (a) the period of 12 Months ending on a Covenant Calculation Date; or
- (b) the period of 12 Months starting on the first day after a Covenant Calculation Date;

“**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 other basis as may be agreed between the Obligors and the relevant Dealer(s) at the relevant time) of any Notes, including

any agreement in the form or based on the form set out in schedule 7 (Pro Forma Subscription Agreement) to the Dealership Agreement;

**“Relevant Termination Date”** shall have the meaning given to it in paragraph 29 (Financial Indebtedness) of part 3 (Obligors’ General Covenants) of schedule 4 (Covenants) to the Common Terms Agreement (as applicable);

**“Remedial Plan”** means any remedial plan agreed by NWEN and the Security Trustee under part 2 (Trigger Event Consequences) of schedule 5 (Trigger Events) to the Common Terms Agreement;

**“Remedy Period”** means:

- (a) for any failure duly to perform or comply with any of the obligations contained in paragraph 1 (Financial Statements) or paragraph 5 (Investors Report) of part 1 (Information Covenants) of schedule 4 (Covenants); paragraphs 4 (Arm’s Length Transactions), 7 (Further Assurance and STID Accession), 11 (Priority ranking), 14 (Intellectual Property Rights) and 20 (Hedging) of part 3 (Obligors’ General Covenants) of schedule 4 (Covenants) to the Common Terms Agreement; or paragraph 6 (Arm’s Length Transactions) of part 4 (ENW General Covenants) of schedule 4 (Covenants) to the Common Terms Agreement (unless in any case either the circumstances giving rise to such failure or such failure itself would be reasonably likely to have a Material Adverse Effect, in which such case sub-paragraph (c) below shall apply), the period expiring 60 days after the earlier to occur of the date on which the Security Trustee has given notice thereof to NWEN or ENW (as the case may be) and the date NWEN or ENW (as the case may be) becomes aware of the non-compliance (the **“Earlier Date”**);
- (b) for any failure duly to perform or comply with any of the obligations contained in paragraphs 8 (Cash Management), 21 (Merger), 26 (Restricted Payments), 27 (Disposals), 28 (Acquisitions and Investments), 29 (Financial Indebtedness), 30 (Negative Pledge), 31 (Loans and Credit) and 34 (Non-Executive Directors) of part 3 (Obligors’ General Covenants) of schedule 4 (Covenants) to the Common Terms Agreement; paragraphs 1 (Acquisitions and Investments), 2 (Joint Ventures), 5 (Disposals), 7 (Outsourcing), 8 (Conduct of Business) and 9 (Licence) of part 4 (ENW General Covenants) of schedule 4 (Covenants) to the Common Terms Agreement; paragraph 6 (Restricted Business of Issuer) of part 5 (Issuer General Covenants) of schedule 4 (Covenants) to the Common Terms Agreement; or in paragraph 3 (DSR Liquidity Facility) of part 6 (Financial Covenants) to the Common Terms Agreement the period expiring five Business Days after the Earlier Date; and
- (c) for any other failure duly to perform or comply with any obligation and where such failure has a Material Adverse Effect, the period expiring 30 days after the Earlier Date;

**“Reorganisation Plan”** means the corporate reorganisation to be completed on or prior to the Programme Date, as described in a steps paper prepared by ENW dated 14 April 2009;

**“Repeated Representations”** means each representation set out in schedule 2 (General Representations) to the Common Terms Agreement and schedule 3 (ENW Representations) to the Common Terms Agreement other than paragraphs 14(a) (Ownership), 23(b) (Financial Indebtedness) and 25 (Treasury Transactions) of schedule 2 (General Representations) and paragraph 10 (Dormant Companies) of schedule 3 (ENW Representations) to the Common Terms Agreement, and other than (for the purposes of clause 4.2.3(ii) of the Common Terms

Agreement only) paragraph 29 (Information Memorandum and Investor Presentation) of schedule 2 (General Representations) and paragraph 3 (Information Memorandum and Investor Presentation) of schedule 3 (ENW Representations), in each case to the Common Terms Agreement;

**“Reporting Accountants”** means Deloitte LLP or such other firm of independent accountants of international repute nominated by ENW and agreed by the Security Trustee;

**“Request”** means a request for utilisation of any Authorised Credit Facility;

**“Required Balance”** means, on any day the aggregate of the next 18 months’ interest and other finance charges forecast to be due on the Senior Debt (after taking into account the impact on interest rates of such Senior Debt of any Hedging Agreement then in place) as calculated by NWEN (with the approval of the Security Trustee and notified to the Cash Manager);

**“Required Sterling Amount”** has the meaning given to it in paragraph 9.6.1 of schedule 11 (Cash Management) to the Common Terms Agreement;

**“Requisite Ratings”** means the Minimum Short-term Rating;

**“Reservations”** means the qualifications as to law but not as to facts set out in paragraph 6 of the Linklaters LLP transaction legal opinion and schedule 2 of the Freshfields Bruckhaus Deringer LLP legal opinion in relation to the Programme which shall be delivered in connection with the establishment of the Programme and which qualify certain representations, covenants and events of default contained in the Common Terms Agreement;

**“Reserved Matters”** means the rights of the Secured Creditors provided by the terms of clause 8.7 (Reserved Matters of Secured Creditors and/or Secured Creditor Representatives) of the STID and the Security Trustee Reserved Matters, the Note Trustee Reserved Matters, the Financial Guarantor Reserved Matters and the NWEN Programme Hedge Counterparty Reserved Matters provided by the terms of clause 8.8 (Reserved Matters of Security Trustee, Note Trustee, Financial Guarantors and NWEN Programme Hedge Counterparties) and schedule 3 (Reserved Matters) to the STID;

**“Restricted Payments”** means in respect of a member of the NWEN Financing Group, any payment (including any payments of distributions, dividends, bonus issues, return of capital, fees, interest, principal or other amounts whatsoever) (by way of loan or repayment of any loan or otherwise including, without limitation, any payment for group relief governed by the Tax Deed of Covenant and any payment under any Subordinated Debt) (in cash or in kind) to any direct or indirect Affiliate of such company, other than (i) payments pursuant to and in accordance with any contracts entered into with any other person in the ordinary course of business in compliance with the Finance Documents and (ii) in respect of ENW, payments of Intra-Group Debt Service Distributions, and (iii) any payments by ENW for group relief surrendered to ENW provided that, if the Restricted Payment Conditions are not satisfied at such time, the amount of such group relief payment is left outstanding as a debt until such time as the Restricted Payment Conditions are satisfied (and accordingly that such amount shall not actually be paid out of ENW prior to such time) and (iv) payments between ENW and the ENW Issuer which are due under the ENW Note Programme, and any payments which are due under any Issuer/NWEN Loan Agreement, any Issuer/NWEN B2B Hedging Agreement and under the ENW Issuer/NWEN Loan Agreement;

**“Restricted Payment Conditions”** means the conditions set out in paragraph 26 of part 3 (Obligors’ General Covenants) of schedule 4 to the Common Terms Agreement;

**“Retail Price Index”** or **“RPI”** means the Retail Price Index (all items) as published from time to time in the monthly digest of statistics published by the United Kingdom Office of National Statistics or if such index ceases to exist, such other index or indexation procedure as the Note Trustee may reasonably direct;

**“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 under the Ancillary Documents and all rights to make demands, bring proceedings or take any other action in respect of such rights;

**“Scheduled Debt Service”** has the meaning given to it in paragraph 9.6.1 of schedule 11 (Cash Management) to the Common Terms Agreement;

**“Secretary of State”** means in each case the relevant one of Her Majesty’s principal Secretaries of State empowered to carry out the specific action referred to;

**“Secured Creditor”** means the Security Trustee (in its own capacity and on behalf of the other Secured Creditors), the Note Trustee (in its own capacity and on behalf of the Noteholders), the Noteholders, each Financial Guarantor, the NWEN Programme Hedge Counterparties, each Capex Facility Provider, the Capex Facility Agent, the Issuer, each Account Bank, the DSR Liquidity Facility Agents, each DSR Liquidity Facility Provider and each other Authorised Credit Facility Provider, the Cash Manager (other than when the Cash Manager is ENW), the Standstill Cash Manager, each Agent, and any Additional Secured Creditors, provided, in each case, that such person has acceded to the STID in accordance with the provisions thereof;

**“Secured Creditor Representative”** means:

- (a) in respect of the Noteholders, the Note Trustee;
- (b) in respect of the Capex Facility Providers, the Capex Facility Agent;
- (c) in respect of each Issuer/NWEN Loan Agreement, the Security Trustee (on behalf of the Issuer);
- (d) in respect of any DSR Liquidity Facility Provider, the facility agent under the relevant DSR Liquidity Facility Agreement (or if there is no facility agent in respect of a DSR Liquidity Facility Agreement, the relevant DSR Liquidity Facility Provider(s));
- (e) in respect of each of the NWEN Programme Hedging Agreements, the relevant NWEN Programme Hedge Counterparty; and
- (f) in respect of any Additional Secured Creditor, the representative of such Additional Secured Creditor (if any) appointed as its Secured Creditor Representative under the terms of the relevant Finance Document and named as such in the relevant Accession Memorandum;

**“Secured Liabilities”** means all present and future obligations and liabilities (whether actual or contingent and whether owed jointly and severally or in any other capacity whatsoever) of each Obligor under each Finance Document to which it is a party;

**“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 Agreement”** means the deed of charge and guarantee to be executed in favour of the Security Trustee by each of the Obligors on or about the date of this Agreement;

**“Security Assets”** means all property, assets, rights and undertakings the subject of the Security created by the Obligors pursuant to any Security Document, together with the Rights;

**“Security Documents”** means the Security Agreement, the STID (including any Accession Memorandum thereto and any deed supplemental thereto) and any other security document executed on the date of this Agreement or thereafter by any of the Obligors evidencing or creating security over any asset of an Obligor to secure any obligation of any Obligor to a Secured Creditor under the Finance Documents;

**“Security Interest”** means:

- (a) any mortgage, pledge, lien, charge, assignment or hypothecation or other encumbrance securing any obligation of any person;
- (b) any performance bond or other similar instrument in respect of another person's obligation;
- (c) any arrangement under which money or claims to 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
- (d) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect;

**“Security Trustee”** means The Law Debenture Trust Corporation p.l.c. or any successor appointed pursuant to the STID;

**“Security Trustee Reserved Matters”** means those matters set out in part A (Security Trustee Reserved Matters) of schedule 3 (Reserved Matters) to the STID;

**“Senior Debt”** means any financial accommodation that is for the purposes of the STID to be treated as Senior Debt and includes (without limitation):

- (a) as at the Programme Date, all debt outstanding under:
  - (i) the Capex Facility;
  - (ii) any Notes issued under the Programme on or around the Programme Date; and
- (b) thereafter, all debt outstanding under paragraph (a) above in addition to all debt outstanding from time to time under:
  - (i) any further Notes issued under the Programme;
  - (ii) each NWEN Programme Hedging Agreement;
  - (iii) each other Authorised Credit Facility;
  - (iv) each Financial Guarantee Fee Letter; and
  - (v) each G&R Deed in respect of any Wrapped Notes;

**“Senior Debt Instructing Group”** or the **“Senior DIG”** means the group of representatives of Qualifying Senior Debt Providers in respect of Qualifying Senior Debt. The Senior DIG will comprise the following representatives (each, a **“Senior DIG Representative”**):

- (a) in respect of each sub-Class of Wrapped Notes or other Wrapped Debt (if no FG Event of Default has occurred and is continuing in respect of the relevant Financial Guarantor), such Financial Guarantor;
- (b) in respect of each sub-Class of Wrapped Notes or other Wrapped Debt (after an FG Event of Default has occurred and is continuing in respect of the Financial Guarantor of those Wrapped Notes or other Wrapped Debt) and each sub-Class of Unwrapped Notes, the Note Trustee (provided that, unless a Default Situation has occurred and is continuing, (other than in respect of an Emergency Instruction Notice) or a STID Proposal is the subject of an Entrenched Right or a Reserved Matter, the Wrapped Noteholders in respect of each such Sub-Class or Class of Wrapped Notes or, as the case may be, the Unwrapped Noteholders in respect of each Sub-Class or Class of Unwrapped Notes shall be entitled to direct the Note Trustee by participating directly in the Senior DIG through the clearing system voting mechanics set out in part B (Provisions for Voting in respect of STID Voting Matters) of Schedule 4 of the Note Trust Deed);
- (c) in respect of the Capex Facility, the Capex Facility Agent;
- (d) following the acceleration of any Secured Liability in respect of any Obligor following the occurrence of a Event of Default and following the termination of a Standstill Period (other than as a result of the remedy or waiver of the relevant Event of Default giving rise to the Standstill Period), in respect of each NWEN Programme Hedging Agreement, the relevant NWEN Programme Hedge Counterparty; and
- (e) in respect of any other Secured Liability of the type referred to in paragraphs (a) to (e) above (excluding liabilities in respect of any DSR Liquidity Facilities) or (with the approval of the Majority Creditors) other types of Secured Liabilities that rank *pari passu* with all other Senior Debt, the relevant representative appointed under the terms of the relevant Finance Document and named in the STID and the CTA or the relevant Accession Memorandum to the STID and the CTA as the Senior DIG Representative;

**“Senior Debt Provider”** means a provider of, or Financial Guarantor of, Senior Debt;

**“Senior DIG Directions Request”** has the meaning given to such term in clause 9.6.2 (Senior DIG Directions Request) of the STID;

**“Senior DIG Proposal”** has the meaning given to such term in clause 9.6.1 (Senior DIG Directions Request) of the STID;

**“Senior DIG Voting Date”** has the meaning given to such term in clause 9.6.2(i) (Senior DIG Directions Request) of the STID;

**“Senior HoldCo”** means North West Electricity Networks (Holdings) Limited, a company incorporated in England and Wales with limited liability (registration number 6428534);

**“Series”** means a series of Notes issued under the Programme on a particular Issue Date, together with any Tranche or Tranches of Notes which are expressed to be consolidated and form a single Sub-Class with any previously issued Sub-Class;

**“Settlement and Acknowledgement Deed”** means the settlement and acknowledgement deed dated on or about the date of this Agreement between, among others, the Security Trustee, the Issuer, ENW and NWEN;

**“Shadow Rating”** means the underlying rating for the time being assigned to the Wrapped Notes of the Issuer without taking account of the benefit of the Financial Guarantee;

**“Share Exchange Agreement”** means the agreement relating to the transfer of shares in NWEN by Senior HoldCo to SPV HoldCo on the Programme Date;

**“ShareholderCo”** means North West Electricity Networks (UK) Limited;

**“Share Charges”** means the charges dated on or about the date of this Agreement, in favour of the Security Trustee, over the shares in NWEN, the Issuer and ENW respectively and **“Share Charge”** means any one of them;

**“Shortfall Paragraph”** has the meaning given to such term in paragraph 9.8(b) of schedule 11 (Cash Management) to the Common Terms Agreement;

**“Specified Currency”** means the currency in which each Series or Tranche of Notes is denominated, as specified in the Final Terms applicable to such Series or Tranche;

**“SPV Criteria”** has the meaning given to such term in clause 8.9 (Substitution of the Issuer) of the STID;

**“SPV HoldCo”** means NWEN Group Limited, a company incorporated in England and Wales with limited liability (registration number 06872880);

**“SPV HoldCo Transaction Account”** means the account of SPV HoldCo entitled the “SPV HoldCo Transaction Account” held at the Initial Account Bank and includes any sub-account relating to that account and any replacement account from time to time;

**“Standard & Poor’s”** or **“S&P”** means Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies Inc. or any successor to the rating business of Standard & Poor’s Rating Services;

**“Standard Custody Terms”** has the meaning given to it in paragraph 13.11.4 (Compliance with FSA Rules and Custody Terms) of schedule 11 (Cash Management) of the Common Terms Agreement;

**“Standby Drawing”** means a drawing made under a DSR Liquidity Facility Agreement as a result of a downgrade of a DSR Liquidity Facility Provider below the Minimum Short-term Rating or in the event that the DSR Liquidity Facility Provider fails to renew its commitment on the expiry of the term of such DSR Liquidity Facility Agreement;

**“Standstill”** means an automatic standstill of the claims of the Secured Creditors against the Obligors following notification to the Security Trustee of an Event of Default;

**“Standstill Cash Manager”** means HSBC Bank plc in its capacity as Standstill Cash Manager under the Common Terms Agreement, or any successor Standstill Cash Manager appointed in accordance with schedule 11 (Cash Management) to the Common Terms Agreement;

**“Standstill Event”** means an event giving rise to a Standstill in accordance with the STID;

**“Standstill Extension”** means any of the periods for which a Standstill Period is extended under clause 13.5 (Extension of Standstill) of the STID;

**“Standstill Period”** means a period of 12 months during which a standstill arrangement is subsisting, commencing on the date as determined by Clause 13.1 (Commencement of Standstill) of the STID, subject to early termination of such Standstill Period and extension of such Standstill Period as determined in accordance with Clause 13.5 (Extension of Standstill of the STID) as determined by Clause 13.4 (Termination of Standstill) of the STID;

**“Statutory Accounts”** means each set of financial statements prepared from time to time by each member of the NWEN Financing Group pursuant to applicable law and regulations and in compliance with Applicable Accounting Principles;

**“Statutory Predecessor”** means the North Western Electricity Board (established in 1948 by the Electricity Act 1947) or any predecessor body thereof whose assets and liabilities were transferred by statute or by virtue of the exercise of statutory powers to the North Western Electricity Board.

**“STID”** means the security trust and intercreditor deed to be entered into on or about the date of this Agreement between, among others, the Security Trustee, the Obligors and the Note Trustee together with any deed supplemental to the STID and referred to in the STID as a “Supplemental Deed”;

**“STID Directions Request”** has the meaning given to such term in clause 9.3 (Notice to Secured Creditors of STID Proposal) of the STID;

**“STID Direct Voting Matter”** means a STID Matter in respect of which each Unwrapped Noteholder and, if an FG Event of Default has occurred and is continuing in respect of the relevant Financial Guarantor, each Wrapped Noteholder in respect of the relevant Wrapped Notes shall be entitled to vote directly through the clearing systems;

**“STID Matter”** means a STID Proposal, a STID Directions Request, a Deemed Approval, a Senior DIG Proposal, a Senior DIG Directions Request and/or an Emergency Instruction Notice;

**“STID Proposal”** has the meaning given to such term in clause 9.1 (Instigation of STID Proposal) of the STID;

**“STID Voting Date”** has the meaning given to such term in clause 9.2 (Minimum Content of STID Proposal) of the STID;

**“Stock Exchange”** means the London Stock Exchange or any other or further stock exchange(s) on which any Notes may from time to time be listed, and references in these presents (as defined in this Agreement) to the **“relevant Stock Exchange”** shall, in relation to any Notes, be references to the Stock Exchange on which such Notes are, from time to time, or are intended to be, listed;

**“Structural Intragroup Loans”** means:

- (a) the loan outstanding between Senior HoldCo (as lender) and NWEN (as borrower) pursuant to a £327,000,000 loan agreement dated 18 December 2007;
- (b) the loan outstanding between Senior HoldCo (as lender) and NWEN (as borrower) pursuant to a £121,000,000 loan agreement dated 19 December 2007 as amended and restated on or about the date of this Agreement;
- (c) the loan outstanding between Senior HoldCo (as lender) and NWEN (as borrower) pursuant to a £200,000,000 loan agreement dated 18 December 2007,

each as amended and restated from time to time; and

- (d) any further intra-group loans made (or to be made from time to time), or any further advances in respect of the intra-group loan agreements specified in items (a) to (c) (inclusive) above, in respect of which:
- (i) the lender is either Senior HoldCo, Junior HoldCo, ShareholderCo or NWEN (Jersey) or any Subsidiary of Senior HoldCo, Junior HoldCo, ShareholderCo or NWEN (Jersey) (other than a member of the NWEN Financing Group);
  - (ii) the borrower is a member of the NWEN Financing Group; and
  - (iii) the lender has acceded to the terms of the CTA and the STID;

**“Sub-Class”** means a division of a Class;

**“Sub-Investment Grade”** means a rating of less than BBB- by S&P or less than BBB- by Fitch, or equivalent rating from any other Rating Agency;

**“Subordinated Authorised Loan Amounts”** means, in relation to any Authorised Credit Facility, the aggregate of any amounts payable by the Issuer or NWEN to the relevant Authorised Credit Facility Provider (i) on an accelerated basis as a result of illegality (excluding accrued interest, principal and recurring fees and commissions) on the part of the Authorised Credit Facility Provider and (ii) any other amounts not referred to in any other paragraph of the Payment Priorities;

**“Subordinated Coupon Amount”** means in respect of a Tranche of Notes any amounts specified as such in the applicable Final Terms;

**“Subordinated Creditor”** means each credit provider in respect of Subordinated Debt and/or any agent in respect of such Subordinated Debt where such credit provider or agent has acceded to the Common Terms Agreement and the STID;

**“Subordinated Debt”** means each Structural Intragroup Loan and any other Financial Indebtedness that is fully subordinated, in a manner satisfactory to the Security Trustee, to the Senior Debt and where the relevant Subordinated Creditor has acceded to the Common Terms Agreement and the STID;

**“Subordinated Liquidity Facility Amounts”** means, in relation to any DSR Liquidity Facility:

- (a) the amount by which the amount of interest accruing at the Mandatory Cost Rate at any time exceeds the Mandatory Cost Rate on the date of the relevant DSR Liquidity Facility Agreement; and
- (b) the aggregate of any amounts payable by NWEN to the relevant DSR Liquidity Facility Provider in respect of its obligation to gross-up any payments made by it in respect of such DSR Liquidity Facility or to make any payment of increased costs to such DSR Liquidity Facility Provider (other than any such increased costs in respect of regulatory changes relating to capital adequacy requirements applicable to such DSR Liquidity Facility Provider) or to amounts payable on an accelerated basis as a result of illegality (excluding accrued interest, principal and commitment fees) on the part of such DSR Liquidity Facility Provider, or any other amounts not referred to in any other paragraph of the Payment Priorities;

**“Subordinated Step-up Fee Amounts”** means, in the case of Fixed Rate Notes or Index-Linked Notes, any amounts (other than deferred interest) of step-up fee at the rate specified in the relevant Final Terms to be payable on such Notes in excess of the initial margin as at the date on which such Notes were issued and, in the case of Floating Rate Notes, any

amounts (other than deferred interest) of step-up fee at the rate specified in the relevant Final Terms to be payable on such Notes in excess of the initial margin on the Coupon on such Notes as at the date on which such Notes were issued;

**“Subscription Agreement”** means an agreement supplemental to the Dealership Agreement (by whatever name called) substantially in the form set out in schedule 7 (Pro Forma Subscription Agreement) to the Dealership Agreement or in such other form as may be agreed between, among others, the Obligors and the Lead Manager or one or more Dealers (as the case may be);

**“Subsidiary”** means a company in which another company:

- (a) holds a majority of the voting rights; or
- (b) is a member and has the right to appoint or remove a majority of its board of directors; or
- (c) is a member and controls alone, pursuant to an agreement with other shareholders or members, a majority of the voting rights in it; or
- (d) a company which is a Subsidiary of a company which is itself a Subsidiary of that other company;

**“Substituted Issuer”** has the meaning given to such term in clause 8.9 (Substitution of the Issuer and/or NWEN) of the STID;

**“Substitution Proposal”** has the meaning given to such term in clause 8.9 (Substitution of the Issuer and/or NWEN) of the STID;

**“Successor”** means, in relation to the Principal Paying Agent, the other Paying Agents, the Registrar, the Transfer Agent, the Agent Bank and the Calculation Agent, any successor to any one or more of them in relation to the Notes which shall become such pursuant to the provisions of the Note Trust Deed and/or the Agency Agreement (as the case may be) and/or such other or further principal paying agent, paying agents, registrar, transfer agent, agent bank and calculation agent (as the case may be) in relation to the Notes as may (with the prior approval of, and on terms previously approved by, the Note Trustee in writing) from time to time be appointed as such, and/or, if applicable, such other or further specified offices (in the case of the Principal Paying Agent being within the same city as the office(s) for which it is substituted) as may from time to time be nominated, in each case by the Issuer and the Obligors, and (except in the case of the initial appointments and specified offices made under and specified in the Conditions and/or the Agency Agreement, as the case may be) notice of whose appointment or, as the case may be, nomination has been given to the Noteholders;

**“Surveillance Letter”** means a letter issued by the Issuer and/or NWEN to an Financial Guarantor from time to time, in which the Issuer and/or NWEN undertakes to provide the relevant Financial Guarantor with certain information and to comply with certain reporting requirements as outlined in that letter;

**“Swap Collateral Account”** means:

- (i) with respect to cash, a bank account of the Issuer or NWEN (as applicable) held with an Account Bank for the purpose of depositing cash collateral; and
- (ii) with respect to securities, a custody account of the Issuer or NWEN (as applicable) held with an Account Bank for the purpose of holding securities posted as collateral,

in each case pursuant to an NWEN Programme Hedging Agreement;

**“Talonholders”** means the several persons who are for the time being holders of the Talons;

**“Talons”** means the talons (if any) appertaining to, and exchangeable in accordance with the provisions therein contained for further Coupons or Receipts, as the case may be, appertaining to, the Definitive Notes (other than Zero Coupon Notes) such talons being in the form or substantially in the form set out in part F (Form of Talon) of schedule 2 (Forms of Global and Definitive Notes, Receipts, Coupons and Talons) to the Note Trust Deed or in such other form as may be agreed between the Issuer, the Principal Paying Agent, the Note Trustee and the relevant Dealer(s) and includes any replacements for Talons issued pursuant to Condition 14 (Replacement of Notes, Receipts, Coupons and Talons);

**“TARGET Settlement Day”** has the meaning given to such term in Condition 6(m) (Definitions);

**“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 Credit”** means a credit against any Tax, or any relief or remission for, or repayment of any Tax;

**“Tax Deed of Covenant”** means the deed of tax covenant to be entered into on the date of this Agreement by (among others) the relevant Obligors and the Security Trustee;

**“Tax Deed Transaction”** means any arrangement to which a member of the NWEN Financing Group may become a party after the date of this Agreement, the effect of which is to generate amounts available to be surrendered by way of group relief to any NWEN Financing Group member and in respect of which the Tax Deed of Covenant and the Restricted Payment Conditions in the Common Terms Agreement govern the arrangements for payment for any such group relief;

**“Temporary Global Note”** means in relation to any Sub-Class of Bearer Notes a temporary global note in the form or substantially in the form set out in part A (Form of Temporary Global Note) of schedule 2 (Forms of Global and Definitive Notes, Receipts, Coupons and Tables) to the Note 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 Note Trustee and the relevant Dealer(s), comprising some or all of the Bearer Notes 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 Note Trust Deed;

**“Third Party Scheme Provider”** means any institution (which is regulated in the United Kingdom for the provision of pension schemes) which enters into arrangements with ENW or any other member of the NWEN Financing Group by which such institution assumes (in whole or in part) the liabilities and obligations of ENW or such other member of the NWEN Financing Group under any then Permitted Existing Pension Scheme;

**“Total NWEN Financing Group Debt”** means in aggregate, all Financial Indebtedness of each member of the NWEN Financing Group;

**“Tranche”** means all Notes which are identical in all respects save for the Issue Date, Interest Commencement Date and Issue Price;

**“Transaction Accounts”** means the accounts of each of the Issuer and SPV HoldCo entitled the “Issuer Transaction Account” and the “SPV HoldCo Transaction Account” held at the Initial

Account Bank and, in each case, includes any sub-account relating to that account and any replacement account from time to time and **"Transaction Account"** means either of them as the context may require;

**"Transfer Agent"** means HSBC Bank plc under the Agency Agreement, including any Successors thereto;

**"Transfer Scheme"** means a scheme for the transfer of the Appointed Business of ENW;

**"Treasury Transaction"** means any currency or interest rate purchase, cap or collar agreement, forward rate agreements, interest rate or currency or future or option contract, foreign exchange or currency purchase or sales agreement, interest rate swap, index-linked swap, currency swap or combined interest rate and currency swap agreement and any other similar agreement or any derivative transaction;

**"Treaty"** has the meaning given to it in clause 8.3.9 of the STID;

**"Trigger Event"** means any of the events or circumstances identified as such in part 1 (Trigger Events) schedule 5 (Trigger Events) to the Common Terms Agreement;

**"Trigger Event Consequences"** means the consequences resulting from the occurrence of a Trigger Event set out in part 2 (Trigger Event Consequences) of schedule 5 (Trigger Events) to the Common Terms Agreement;

**"Trigger Event Ratio Levels"** means the financial ratios set out in paragraph 1 (Financial Ratios) of part 1 (Trigger Events) of schedule 5 (Trigger Events) to the Common Terms Agreement;

**"Trigger Event Remedies"** means the remedies in connection with the Trigger Events specified in part 3 (Trigger Event Remedies) of schedule 5 (Trigger Events) for the Common Terms Agreement;

**"Trust Corporation"** means a corporation entitled by rules made under the Public Trustee Act 1906 of Great Britain or entitled pursuant to any other comparable legislation applicable to a trustee in any other jurisdiction to carry out the functions of a custodian trustee;

**"Trust Property"** means the Rights and the Proceeds;

**"Trustee Acts"** means the Trustee Act 1925 and the Trustee Act 2000 of England and Wales;

**"UK"** means the United Kingdom;

**"UK Listing Authority"** or **"UKLA"** means the Financial Services Authority in its capacity as competent authority under FSMA;

**"Unpaid Provisioned Amount"** means on any Payment Date, any amounts which have been provisioned for on the previous Payment Date in accordance with the Payment Priorities but which have not yet been paid to the relevant recipient;

**"Unwrapped Notes"** means Notes that are not guaranteed by an Financial Guarantor;

**"Unwrapped Noteholders"** means the holders for the time being of the Unwrapped Notes and **"Unwrapped Noteholder"** shall be construed accordingly;

**"Utilisation Date"** means, in relation to each Authorised Credit Facility, each date on which the relevant Authorised Credit Facility is utilised;

**"Unwrapped Debt"** means any debt that is not guaranteed by an Financial Guarantor;



**“UUES”** means United Utilities Electricity Services Limited;

**“VAT”** means value added tax as imposed by the Value Added Tax Act 1994 and legislation supplemental thereof and other tax of a similar fiscal nature whether imposed in the United Kingdom (instead of, or in addition to, VAT) or elsewhere;

**“Voted Qualifying Senior Debt”** means the aggregate Outstanding Principal Amount of Qualifying Senior Debt voted by the Senior DIG Representatives in accordance with clause 9.8 (Binding Vote of Senior DIG Representatives) of the STID;

**“Wrapped Noteholders”** means the holders for the time being of the Wrapped Notes and **“Wrapped Noteholder”** shall be construed accordingly;

**“Wrapped Notes”** means the Notes that have the benefit of a Financial Guarantee;

**“Wrapped Debt”** means any debt that is guaranteed by an Financial Guarantor;

**“Written Resolution”** means a resolution in writing signed by or on behalf of all holders of Notes of the relevant Sub-Class who for the time being are entitled to receive notice of a meeting in accordance with the provisions set out in schedule 4, part A (Provisions for Meetings of Noteholders) to the Note Trust Deed, whether contained in one document or several documents in the same form each signed by or on behalf of one or more holders of the Notes; and

**“Zero Coupon Note”** means a Note specified as such in the relevant Final Terms and on which no interest is payable.