



**CONFORMED COPY OF EXECUTION VERSION  
DATED 18 AUGUST 2008 AS AMENDED ON  
28 FEBRUARY 2019, 28 JANUARY 2020, 5 JANUARY 2021 AND 15 DECEMBER 2022**

**BAA (SP) LIMITED**  
as Security Parent

**BAA (AH) LIMITED**  
as Asset Holdco

**HEATHROW AIRPORT LIMITED  
GATWICK AIRPORT LIMITED  
STANSTED AIRPORT LIMITED**  
as Borrowers

**BAA LIMITED**  
as Borrower Cash Manager and Security Group Agent

**HEATHROW EXPRESS OPERATING CO. LTD**  
as HEX Opco

**DEUTSCHE TRUSTEE COMPANY LIMITED**  
as Borrower Security Trustee

**BAA FUNDING LIMITED**  
as Issuer

**THE ROYAL BANK OF SCOTLAND PLC**  
as Initial Credit Facilities Agent

**CERTAIN FINANCIAL INSTITUTIONS**  
as Initial Capex Facility Providers

**CERTAIN FINANCIAL INSTITUTIONS**  
as Initial WCF Providers

**THE ROYAL BANK OF SCOTLAND PLC**  
as Refinancing Facility Agent

**CERTAIN FINANCIAL INSTITUTIONS**  
as Refinancing Facility Providers

**THE EUROPEAN INVESTMENT BANK**  
as EIB Lender

**LLOYDS TSB BANK PLC**  
as Initial Borrower Liquidity Facility Agent

**LLOYDS TSB BANK PLC**  
as Initial Borrower Liquidity Facility Provider

**LLOYDS TSB BANK PLC**  
as Initial Issuer Liquidity Facility Agent

**LLOYDS TSB BANK PLC**  
as Initial Issuer Liquidity Facility Provider

**THE ROYAL BANK OF SCOTLAND PLC**  
as Borrower Account Bank

**THE ROYAL BANK OF SCOTLAND PLC**  
as Issuer Account Bank

**CERTAIN FINANCIAL INSTITUTIONS**  
as Initial Issuer Hedge Counterparties

**CERTAIN FINANCIAL INSTITUTIONS**  
as Initial Borrower Hedge Counterparties

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**COMMON TERMS AGREEMENT**

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**THIS AGREEMENT** is made on the date of the Master Execution Deed and was amended by a **DEED OF AMENDMENT** dated 15 December 2022.

**BETWEEN:**

- (1) **BAA (SP) LIMITED**, a company incorporated in England and Wales with limited liability (registered number 06458621) ("**Security Parent**");
- (2) **BAA (AH) LIMITED**, a company incorporated in England and Wales with limited liability (registered number 06458657) ("**Asset Holdco**");
- (3) **HEATHROW AIRPORT LIMITED**, a company incorporated in England and Wales with limited liability (registered number 01991017), ("**HAL**");
- (4) **GATWICK AIRPORT LIMITED**, a company incorporated in England and Wales with limited liability (registered number 01991018) ("**GAL**");
- (5) **STANSTED AIRPORT LIMITED**, a company incorporated in England and Wales with limited liability (registered number 01990920) ("**STAL**" and together with HAL and GAL, the "**Borrowers**");
- (6) **BAA LIMITED**, a company incorporated in England and Wales with limited liability (registered number 01970855) ("**BAA**", the "**Borrower Cash Manager**" and the "**Security Group Agent**");
- (7) **HEATHROW EXPRESS OPERATING CO. LTD**, a company incorporated in England and Wales with limited liability (registered number 03145133) ("**HEX Opco**");
- (8) **DEUTSCHE TRUSTEE COMPANY LIMITED** as security trustee for the Borrower Secured Creditors (in this capacity, the "**Borrower Security Trustee**");
- (9) **BAA FUNDING LIMITED**, a company incorporated in Jersey (registered number 99529) (the "**Issuer**");
- (10) **THE ROYAL BANK OF SCOTLAND PLC** as facility agent under the Initial Credit Facilities Agreement (the "**Initial Credit Facilities Agent**");
- (11) **THE FINANCIAL INSTITUTIONS** listed in Part A of Schedule 14, as original bank lenders of the Initial Capex Facility (the "**Initial Capex Facility Providers**");
- (12) **THE FINANCIAL INSTITUTIONS** listed in Part B of Schedule 14, as original bank lenders of the Initial WCF (the "**Initial WCF Providers**");
- (13) **THE ROYAL BANK OF SCOTLAND PLC** as facility agent under the Refinancing Facility Agreement ("the **Refinancing Facility Agent**");
- (14) **THE FINANCIAL INSTITUTIONS** listed in Part C of Schedule 14, as original bank lenders of the Refinancing Facility (the "**Initial Refinancing Facility Providers**");
- (15) **THE EUROPEAN INVESTMENT BANK**, ("**EIB Lender**");

- (16) **LLOYDS TSB BANK PLC** as facility agent under the Initial Borrower Liquidity Facility Agreement (the "**Initial Borrower Liquidity Facility Agent**");
- (17) **LLOYDS TSB BANK PLC** as liquidity facility provider under the Initial Borrower Liquidity Facility Agreement (the "**Initial Borrower Liquidity Facility Provider**");
- (18) **LLOYDS TSB BANK PLC** as facility agent under the Initial Issuer Liquidity Facility Agreement (the "**Initial Issuer Liquidity Facility Agent**");
- (19) **LLOYDS TSB BANK PLC** as liquidity facility provider under the Initial Issuer Liquidity Facility Agreement (the "**Initial Issuer Liquidity Facility Provider**");
- (20) **THE ROYAL BANK OF SCOTLAND PLC** as account bank under the Borrower Account Bank Agreement (the "**Borrower Account Bank**") and as account bank under the Issuer Account Bank Agreement (the "**Issuer Account Bank**");
- (21) **THE FINANCIAL INSTITUTIONS** listed in Part D of Schedule 14, as initial hedge counterparties pursuant to the Issuer Hedging Agreements (the "**Initial Issuer Hedge Counterparties**"); and
- (22) **THE FINANCIAL INSTITUTIONS** listed in Part E of Schedule 14, as initial hedge counterparties pursuant to the Borrower Hedging Agreements (the "**Initial Borrower Hedge Counterparties**").

**IT IS AGREED** as follows:

1. **INTERPRETATION**

1.1 **Definitions**

Terms defined in the master definitions agreement, dated 8 August 2008 as amended on 13 January 2012 and on 28 February 2019 and on 28 January 2020 and made between the parties to this Agreement (the "**Master Definitions Agreement**"), have the same meaning when used in this Agreement unless otherwise expressly defined herein.

1.2 **Construction**

The provisions contained in Part 2 (*Construction*) of Schedule 1 (*Common Definitions*) of the Master Definitions Agreement apply to this Agreement as though set out in full in this Agreement.

1.3 **Finance Document definitions**

Each Finance Document (other than the Master Definitions Agreement and the Senior/Subordinated Intercreditor Agreement) will, from the date upon which that Finance Document becomes effective be supplemented by incorporation of the definitions and principles of interpretation or construction contained in Schedule 1 (*Common Definitions*) of the Master Definitions Agreement and to the extent that such definitions or principles of interpretation or construction are inconsistent with the definitions or principles of interpretation or construction set out in such Finance Document, the relevant terms and expressions or the principles of interpretation or construction will have the meanings given

to them in Schedule 1 (*Common Definitions*) of the Master Definitions Agreement (other than the Tax Deed of Covenant, in respect of which any inconsistent definitions set out therein shall take priority).

#### 1.4 **Authorised Credit Facilities**

Any person wishing to become a Finance Party shall, upon execution and delivery by such person or their duly authorised representative to the Borrower Security Trustee, of an Accession Memorandum, acceding to the STID and this Agreement (together with the supporting documentation referred to in that Accession Memorandum), be bound by the provisions of the STID and this Agreement as if the terms set out therein were incorporated in full into the arrangements made between that person and the Obligors.

#### 1.5 **Obligors**

Any person wishing to become an Obligor shall, upon execution and delivery by such person or their duly authorised representative to the Borrower Security Trustee, of an Accession Memorandum, acceding to this Agreement (together with the supporting documentation referred to in that Accession Memorandum), be bound by the provisions of this Agreement as if the terms set out herein were incorporated in full into the arrangements made between that person and the Borrower Secured Creditors, the Authorised Credit Provider(s) and/or the Finance Parties, as the case may be. Each Party acknowledges that such Accession Memorandum shall be accompanied by legal opinions addressed to the Borrower Security Trustee confirming:

- 1.5.1 the enforceability of the security and accession documentation entered into by the relevant entity; and
- 1.5.2 if required by the Rating Agencies, the tax position of such new Obligor and the tax effect of such new Obligor becoming a member of the Security Group (and in particular the tax effect on any then current Obligor).

#### 1.6 **Release of Obligors**

In addition to the above, in respect of a Designated Airport Disposal in accordance with the provisions of paragraph 6 (*Disposals*) of Part 3 (*General Covenants*) of Schedule 2 (*Covenants*) prior to the Nominated Borrower (as defined in such paragraph 6 (*Disposals*)) ceasing to be an Obligor and release of the Nominated Borrower from the Security Group or the release of some or all of the assets of the Nominated Borrower from the security created pursuant to the Security Documents, the Security Group Agent shall deliver the following to the Borrower Security Trustee:

- 1.6.1 in respect of each of the Nominated Borrower's Mortgaged Properties (or their Mortgaged Properties to be disposed of), a deed, agreement or other document (which will in each case be in a form that shall have been agreed between the Obligor and the Borrower Security Trustee) (a "**Property Release**") that, upon the due execution thereof by the Borrower Security Trustee will be effective to release or re-convey to the Nominated Borrower the entire security interest in

respect of such Mortgaged Property held by the Borrower Security Trustee (for itself and on behalf of the other Borrower Secured Creditors) under the Transaction Documents;

1.6.2 a certificate, which certificate the Borrower Security Trustee shall rely on without further investigation, signed by two Authorised Signatories which:

- (a) confirms that (1) the Nominated Borrower (or the specified assets) is or are being or is or are to be disposed of to a person outside the Security Group pursuant to a transaction on arm's length terms and (2) in respect of release of the Nominated Borrower following such disposal no member of the Security Group will own any of the share capital or any other ownership interest in such Nominated Borrower;
- (b) confirms that either (1) no Loan Event of Default has occurred and is continuing unwaived or (2) a Loan Event of Default has occurred and is continuing unwaived and the Designated Airport Disposal of the Nominated Borrower would have the effect of remedying such Loan Event of Default and, in each case, that no Loan Event of Default will occur as a result of such disposal;
- (c) confirms that the disposal of such Borrower and/or the removal of such Borrower's Mortgaged Properties is a Permitted Disposal;
- (d) confirms that:
  - (i) the proceeds of the Designated Airport Disposal will be applied as required under sub-paragraphs (i), (ii) and (iii) of paragraph 6 (*Disposals*) of Part 3 (*General Covenants*) of Schedule 2 (*Covenants*); or
  - (ii) if a Trigger Event has occurred and is continuing and an amount equal to the initial drawn amount under the Refinancing Facility has been repaid to the Refinancing Facility Providers, the net proceeds of such Designated Airport Disposal will be applied as required under paragraph 2.2 (*Mandatory Prepayments*) of Part 2 (*Trigger Event Consequences*) of Schedule 3 (*Trigger Events*).

1.6.3 Within two Business Days of receiving the certificate referred to in sub-clause 1.6.2 above, the Borrower Security Trustee shall execute:

- (a) any Property Release in respect of the Nominated Borrower's Mortgaged Properties;
- (b) such other documents as the Obligors may provide to the Borrower Security Trustee in order to release the security held by the Borrower Security Trustee pursuant to the Transaction Documents in respect of the shares in the Nominated Borrower and/or the Nominated Borrower's assets not otherwise released pursuant to the Property Release as mentioned in paragraph (a) above; and
- (c) in respect of a sale of the Nominated Borrower, a deed of release in respect of the Nominated Borrower in respect of all obligations under the Transaction Documents.

- 1.6.4 Upon the Borrower Security Trustee's execution of the documents referred to in sub-clause 1.6.3 above, the Nominated Borrower shall cease to be a Borrower for all purposes under the Transaction Documents and shall be released from its obligations under the Transaction Documents.

## **2. SECURITY TRUST AND INTERCREDITOR DEED**

Each Party acknowledges the arrangements which have been entered into pursuant to the terms of the STID and agrees that:

- 2.1.1 all actions to be taken, discretions to be exercised and other rights vested in the Finance Parties under the terms of the Transaction Documents will only be exercisable as provided in or permitted by the STID; and
- 2.1.2 no Obligor will be obliged to monitor or enquire whether any of the other Finance Parties or the Issuer is complying or has complied with the terms of the STID; and
- 2.1.3 any Finance Document entered into by it will be subject to the terms of the STID.

## **3. CONDITIONS PRECEDENT**

- 3.1 A Request may not be given and the Initial Issue Date will not occur until the Borrower Security Trustee has notified the Issuer and the other Borrower Secured Creditors that all conditions precedent to the Initial Issue Date as set out in the CP Agreement have been fulfilled or waived in accordance with the terms of the CP Agreement.
- 3.2 No further Requests may be issued unless the applicable Authorised Credit Provider or, where there is more than one such Authorised Credit Provider, any agent therefor has notified the Security Group Agent that all conditions precedent to the provision of the relevant Authorised Credit Facility have been fulfilled or waived in accordance with the terms of the CP Agreement.

## **4. REPRESENTATIONS**

### **4.1 Representations**

- 4.1.1 The representations set out in Schedule 1 (*General Representations*) are made jointly and severally by each Obligor to the Issuer and each other Finance Party.
- 4.1.2 Each Authorised Credit Facility entered into after the Initial Issue Date shall contain such of the representations set out in Schedule 1 (*General Representations*) as may be agreed by the Obligors and the relevant Authorised Credit Provider in such Authorised Credit Facility amended, as applicable, by reference to the facts and circumstances then subsisting.
- 4.1.3 No Authorised Credit Facility may contain any representations in addition to those set out in Schedule 1 (*General Representations*) and no representation in any Authorised Credit Facility, which is the same as a representation set out in Schedule 1 (*General Representations*), shall repeat more frequently than that



same representation is deemed (or is otherwise permitted under Clause 4.2 (*Times for making representations*)) to be repeated in this Agreement. Any such additional representation or representation by any Obligor that repeats more frequently than its equivalent in this Agreement (or than is permitted under this Agreement) shall be unenforceable (to the extent of such additions or more frequent repetitions) by any person.

- 4.1.4 Sub-Clause 4.1.3 above shall not apply to any tax representations or any representations which state that a Party is acting as principal or to any additional representations contained in a Borrower Liquidity Facility Agreement.

## 4.2 **Times for making representations**

- 4.2.1 The representations set out in Schedule 1 (*General Representations*) are made by the Obligors on the date of the Master Execution Deed and the Initial Issue Date.
- 4.2.2 Each Initial Date Representation is deemed to be repeated by the relevant Obligor on the date upon which any new Authorised Credit Facility is entered into.
- 4.2.3 Each Repeated Representation (insofar as such Repeated Representation in respect of any new Authorised Credit Facility is also an Initial Date Representation) is deemed to be repeated by the relevant Obligor on:
- (a) the date of each Request and the first day of any borrowing;
  - (b) each Payment Date; and
  - (c) in the case of an Obligor acceding to such Authorised Credit Facility, on the date of its accession.
- 4.2.4 The representation set out in Paragraph 10 (*Full Disclosure*) of Schedule 1 (*General Representations*) shall be deemed to be repeated (a) in so far as such representation relates to an Authorised Credit Facility (other than a Borrower Loan Agreement) on each date when any Authorised Credit Facility is generally syndicated in the interbank market or, in the case of any Finance Lease, on the date of commencement of any leasing thereunder in respect of the Information Memorandum and investor presentation authorised by the Security Group in respect of the syndication of such Authorised Credit Facility or in respect of such Finance Lease only but, on such date, shall be amended by the addition of the words "save as disclosed to the arrangers of the relevant Authorised Credit Facility or to the relevant Finance Lessor, as the case may be, prior to the date of syndication" or, as applicable "save as disclosed to the arrangers of the relevant Authorised Credit Facility or to the relevant Finance Lessor, as the case may be, prior to the date of commencement of any leasing thereunder" at the beginning of each paragraph and (b) in so far as such

representation relates to the Base Prospectus on each Issue Date in respect of any Tranche of Bonds in respect of the Base Prospectus and any investor presentation authorised by the Security Group in respect of the issue of such Tranche of Bonds issued to fund an advance under a Borrower Loan Agreement or a deposit to the Issuer Liquidity Reserve Account only but, on such date, shall be amended by the addition of the words "save as disclosed to the relevant Dealers prior to the relevant Issue Date" at the beginning of each paragraph.

- 4.2.5 When a representation is repeated, it is applied to the facts and circumstances existing at the time of repetition.

## 5. COVENANTS

- 5.1 Each Obligor agrees to be bound by the covenants set out in each part of Schedule 2 (*Covenants*) relating to it and where the covenant is expressed to apply to each Borrower, each Obligor must ensure that each Borrower performs that covenant.
- 5.2 Any covenants in any Authorised Credit Facility which are in addition to the covenants set out in this Agreement (other than those relating to the delivery of documents to allow payments to be made without deduction of Tax, the purpose of the relevant facility, indemnities, covenants to pay, voluntary prepayments, mandatory prepayments (other than upon or following the occurrence of any events of default howsoever worded except an event of default arising due to breach of the covenant set out in paragraph 6(c) (*Disposals*) of Part 3 (*General Covenants*) of Schedule 2 (*Covenants*)), in an Authorised Credit Facility and covenants relating to remuneration, costs and expenses) and which, if breached, would give a right to the relevant Authorised Credit Provider to declare a Loan Event of Default, shall be unenforceable by any person.
- 5.3 Clause 5.2 above shall not apply to:
- 5.3.1 any covenants contained in any Finance Lease (to the extent permitted under paragraph 2 of Schedule 13 (*Provisions relating to Finance Leases*)); or
  - 5.3.2 sub-clauses 2.4.3, 2.4.4 and 2.4.5 of the G&R Deed;
  - 5.3.3 clauses 15.3 (*Restricted Payments*) and 15.4 (*Additional Indebtedness Tests*) of the Refinancing Facility Agreement;
  - 5.3.4 the EIB in respect of any EIB Facilities (present or future) in respect of any of the mandatory prepayment events as are set out in the EIB Facility Agreements as at the Initial Issue Date;
  - 5.3.5 the mandatory prepayment events as set out in the Initial Borrower Liquidity Facility Agreement as at the Initial Issue Date; or
  - 5.3.6 any covenant relating to the execution or delivery of conditions subsequent set out in clause 4 (*Conditions Subsequent*) of the CP Agreement.

## **6. TRIGGER EVENTS**

- 6.1 Each of the events set out in Part 1 (*Trigger Events*) of Schedule 3 (*Trigger Events*) is a Trigger Event.
- 6.2 Any trigger events in any Authorised Credit Facility in addition to the Trigger Events set out in Part 1 (*Trigger Events*) of Schedule 3 (*Trigger Events*) shall be unenforceable by any person.
- 6.3 Following the occurrence of a Trigger Event and at any time until such Trigger Event has been waived by the Borrower Security Trustee, or remedied in accordance with the Trigger Event Remedies described in Part 3 (*Trigger Event Remedies*) of Schedule 3 (*Trigger Events*), the provisions set out in Part 2 (*Trigger Event Consequences*) of Schedule 3 (*Trigger Events*) will apply.
- 6.4 In respect of any of the provisions set out in Part 2 (*Trigger Event Consequences*) of Schedule 3 (*Trigger Events*), which require the Borrower Security Trustee to exercise discretion, the Borrower Security Trustee shall do so in accordance with the STID and any reference to "reasonableness" and "reasonable time" will be interpreted accordingly.
- 6.5 The Parties agree and acknowledge that the Borrower Security Trustee is entitled to assume that no Trigger Event has occurred unless and until informed otherwise. Following receipt of a notice in writing of the occurrence of a Trigger Event from an Obligor (or the Security Group Agent on its behalf), the Borrower Security Trustee shall notify the Secured Creditor Representatives of the Borrower Secured Creditors of the occurrence of such Trigger Event.

## **7. LOAN EVENTS OF DEFAULT**

### **7.1 Loan Events of Default**

- 7.1.1 Subject to sub-clause 4.1.3 and Clause 5.2, each of the events set out in Schedule 4 (*Loan Events of Default*) is a Loan Event of Default. Any events of default in an Authorised Credit Facility (howsoever worded), in respect of any Obligor which are in addition to those set out in Schedule 4 (*Loan Events of Default*) or any mandatory prepayment events in an Authorised Credit Facility which arise on the occurrence of any events of default (howsoever worded, except an event of default arising due to breach of the covenant set out in paragraph 6(c) (*Disposals*) of Part 3 (*General Covenants*) of Schedule 2 (*Covenants*)) shall be unenforceable by any person, unless such prepayment would be a payment permitted by sub-clauses 6.1.1 or 6.1.2 (*Undertaking of the Borrower Secured Creditors*) of the STID or by sub-clauses 5.3.4 or 5.3.5 of this Agreement.
- 7.1.2 The second sentence of sub-clause 7.1.1 shall not apply to termination events upon total loss prepayment provisions of any Finance Lease, Permitted Hedge Terminations or any LF Events of Default pursuant to the Borrower Liquidity Facility Agreement.

7.1.3 If:

- (a) there occurs a proposed or actual change in law, regulation or other governmental or Regulator direction, licence or authorisation which has the force of law or with which any Obligor is required to adhere; and
- (b) the effect of such proposed or actual change would be to (i) restrict the ability of the Borrowers to grant or to allow to subsist fixed or floating charge security over all or any of the material assets of the Designated Airports or (ii) restrict the ability of (A) the Borrower Security Trustee to appoint a Receiver under the Security Agreement to any of the Borrowers or (B) the Issuer or the Bond Trustee to appoint an Administrative Receiver under the Obligor Floating Charge Agreement to any of the Borrowers or (iii) without prejudice to the foregoing, establish a special insolvency regime for all or any of the Borrowers; and
- (c) such proposed or actual change directly results in the occurrence of any Trigger Event, any Restricted Loan Event of Default or Restricted Potential Loan Event of Default,

(any proposed or actual change which satisfies the conditions in paragraphs (a)-(c) being an "**Accepted Restructuring Event**"),

then, the Accepted Restructuring Event will only give rise to a Trigger Event occurring regardless of whether it would otherwise give rise to the occurrence of a Restricted Loan Event of Default or Restricted Potential Loan Event of Default and accordingly:

- (i) subject to the paragraph (iii) below, no Loan Event of Default or Potential Loan Event of Default shall occur hereunder as a result thereof;
- (ii) the Trigger Event directly caused by the Accepted Restructuring Event will continue thereafter until such time as the Trigger Event is remedied pursuant to Part 3 (*Trigger Event Remedies*) of Schedule 3 (*Trigger Events*);
- (iii) if on or after the date falling on the later of (1) 12 months after the date of the occurrence of the Trigger Event or (2) 9 months after the date on which a Restricted Loan Event of Default would (but for the provisions of this sub-clause 7.1.3) have first occurred, the Trigger Event has not been remedied pursuant to Part 3 of Schedule 3 and the Accepted Restructuring Event would but for the provisions of this sub-clause 7.1.3 constitute a Potential Loan Event of Default or a Loan Event of Default which is continuing, then the Accepted Restructuring Event shall with effect from such date constitute a Potential Loan Event of Default or, as the case may be, a Loan Event of Default.

7.1.4 If a Loan Event of Default or Potential Loan Event of Default occurs, any Obligor becoming aware thereof will notify the Borrower Security Trustee thereof and of any steps being taken to remedy the same. Remedy periods in respect of any breach will commence on the earlier of the date on which an Obligor first becomes aware of the relevant Loan Event of Default and the date on which the Borrower Security Trustee notifies the Obligors thereof.

## 7.2 **Consequences of a Loan Event of Default and delivery of a Loan Enforcement Notice**

At any time after the delivery of a Loan Enforcement Notice:

7.2.1 the Borrower Security Trustee will be entitled by notice to the Obligors, to enforce any guarantee or security for the Borrowers' obligations to the Issuer and the other Borrower Secured Creditors or the Obligors' obligations under the Security Documents;

7.2.2 if the Loan Event of Default results from an application for the appointment of an administrator in respect of an Obligor, or the giving of notice of intention to appoint an administrator in respect of an Obligor or the filing of a notice of appointment of administrator of an Obligor with the court, the Bond Trustee (as assignee by way of security of the OFCA Floating Security) will be obliged to appoint such person or persons as it thinks fit to be Administrative Receiver of the whole or any part of the Charged Property held by each Obligor in accordance with clause 11 of the OFCA Floating Security Agreement; and

7.2.3 each Finance Party including the Borrower Security Trustee may, subject to the provisions of the relevant Authorised Credit Facility to which it is a party and subject to the provisions of the STID, declare all amounts outstanding under the Finance Documents to be immediately due and payable or to be payable on demand of such Finance Party including the Borrower Security Trustee (whereupon the same shall become so due and payable or (as the case may be) payable on such demand).

## 8. **THE ADMINISTRATIVE PARTIES**

### 8.1 **No fiduciary duties**

Nothing in the Finance Documents makes an Administrative Party (other than the Borrower Security Trustee) a trustee or fiduciary for any other Party or any other person. No Administrative Party (other than the Borrower Security Trustee and the Borrower Account Bank) need hold in trust any moneys paid to it for a Party or be liable to account for interest on those moneys.

### 8.2 **Individual position of an Administrative Party**

8.2.1 If it is also a provider of credit under any Authorised Credit Facility, each Administrative Party has the same rights and powers under the Finance Documents as any other provider of financial accommodation and may

exercise those rights and powers as though it were not an Administrative Party.

8.2.2 Each Administrative Party may:

- (a) carry on any business with the Issuer or any Obligor or their respective related entities (including acting as an agent or a trustee for any other financing); and
- (b) retain any profits or remuneration it receives under the Finance Documents or in relation to any other business it carries on with any Obligor or its related entities.

### 8.3 **Consent of the Borrower Security Trustee**

In providing its consent or making a determination hereunder the Borrower Security Trustee shall take instructions from the Borrower Secured Creditors to the extent required or permitted and in each case in the manner set out in the STID.

## 9. **EVIDENCE AND DETERMINATIONS**

### 9.1 **Accounts**

Accounts maintained by a Finance Party in connection with the Finance Documents are *prima facie* evidence of the matters to which they relate for the purpose of any litigation or arbitration proceedings.

### 9.2 **Certificates and determinations**

Any certification or determination by a Finance Party of a rate or amount under the Finance Documents will be, in the absence of manifest error, conclusive evidence of the matters to which it relates.

## 10. **INDEMNITIES**

### 10.1 **Currency indemnity**

10.1.1 Each Obligor jointly and severally indemnifies each Finance Party on demand against any loss or liability which that Finance Party properly incurs as a consequence of:

- (a) that Finance Party receiving an amount in respect of the relevant Obligor's liability under the Finance Documents; or
- (b) that liability being converted into a claim, proof, judgment or order,

in a currency other than the currency in which the amount is expressed to be payable under the relevant Finance Document.

10.1.2 Unless otherwise required by law, each Obligor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency other than that in which it is expressed to be payable.

## 10.2 Other indemnities

10.2.1 Each Obligor jointly and severally indemnifies each Finance Party on demand against any loss or liability which that Finance Party properly incurs as a consequence of:

- (a) the occurrence of any Loan Event of Default;
- (b) any failure by an Obligor to pay any amount due under a Finance Document on its due date, including any loss or liability resulting from any distribution or redistribution of any amount among the Finance Parties under this Agreement and/or the STID;
- (c) (other than by reason of negligence or default by that Finance Party) any financial accommodation not being given after a Request has been delivered for that financial accommodation; or
- (d) any financial accommodation provided to any Obligor not being prepaid in accordance with a notice of prepayment.

The Obligors' liability in each case includes any loss or expense on account of funds borrowed, contracted for or utilised to fund any amount payable under any Finance Document, any amount repaid or prepaid or any relevant financial accommodation.

10.2.2 Without prejudice to any indemnity contained in any other Transaction Document, the Obligors jointly and severally indemnify on demand the Borrower Security Trustee against any loss or liability incurred by the Borrower Security Trustee as a result of:

- (a) investigating any event which the Borrower Security Trustee reasonably believes to be a Default or a Trigger Event; or
- (b) acting or relying on any notice, which the Borrower Security Trustee reasonably believes to be genuine, correct and appropriately authorised.

## 10.3 Bond Indemnity

In consideration of and as a condition to the Issuer agreeing to make Borrower Loans available to the Borrowers pursuant to the Borrower Loan Agreements from time to time, each Obligor jointly and severally indemnifies the Issuer in respect of any amounts payable by the Issuer in respect of any Bonds the proceeds of which have been deposited into the Issuer Liquidity Reserve Account and are not funded through a Borrower Loan (the "**Liquidity Bonds**") which cannot be met from amounts credited

to the Issuer Liquidity Reserve Account or interest earned thereon and this obligation shall form part of the terms of each Borrower Loan Agreement.

## **11. EXPENSES**

### **11.1 Enforcement costs**

Each Obligor, as joint and several obligors, must pay to each Finance Party the amount of all costs and expenses (including legal fees) incurred by such Finance Party in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

## **12 VAT**

### **12.1 Sums payable exclusive of VAT**

Any sum set out in any Finance Document as payable, or otherwise payable pursuant to a Finance Document:

12.1.1 by any person other than the Borrower Security Trustee, the Bond Trustee or any member of the Group that is a party to that Finance Document or to any other person that is a party to that Finance Document;

12.1.2 by any member of the Group that is a party to that Finance Document to any person other than any Specified BAA Party that is a party to that Finance Document; or

12.1.3 by the Borrower Security Trustee or the Bond Trustee to any person other than any member of the Group or any Specified BAA Party that is a party to that Finance Document,

shall be deemed to be exclusive of any VAT which is or becomes chargeable on any supply or supplies for which that sum (or any part thereof) is the whole or part of the consideration for VAT purposes.

### **12.2 Sums payable inclusive of VAT**

Any sum set out in any Finance Document as payable, or otherwise payable pursuant to a Finance Document:

12.2.1 by any member of the Group that is a party to that Finance Document to any Specified BAA Party that is a party to that Finance Document; or

12.2.2 by the Borrower Security Trustee or the Bond Trustee to any member of the Group or any Specified BAA Party that is party to that Finance Document,

shall be inclusive of any VAT which is or becomes chargeable on any supply or supplies for which that sum (or any part thereof) is the whole or part of the consideration for VAT purposes and section 89 of VATA shall not apply to affect the amount of such sum payable.

### **12.3 Payment of amounts in respect of VAT**



Where:

- 12.3.1 any person that is a party to any Finance Document (such person, "**Supplier**" for the purposes of this Clause 12) makes a supply to another person that is also a party to that Finance Document (such person, the "**Recipient**" in relation to that supply for the purposes of this Clause 12) for VAT purposes pursuant to that Finance Document;
- 12.3.2 the sum which is the consideration (in whole or in part) for that supply is (or, if the consideration for that supply were in cash, would be) deemed to be exclusive of VAT in accordance with Clause 12.1 above; and
- 12.3.3 the Supplier is required to account to any relevant Tax Authority for any VAT chargeable on that supply,

the Recipient shall pay to the Supplier an additional amount equal to that VAT, such additional amount to be paid at the same time as paying any other consideration for that supply, save that where the consideration for that supply does not consist of, or wholly of, money, such sum shall be paid no later than five (5) Business Days before the last day on which the Supplier can account to the relevant Tax Authority for the VAT due in respect of that supply without incurring interest or penalties and the Supplier shall (in either case) provide the Recipient with a valid VAT invoice in respect of that supply.

#### 12.4 **Acquisitions and reverse charges**

In relation to any supply that gives rise to either an acquisition for VAT purposes or a Reverse Charge, where the Recipient of that supply is the Issuer, the Borrower Security Trustee or the Bond Trustee:

- 12.4.1 the consideration for such supply shall (unless the Supplier in relation thereto is the Issuer, the Borrower Security Trustee or the Bond Trustee) be reduced to such amount as, with the addition thereto of the VAT chargeable on such supply, equals the original amount payable by the Recipient; or
- 12.4.2 if the consideration does not consist of, or wholly of, money, or the consideration actually paid is less than the amount in respect of or by reference to which VAT is charged, the Supplier shall (unless it is the Issuer, the Borrower Security Trustee or the Bond Trustee) pay to the Recipient an amount equal to the VAT chargeable on the supply no later than five (5) Business Days before the last day (which the Recipient shall notify the Supplier of in writing) on which the Recipient can account to the relevant Tax Authority for the VAT due in respect of that supply without incurring interest or penalties.

#### 12.5 **Costs and expenses**

- 12.5.1 References (including, for the avoidance of doubt, references within definitions) in any Finance Document to any fee, cost, loss, disbursement, commission, damages, expense, charge or other liability incurred by the

Borrower Security Trustee or the Bond Trustee and in respect of which the Borrower Security Trustee or the Bond Trustee (as appropriate) is to be reimbursed or indemnified by any other person under the terms of, or the amount of which is to be taken into account in any calculation or computation set out in, any Finance Document shall include such part of such fee, cost, loss, disbursement, commission, damages, expense, charge or other liability as represents any VAT and also any VAT for which the Borrower Security Trustee or the Bond Trustee (as appropriate) is required to account to any relevant Tax Authority under any regime applicable to acquisitions for VAT purposes or the Reverse Charge in relation to such fee, cost, loss, disbursement, commission, damages, expense, charge or other liability.

12.5.2 References in any Finance Document to any fee, cost, loss, disbursement, commission, damages, expense, charge or other liability incurred by any person (other than the Borrower Security Trustee or the Bond Trustee) that is a party to that Finance Document and in respect of which such person is to be reimbursed or indemnified by any other person under the terms of, or the amount of which is to be taken into account in any calculation or computation set out in, any Finance Document shall include such part of such fee, cost, loss, disbursement, commission, damages, expense, charge or other liability as represents any VAT and also any VAT for which such first person is required to account to the relevant Tax Authority under any regime applicable to acquisitions for VAT purposes or the Reverse Charge in relation to such fee, cost, loss, disbursement, commission, damages, expense, charge or other liability, but (in each such case) only to the extent that such first person is not entitled to a refund (by way of credit or repayment) in respect of such VAT from any relevant Tax Authority.

## **13. AMENDMENTS AND WAIVERS**

### **13.1 Change of currency**

If a change in any currency of a country occurs (including where there is more than one currency or currency unit recognised at the same time as the lawful currency of a country), the Finance Documents will be amended to the extent the relevant parties, or in the case of the Common Documents, the Borrower Security Trustee determines is necessary to reflect the change.

### **13.2 Waivers and remedies cumulative**

13.2.1 The rights of each Finance Party under the Finance Documents:

- (a) are subject to the provisions of the STID;
- (b) may be exercised as often as necessary;
- (c) are cumulative and not exclusive of its rights under the general law; and
- (d) may be waived only in writing and specifically.

13.2.2 Delay in exercising or non-exercise of any right (other than failure to vote within the period permitted) is not a waiver of that right.

14. **DISCLOSURE OF INFORMATION**

14.1 Each Finance Party must keep confidential any information supplied to it by or on behalf of any Obligor in connection with the Finance Documents or of which it may otherwise have become possessed. However, a Finance Party is entitled to disclose information:

14.1.1 to any person where such information is publicly available, other than as a result of a breach by that Finance Party of this Clause;

14.1.2 to any person in connection with any legal, administrative or arbitration proceedings;

14.1.3 to any person if required to do so under any law or regulation (including the rules of any applicable stock exchange or listing authority);

14.1.4 to a governmental, banking, taxation or other regulatory authority;

14.1.5 to its professional advisers (subject to first ensuring that such professional advisers are on notice that such information must be kept confidential);

14.1.6 to the Rating Agencies;

14.1.7 to any of the Issuer Secured Creditors;

14.1.8 to its reinsurers or any person with whom a party is negotiating reinsurance (subject to first ensuring that such persons are on notice that such information must be kept confidential);

14.1.9 to the extent allowed under Clause 14.2 below; or

14.1.10 with the agreement of the relevant Obligor.

14.2 A Finance Party may disclose to any of its Affiliates or any person with whom it may enter, or has entered into, any kind of transfer, participation or other agreement in relation to any Authorised Credit Facility (a "**participant**"):

14.2.1 a copy of any Finance Document;

14.2.2 a copy of any Information Memorandum; and

14.2.3 any information required by a participant in connection with its entry or potential entry into such transfer, participation or other agreement in relation to any Authorised Credit Facility which that Finance Party has acquired under or in connection with any Finance Document.

However, before a participant may receive any confidential information, it must agree with the relevant Finance Party to keep that information confidential on the terms of Clause 14.1 above.

- 14.3 This Clause 14 supersedes any previous confidentiality undertaking given by a Finance Party in connection with this Agreement prior to it becoming a Party.

## **15. SEVERABILITY**

If a term of a Finance Document is or becomes illegal, invalid or unenforceable in any jurisdiction, that shall not affect:

- 15.1.1 the legality, validity or enforceability in that jurisdiction of any other term of such Finance Document or any other Finance Document; or
- 15.1.2 the legality, validity or enforceability in other jurisdictions of that or any other term of such Finance Document.

## **16. COUNTERPARTS AND CERTIFICATES**

- 16.1 Each Finance Document may be executed manually or by facsimile in any number of counterparts. This has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.
- 16.2 Any certificate required under the Finance Documents to be executed by an officer or director of a Party shall be executed in the capacity as such officer or director (as applicable) and not in the signatory's personal capacity.

## **17. NOTICES**

### **17.1 In writing**

- 17.1.1 Any communication must be in writing and, unless otherwise stated in the relevant Finance Document, may be given in person, by post, fax, or email or any other electronic communication approved by the Borrower Security Trustee.
- 17.1.2 For the purposes of the Finance Documents, an electronic communication will be treated as being, subject to the obligations of the Issuer or any Obligor under any G&R Deed, any Surveillance Letter and Financial Guarantees, in writing.
- 17.1.3 Unless it is agreed to the contrary, any consent or agreement required under a Finance Document must be given in writing.

### **17.2 Contact details**

- 17.2.1 Except as provided below, the contact details of each Party for all

communications in connection with the Finance Documents are those notified by that Party for this purpose to the Borrower Security Trustee on or before the date it becomes a Party.

17.2.2 The contact details of the Security Parent for this purpose are:

Address: 130 Wilton Road, London SW1V 1LQ

Fax Number: +44 (0) 208 745 9972

Attention: Company Secretary

17.2.3 The contact details of the Asset Holdco for this purpose are:

Address: 130 Wilton Road, London SW1V 1LQ

Fax Number: +44 (0) 208 745 9972

Attention: Company Secretary

17.2.4 The contact details of HAL for this purpose are:

Address: 130 Wilton Road, London SW1V 1LQ

Fax Number: +44 (0) 208 745 9972

Attention: Company Secretary

17.2.5 The contact details of GAL for this purpose are:

Address: 130 Wilton Road, London SW1V 1LQ

Fax Number: +44 (0) 208 745 9972

Attention: Company Secretary

17.2.6 The contact details of STAL for this purpose are:

Address: 130 Wilton Road, London SW1V 1LQ

Fax Number: +44 (0) 208 745 9972

Attention: Company Secretary

17.2.7 The contact details of the Borrower Cash Manager for this purpose are:

Address: 130 Wilton Road, London SW1V 1LQ

Fax Number: +44 (0) 208 745 9972

Attention: Company Secretary

17.2.8 The contact details of the HEX Opco for this purpose are:

Address: 130 Wilton Road, London SW1V 1LQ  
Fax Number: +44 (0) 208 745 9972  
Attention: Company Secretary

17.2.9 The contact details of the Borrower Security Trustee for this purpose are:

Address: Deutsche Trust Company Limited  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
Fax Number: +44 207 547 5919  
Attention: The Managing Director (TSS-SFS)

17.2.10 The contact details of the Issuer for this purpose are:

Address: 130 Wilton Road, London SW1V 1LQ  
Fax Number: +44 (0) 208 745 9972  
Attention: Company Secretary

17.2.11 The contact details of the Initial Credit Facilities Agent for this purpose are:

Operations Address: The Royal Bank of Scotland plc  
Level 3  
2½ Devonshire Square  
London  
EC2M 4XJ  
Fax Number: 020 7615 7673  
Attention: Loans Administration / LAU  
Non-Operations Address: The Royal Bank of Scotland plc  
Level 5  
135 Bishopsgate  
London.  
EC2M 3UR  
Fax Number: 020 7085 4564  
Attention: Kerry Jessop, Syndicated Loans Agency

17.2.12 The contact details of EIB Lender for this purpose are:

Address: 100 boulevard Konrad Adenauer  
L-2950 Luxembourg - Kirchberg  
Fax Number: +352 4379 69394

Attention: Credit Risk Department  
Transaction Management and Restructuring

17.2.13 The contact details of the Initial Borrower Liquidity Facility Agent and the Initial Issuer Liquidity Facility Agent for this purpose are:

Operations Address: Lloyds TSB Bank plc  
Bank House  
Wine Street  
Bristol  
B51 2AN

Fax Number: 020 7158 3204

Attention: Wholesale Loans Servicing

Non-Operations Address: Lloyds TSB Bank plc  
10 Gresham Street  
London EC2V 7AE

Fax Number: 020 7158 3158

Attention: Wholesale Loans Agency

17.2.14 The contact details of the Refinancing Facility Agent for this purpose are:

Operations Address: The Royal Bank of Scotland plc  
Level 3  
2½ Devonshire Square  
London  
EC2M 4XJ

Fax Number: 020 7615 7673

Attention: Loans Administration / LAU

Non-Operations Address: The Royal Bank of Scotland plc  
Level 5  
135 Bishopsgate  
London.  
EC2M 3UR

Fax Number: 020 7085 4564

Attention: Kerry Jessop, Syndicated Loans Agency

17.2.15 The contact details of the Initial Issuer Hedge Counterparties for this purpose are:

Address: Citibank, N.A., London branch  
Citigroup Centre 2

25 Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

Attention: Head of Structured Support Team

Facsimile No.: +44 (0) 20 8636 3868 copy:

Address: Citibank, N.A., London branch  
Citigroup Centre 2  
25 Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

Attention: Head of Trading Legal Services, Europe

Facsimile No.: +44 (0) 20 7508 9118/9

Address: c/o RBS Global Banking & Markets  
280 Bishopsgate  
London, EC2M 4RB

Attention: Swaps Administration

Fax: +44 (0) 20 7085 5050

Telephone: +44 (0) 20 7085 5000  
With a copy to:

Address: c/o RBS Global Banking & Markets  
135 Bishopsgate  
London, EC2M 3UR

Attention: Head of Legal, Global Banking & Markets

Fax: +44 (0) 20 7085 8411

Address: Morgan Stanley & Co. International plc  
25 Cabot Square / Canary Wharf



London E14 4QA  
England

Fax Number: +1 212 404 9899

Attention: Miscellaneous Notices

Address: Barclays Bank plc  
5 The North Colonnade  
Canary Wharf  
London E14 4BB

Fax Number: 020 7773 4932

Attention: Derivatives Director, Legal Division (marked urgent)

Address: Banco Bilbao Vizcaya Argentaria, S.A  
Via de los Poblados s/n, 4 floor 28033  
Madrid

Fax Number: +34 91 537 0955 (documentation)  
+34 91 374 3135 (payments)

Attention: Treasury department - Documentation Isabel Martín  
Hickman

Address: Caja de Ahorros y Monte de Piedad de Madrid  
Paseo de la Castellana,  
189 28046  
Madrid, Spain

Attention: Maria Magdalena Gonzalez Vallejo  
Carlos Cubillo Marin  
José Luís López Rubio

Fax Number: 00 34 91 423 92 82

Address: Banco Santander, S.A.  
Ciudad Grupo Santander  
Edificio Marisma  
Avenida del Cantabria  
28660 Boadilla Del Monte,  
Madrid, Spain

Fax Number: +34 91 257 0466

Attention: Derivative Operations

Address: BNP PARIBAS  
10 Harewood Avenue  
London NW1 6AA

Attention: Legal and Transaction Management Group - ISDA

Fax Number: +44 (0) 207 595 2555  
cc

Address: BNP Paribas  
3 rue Taitbout  
75009 Paris  
France

Attention: + 33 (0) 1 4014 0114/ 5577 3261

Fax Number: Legal and Transaction Management Group - ISDA

Address: CALYON, S.A.  
Paseo de la Castellana, 1  
28046 Madrid  
Spain

Fax Number: + 34 91 4327502 / 03

Attention: Ignacio Abarrategui

Address: HSBC Bank plc  
Level 3, 8 Canada Square  
London E14 5HQ

Attention: Lee Frewin

Tel Number: 0207 991 1308

cc:

Address: HSBC Bank plc

Level 2, 8 Canada Square  
London E14 5HQ

Attention: Gary Plummer

Tel Number: 0207 991 9303

17.2.16 Any Party may change its contact details by giving at least 5 Business Days' notice to the Borrower Security Trustee or (in the case of the Borrower Security Trustee) to the other Parties.

17.2.17 Where a Party nominates a particular department or officer to receive a communication, a communication will not be effective if it fails to specify that department or officer.

### 17.3 Effectiveness

17.3.1 Except as provided below, any communication in connection with a Finance Document will be deemed to be given as follows:

- (a) if delivered in person, at the time of delivery;
- (b) if posted, 5 days after being deposited in the post, postage prepaid, in a correctly addressed envelope;
- (c) if by fax, when received in legible form; and

- (d) if by email or any other electronic communication, when received in legible form.

17.3.2 A communication given under sub-clause 17.3.1 above but received on a non-working day or after business hours in the place of receipt will only be deemed to be given on the next working day in that place.

17.3.3 A communication to the Borrower Security Trustee will only be effective on actual receipt by it.

#### 17.4 **The Obligors**

17.4.1 All communications under the Finance Documents other than in respect of a Request to or from an Obligor must (unless otherwise specified in a Finance Document) be sent through the Borrower Security Trustee.

17.4.2 All communications under:

- (a) the Finance Documents to or from an Obligor; or
- (b) the Issuer Transaction Documents to or from the Issuer, must be sent through the Security Group Agent.

17.4.3 Each of the Issuer and each Obligor irrevocably appoints BAA to act as its agent to give and receive all communications under the Finance Documents (and, in the case of the Issuer, the Issuer Transaction Documents) with effect from the date hereof and unless and until BAA's appointment as Shared Services Provider under the Shared Services Agreement is terminated.

17.4.4 Each Obligor (other than HAL) irrevocably appoints HAL to act as its agent and the Issuer irrevocably appoints HAL to act as its agent immediately upon any termination of BAA's agency pursuant to sub-clause 17.4.3 to give and receive all communications under the Finance Documents (and, in the case of the Issuer, the Issuer Transaction Documents).

17.4.5 Any communication given to the Security Group Agent in connection with a Finance Document will be deemed to have been given also to the Obligors and the Issuer.

17.4.6 The Borrower Security Trustee may assume that any communication made by the Security Group Agent is made with the consent of each Obligor and, to the extent necessary to obtain instructions or directions in relation to any matter in respect of which the Borrower Security Trustee is entitled to obtain instructions or directions in accordance with the terms of the STID, the Borrower Security Trustee shall be entitled to forward a copy of any such communication and any other communication, document or notice received by it to the Borrower Secured Creditors or any of them.

## **18. LANGUAGE**

- 18.1 Any notice given in connection with a Finance Document must be in English.
- 18.2 Any other document provided in connection with a Finance Document must be:
- 18.2.1 in English; or
  - 18.2.2 (unless the Borrower Security Trustee otherwise agrees) accompanied by a certified English translation. In this case, the English translation prevails unless the document is a statutory or other official document.

## **19. GOVERNING LAW**

This Agreement and all matters arising from or in connection with it are governed by English law.

## **20. ENFORCEMENT**

### **20.1 Jurisdiction**

- 20.1.1 The English courts have exclusive jurisdiction to settle and determine any dispute in connection with any Finance Document.
- 20.1.2 The English courts are the most appropriate and convenient courts to settle any such dispute and the Issuer and each Obligor waives objection to those courts on the grounds of inconvenient forum or otherwise in relation to proceedings in connection with any Finance Document.
- 20.1.3 This Clause 20 is for the benefit of the Finance Parties only. To the extent allowed by law, a Finance Party may take:
- (a) proceedings in any other court; and
  - (b) concurrent proceedings in any number of jurisdictions.

### **20.2 Waiver of immunity**

Each Obligor irrevocably and unconditionally:

- 20.2.1 agrees not to claim any immunity from proceedings brought by a Finance Party against it in relation to a Finance Document and to ensure that no such claim is made on its behalf;
- 20.2.2 consents generally to the giving of any relief or the issue of any process in connection with those proceedings; and
- 20.2.3 waives all rights of immunity in respect of it or its assets.

### **20.3 Third Party Rights**

A person who is not a party to this Agreement (other than in respect of (i) the covenant set out in paragraph 1 (*Financial Statements*) of Part 1 (*Information Covenants*) to

Schedule 2 (*Covenants*), the Bond Trustee; (ii) the covenant set out in paragraph 4 (*Investor Reports*) of Part 1 (*Information Covenants*) to Schedule 2 (*Covenants*), the Bond Trustee and the Paying Agents and (iii) the covenant set out in paragraph 11 (*Use of Websites*) of Part 1 (*Information Covenants*) to Schedule 2 (*Covenants*), the Bond Trustee and the Issuer Secured Creditors) has no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of a Finance Document.

#### 20.4 **Process Agent**

The Issuer agrees that the documents which start any proceedings relating to a dispute ("**Proceedings**") and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to BAA Limited at 130 Wilton Road, London SW1V 1LQ or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 1985. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of the Bond Trustee, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Bond Trustee shall be entitled to appoint such a person by written notice addressed to the Issuer. Nothing in this paragraph shall affect the right of the Bond Trustee or any other person to serve process in any other manner permitted by law. This clause applies to Proceedings in England and to Proceedings elsewhere.

#### 21. **EXECUTION**

Each Party shall be bound by the provisions of this Agreement through the execution by such Party of the Master Execution Deed and the provisions of Clause 2 (*Effect of Execution*) thereof.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

**SCHEDULE 1**  
**GENERAL REPRESENTATIONS**

**ALL OBLIGORS**

**1. Status**

- (a) It is a limited liability company, duly incorporated and validly existing under the laws of its jurisdiction of incorporation.
- (b) It has the power and authority to own, lease and operate its assets and carry on its business as it is being conducted.

**2. Powers and authority**

It has the power to enter into and perform, and has taken all necessary action to authorise the entry into and performance of, the Transaction Documents to which it is a party and the transactions contemplated by such Transaction Documents to the extent applicable to it.

**3. Legal validity**

Subject to the Reservations, each Transaction Document to which it is a party is a legal, valid, binding and enforceable obligation.

**4. Non-conflict**

The entry into and performance by it of, and the transactions contemplated by, the relevant Transaction Documents do not and will not conflict with:

- (a) any law or regulation applicable to it and which is material in the context of the transactions contemplated in the Transaction Documents;
- (b) its constitutional documents;
- (c) any document or agreement which is binding upon it; or
- (d) any licence that is required for the carrying on of its business.

**5. No Default or Trigger Event**

- (a) No Default or Trigger Event will result from the execution of, or the performance of any transaction contemplated by, any Transaction Document; and
- (b) no other event or circumstance is outstanding which constitutes (or, with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or termination event (however described) under any other agreement or instrument which is binding on it or any of its Subsidiaries or

to which its (or any of its Subsidiaries') assets are subject which has or is reasonably likely to have a Material Adverse Effect.

#### 6. **Validity and admissibility in evidence**

All acts, conditions and things required to be done, fulfilled and performed in order:

- (a) to enable it lawfully to enter into, exercise its rights under and perform and comply with the obligations expressed to be assumed by it in, or in connection with, the Transaction Documents; and
- (b) to make the Transaction Documents to which it is a party valid and admissible in evidence in any proceedings in its jurisdiction of incorporation,

have been done, fulfilled and performed (subject to the necessary registrations being completed) and, subject to certain Reservations, in any proceedings taken in relation to the Transaction Documents, the choice of English law will be recognised and enforced.

#### 7. **Authorisations**

All consents, licences, authorisations and approvals (including, without limitation, Environmental Permits):

- (a) required to be obtained by it to enable the consummation of the transactions constituted by the Transaction Documents to which it is a party have been obtained or will have been obtained before the Initial Issue Date; and
- (b) necessary for the conduct of its business substantially as conducted at the date hereof have been obtained or will be obtained prior to the Initial Issue Date, their terms and conditions have been complied with and they have not been and, so far as it is aware, will not be revoked or otherwise terminated as a result of entry into the Finance Documents and the consummation of the transactions constituted thereby,

in each case, which if not obtained or complied with, or which if revoked or terminated would otherwise reasonably be expected to have a Material Adverse Effect.

#### 8. **Intellectual Property**

- (a) To the best of its knowledge, it has the right to use all Intellectual Property Rights necessary for the conduct of its business.
- (b) To the best of its knowledge, no Intellectual Property Right owned by it is being infringed, nor does it know of any threatened infringement of any Intellectual Property Right, which in either case would reasonably be likely to have a Material Adverse Effect.

#### 9. **Financial statements**

- (a) Its Financial Statements:



- (i) have been prepared in accordance with Applicable Accounting Principles;
  - (ii) give a true and fair view of its financial condition (as well as if such Obligors were a statutory group for consolidation purposes) as at the date to which they were drawn up and the results of its operations during the relevant period for which they were prepared.
- (c) Except as disclosed to the contrary in its Financial Statements as at the end of the relevant period for which such Financial Statements were prepared, it is not subject to any contingent liabilities or commitments that, individually or in the aggregate, which would be reasonably likely to have a Material Adverse Effect.
- (d) No event has occurred or circumstance has arisen since the date of the last financial statements which has a Material Adverse Effect.

#### 10. Full Disclosure

- (a) Other than in respect of any Financial Guarantor Information, each Information Memorandum contains all material information, such information is true, accurate and complete in all material respects and is not misleading in any material respect, and the opinions and intentions expressed therein are honestly held and based on reasonable assumptions and there are no other facts in relation thereto the omission of which would make any statement in such Information Memorandum, as at the date thereof, or the opinions or intentions expressed therein misleading in any material respect, and all reasonable enquiries have been made to verify the foregoing.
- (b) The illustrative financial projections, forecasts and the underlying assumptions set out in (i) each Information Memorandum and (ii) any report supplied to the Finance Parties on or after the Initial Issue Date by any Obligor or its professional advisors in connection with the Finance Documents and/or the Base Prospectus, were prepared by it on the basis of recent historical information and on the basis of reasonable assumptions that were fair (as at the date of the relevant report or document containing the projection and/or forecast) and were arrived at after careful consideration and, as at the relevant date, were consistent with Applicable Accounting Principles (it being acknowledged by the Finance Parties that such projections and forecasts are subject to uncertainties and contingencies, many of which are beyond the Obligors' control, and that they may differ from actual results).
- (c) The information contained in any investor presentation authorised by the Obligors or the Security Group Agent on their behalf and given to any Bondholder or Authorised Credit Provider dated after the Initial Issue Date is as at the date on which such Investor Presentation is given not misleading in

any material respect and does not contain information which is inaccurate in any material respect.

- (d) All of the written information and reports supplied to the Finance Parties on or after the Initial Issue Date by or on behalf of any member of the BAA Group in connection with the Finance Documents (excluding any illustrative financial projection, forecast and/or underlying assumption covered by Paragraph 10(b) above and any report prepared by a third party professional adviser, consultant or expert and upon which the Borrower Security Trustee has express reliance):
- (i) in the case of factual information provided by any member of the BAA Group, is, to the best of its knowledge, true, complete and accurate in all material respects when provided, except to the extent superseded by subsequent information so provided; and
  - (ii) in the case of non-factual information, assumptions, forecasts or projections most recently provided by any member of the BAA Group to the Borrower Security Trustee or otherwise used by any member of the BAA Group as the basis for any calculations hereunder, is provided by such member of the BAA Group in good faith on reasonable grounds after careful consideration and enquiry by it in the context of which they were made, genuinely reflected its views as at the relevant date and were consistent with Applicable Accounting Principles; and

in each case, it was not to the best of its knowledge, at the time when the information was so supplied or used, aware of any material facts or circumstances that were not disclosed to the Borrower Security Trustee which would have rendered such information materially inaccurate or misleading as at the relevant date.

## **11. Litigation**

No litigation, arbitration, administrative proceedings or other proceedings are current or, to its knowledge, pending or threatened in writing, against it or its assets save as disclosed in the Base Prospectus as at the Initial Issue Date (excluding any frivolous or vexatious claims) which, if adversely determined, would reasonably be expected to have a Material Adverse Effect.

## **12. Environmental compliance**

It has observed in all respects all Environmental Law necessary for the conduct of its business where in any such case any failure to comply would be reasonably expected to have a Material Adverse Effect.

**13. Environmental claims**

No Environmental Claim has been commenced against it where such claim is reasonably likely to be adversely determined against it and, if so determined, would be reasonably likely to have a Material Adverse Effect.

**14. Property**

- (a) All documentation and other information in relation to the land and buildings that together comprise the Designated Airports and the Leased Premises supplied by the relevant Borrower in connection with the preparation of the Certificates of Title and the preparation of the Title Reports were, as at the date at which they were stated to be given, true and accurate in all material respects and, since the date of each Certificate of Title and Title Reports, there has been no change to the information provided which would render a Certificate of Title and Title Reports untrue or misleading in such a manner as would reasonably be expected to have a Material Adverse Effect.
- (b) Save as disclosed in the Certificates of Title and the Title Reports and subject to any necessary registrations at the Land Registry, the relevant Borrower is the absolute legal and beneficial owner of the land and buildings that together comprise the relevant Designated Airport and the Leased Premises and is entitled to use such Designated Airport and the Leased Premises as is reasonably necessary to carry on its respective business as presently conducted and (save where consent of a third party is required to dispose of any Leased Premises (except where such consent is not to be unreasonably withheld, or where lack of such title to any Leased Premises would not be reasonably expected to have a Material Adverse Effect) has a good and marketable title in its own name to its interests in the land and buildings that together comprise the Designated Airport and the Leased Premises.
- (c) Save as disclosed in the Certificates of Title and the Title Reports, there are no exceptions, reservations, easements, rights, privileges, covenants, restrictions, or encumbrances (including any arising under statute or any statutory power) affecting, or any breaches of any such matters or of town and country planning legislation (and any orders, regulations, consents or permissions made or granted under any of the same) affecting, or resolutions or proposals for the compulsory acquisition of any of the Designated Airports and the Leased Premises or any means of access to or egress therefrom, which would reasonably be expected to have a Material Adverse Effect.

**15. Ownership**

As at the date of the Master Execution Deed:

- (a) Security Parent owns legally and beneficially 100 per cent. of the issued share capital of Asset Holdco.

- (b) (i) HAL is a 100 per cent. subsidiary of Asset Holdco; (ii) GAL is a 100 per cent. subsidiary of Asset Holdco; and (iii) STAL is a 100 per cent. subsidiary of Asset Holdco.
- (c) Security Parent has no subsidiaries other than the other Obligors and the Issuer.
- (d) HAL has no subsidiaries other than HEX Opco and Heathrow Airport Community Board Insulation Limited. HAL owns legally and beneficially 100 per cent. of the issued share capital of HEX Opco and Heathrow Airport Community Board Insulation Limited.
- (e) GAL has no subsidiaries.
- (f) STAL has no subsidiaries.
- (g) HEX Opco has no subsidiaries.

**16. Status of security**

- (a) Save as disclosed in the Certificates of Title and the Title Reports, it is the absolute legal and/or beneficial owner of all of the material assets or of its interests in such assets (subject to Permitted Security Interests or any other Security Interest permitted under the Transaction Documents) over which it purports to create a Security Interest under the Security Documents and which are necessary to own to enable it to carry on its business.
- (b) Subject to the Reservations, each Security Document to which it is a party confers the Security Interests it purports to confer over all of the assets referred to in it and those Security Interests are not subject to any prior or *pari passu* Security Interests (other than any Permitted Security Interest).

**17. Insurances**

All Insurances, which are required to be maintained or effected by it or any other person under any Finance Document, are in full force and effect as set out in Schedule 11 (*Insurances*) of this Agreement.

**18. Pension Arrangements**

No Obligor is or (other than HEX Opco) has been an employer (for the purposes of sections 38 to 51 of the Pension Act 2004) of an occupational pension scheme (other than a money purchase scheme) or (save in respect of the BAA Pension Scheme) connected or associated with such an employer.

**19. Issue of Share Capital**

- (a) Save as permitted and except as contemplated by the terms of the Transaction Documents, there are no agreements in force or corporate resolutions passed which call for the present or further issue or allotment of, or grant to any person the right (whether conditional or otherwise) to call for the issue or

allotment of any share (or equivalent) loan note or loan capital of it (including an option or right of pre-emption or conversion).

- (b) Except as contemplated by the terms of the Transaction Documents, no person, firm or company has any right to participate in its profits or to call for the issue or transfer by it of any of its share capital or loan stock and no contract or arrangements, conditional or unconditional, exist whereby any person, firm or company may acquire or exercise any such right other than pursuant to the Transaction Documents.

20. **Compliance with Laws**

No practice, procedure or policy employed by it in the conduct of its business violates any judgment, law, regulation, order or decree applicable to it and which violation, if enforced, would be reasonably likely to have a Material Adverse Effect.

21. **No winding up or Insolvency Event**

- (a) It has not taken any corporate action or any other steps for its winding-up, dissolution, administration, reconstruction or amalgamation or for the appointment of an Insolvency Official or similar officer of it or of any or all of its assets or revenues.
- (b) Legal proceedings have not been served on it nor (to the best of its knowledge) are any proceedings pending or threatened in writing against it for its winding-up, dissolution, administration or reorganisation nor for the appointment of an Insolvency Official or similar officer of it or of any or all of its assets or revenues.
- (c) No Insolvency Event has occurred or is continuing in relation to it.

22. **Choice of Law**

Subject to the Reservations, in any proceedings taken in relation to the Transaction Documents, the choice of English law will be recognised and enforced.

23. **Ranking of Borrower Secured Claims**

The claims of (i) Borrower Secured Creditors to the extent that they are secured pursuant to the Security Agreement and (ii) the Issuer pursuant to the Obligor Floating Charge Agreement against each Obligor will rank (subject to the Reservations), prior to the claims of all its other unsecured and unsubordinated creditors.

24. **Negative pledge**

As at the Initial Issue Date, there is no Security Interest on the Equipment or any of its present or future revenues or assets other than Permitted Security Interests.

25. **Financial Indebtedness**

- (a) No Obligor has any outstanding Financial Indebtedness other than Permitted Financial Indebtedness.
- (b) As at the Initial Issue Date, no Obligor is liable in any manner in respect of any Financial Indebtedness (including by way of primary obligor, guarantor, surety or any other manner) that is not Senior Debt or Junior Debt, the initial providers of which have (directly or through their Representatives) executed the STID and this Agreement or Permitted Financial Indebtedness falling within the categories listed in Paragraphs (a)(iv), (v), (vi), (viii) and (ix) and (b)(iii), (iv), (v), (vi) and (vii) of the definition of Permitted Financial Indebtedness.

**26. Loans and Credit**

No loan made by any Obligor to any other person or guarantee by any Obligor of the obligations of any other person to a third party is outstanding immediately following the issue of Bonds on the Initial Issue Date other than (i) pursuant to the Finance Documents (including, as set out under Paragraph 20 (*Amendments to constitutional documents and other documents*) of Part 3 (*General Covenants*) of Schedule 2 (*Covenants*), under the Borrower Loan Agreement); (ii) under any Permitted Inter-Company Loan or Permitted Non-Migrated Bond Distribution; and (iii) under any Permitted Financial Indebtedness.

**27. Arm's length terms**

No Obligor has any subsisting arrangement or contract with any person otherwise than on an arm's-length basis other than in respect of:

- (a) dealings between Obligors;
- (b) any licence or lease granted to HM Revenue & Customs, Immigration Services, Metropolitan Police Special Branch or any other public service to occupy space at the Designated Airports and the Leased Premises at no cost or any cost that is below market rates or which is otherwise required to be granted by statute or applicable law; and
- (c) dealings between BAA and the Obligors pursuant to the Shared Services Agreement or the SSA Ancillary Documents provided that this exception shall not apply to the overall pricing and economic effect under the Shared Services Agreement and the SSA Ancillary Documents, in respect of which the Obligors represent are such as would have been agreed between independent parties acting at arm's length,

unless such transaction was expressly permitted under the terms of the Finance Documents.

**28. Contracting Policies**

As of the Initial Issue Date, each Borrower is party to each existing Material Capex Agreement and Material O&M Agreement that has been procured on its behalf by

BAA and such Borrower has not assigned any of its rights or benefit thereunder other than pursuant to the Security Agreement.

**29. Centre of Main Interests**

- (a) Its centre of main interests for the purpose of Council Regulation (EC) No 1346/2000 is the United Kingdom.
- (b) It does not have an establishment for the purposes of Council Regulation (EC) No 1346/2000 in any jurisdiction other than that its jurisdiction of incorporation.

**30. Security Shares**

As at the Initial Issue Date, the Security Shares (as such term is defined in Security Agreement) are issued, fully paid, non-assessable and freely transferable and constitute shares in the capital of limited companies, and there are no moneys or liabilities outstanding or payable in respect of any such share.

**31. Excluded Property**

As at the Initial Issue Date, the value of the Excluded Property of each Borrower is less than 5 per cent. of the RAB of such Borrower.

## SCHEDULE 2 COVENANTS

### Part 1 Information Covenants

#### 1. Financial Statements

The Security Group Agent must supply to the Borrower Security Trustee, the Issuer, the Bond Trustee and each Relevant Financial Guarantor in sufficient copies for all the Borrower Secured Creditors:

- (a) consolidated audited financial statements of the Security Group and the Issuer together, prepared as if they constituted a statutory group for consolidation purposes, and related auditors' opinion within 180 days after the end of the preceding financial year (such financial statements to comprise profit and loss account, balance sheet and cashflow statement);
- (b) consolidated, unaudited financial statements of the Security Group and the Issuer together, prepared as if they constituted a statutory group for consolidation purposes, for the first financial half-year in each financial year within 180 days after the end of such financial half-year (such financial statements to comprise profit and loss account, balance sheet and cashflow statement for such financial half-year); and
- (c) the Regulatory Accounts within 90 days of the end of each regulatory year.

#### 2. Compliance Certificate

- (a) The Security Group Agent must, by each Reporting Date starting with respect to the Reporting Date falling in December 2008, supply to the Borrower Security Trustee, the Issuer, each Rating Agency and each Relevant Financial Guarantor a Compliance Certificate with the financial statements required in Paragraph 1 (*Financial Statements*) of this Part 1 (*Information Covenants*) of Schedule 2 (*Covenants*), which certificate shall not be distributed to other Borrower Secured Creditors or Issuer Secured Creditors save, in the case of the Borrower Security Trustee, to the extent the Borrower Security Trustee considers it necessary to do so for the purposes of obtaining instructions under the STID. Such Compliance Certificate shall be accompanied by a confirmation as more particularly described in Paragraph 1(a) (*Confirmations regarding Calculations*) of Part 2 (*Financial Information*) of Schedule 2 (*Covenants*) confirming:
  - (i) the historical ratios (other than, in respect of each Reporting Date prior to the Reporting Date falling in June 2010, the historical Senior ICR and historical Junior ICR) and forward looking ratios of items (a) to (d) of Paragraph 2 (*Financial Ratios*) of Part 2 (*Financial Information*) of this Schedule 2 (*Covenants*) and calculations thereof in reasonable detail;



- (ii) summary details of any acquisition or disposal of Subsidiaries or Subsidiary undertakings by any Obligor and of any company or business or Material Disposals by any Obligor, in each case since the previously delivered Compliance Certificate (or, if none, the Initial Issue Date);
  - (iii) the balance on the Insurance Proceeds Account and any Disposal Proceeds Account; and
  - (iv) the amounts of any Restricted Payment made since the date of the previous Compliance Certificate and if a Forecasting Event has occurred and is continuing, the forecasted Restricted Payments which are to be made within the 90 day period commencing on the date of delivery of such Compliance Certificate.
- (b) The Borrower Security Trustee will have the right on the instructions of the Qualifying Borrower Secured Creditors holding at least 10 per cent. of Qualifying Borrower Debt in accordance with clause 24 (*QBS Creditor Instructions*) of the STID) to investigate the calculations contained in any Compliance Certificate or Investor Report or in either case any accompanying statement and to call for other substantiating evidence (and the Obligors will be required to promptly provide or procure the provision of such information as the Borrower Security Trustee shall reasonably request) if it certifies to the Security Group Agent that it or such Borrower Secured Creditors have reason to believe that the historical or forward-looking ratios (or with respect to any Compliance Certificate confirmation of compliance with the financial ratios) set out in the statement are incorrect or misleading.
- (c) The Compliance Certificate must be signed by the Finance Director or Chief Financial Officer of the Security Group Agent on behalf of the Obligors confirming, to the best of such person's knowledge, that:
  - (i) the statement is accurate in all material respects;
  - (ii) no Default or Trigger Event or Forecasting Event has occurred or is continuing, or if a Default or Trigger Event or Forecasting Event has occurred and is continuing, steps (which shall be specified) are being taken to remedy such Default or Trigger Event; and
  - (iii) the Group is in compliance with the Hedging Policy.
- (d) Each Obligor must ensure that all forward-looking financial ratio calculations and projections made by such Obligor for the purpose of making the statement in Paragraph (c)(ii) above contained in each Compliance Certificate:
  - (i) are made on the basis of assumptions made in good faith and arrived at after due and careful consideration;

- (ii) are consistent and updated by reference to the most recently available financial information required to be produced by each Borrower under this Schedule 2 (*Covenants*); and
  - (iii) are consistent with the Applicable Accounting Principles (insofar as such Applicable Accounting Principles reasonably apply to such calculations and projections).
- (e) If a Compliance Certificate states that a Trigger Event has occurred, such Compliance Certificate and each Compliance Certificate to be supplied thereafter until the Trigger Event is no longer continuing shall be accompanied by a statement confirming the Treasury Transactions then in place between any of the Borrowers or the Issuer on the one hand and any of the Hedging Counterparties on the other and setting out a summary of the hedging arrangements, including levels of over-hedging and details of any forward-starting Treasury Transactions.
- (f) A "**Forecasting Event**" will be treated as having occurred:
- (i) if and for so long as a Compliance Certificate supplied pursuant to Paragraph 2(a) above or Investor Report supplied pursuant to Paragraph 4 below shall specify that by reference to the most recently occurring Calculation Date:
    - (1) the Senior ICR for any Relevant Period is or is estimated to be less than 1.60;
    - (2) the Junior ICR for any Relevant Period is or is estimated to be less than 1.40;
    - (3) the Senior RAR as at any Relevant Date prior to 1 April 2018 is or is estimated to be, more than 0.70 and thereafter is or is estimated to be more than 0.725;
    - (4) the Junior RAR as at any Relevant Date is or is estimated to be more than 0.85; or
  - (ii) in respect of each Reporting Date, if the Compliance Certificate supplied pursuant to Paragraph 2(a) above or Investor Report supplied pursuant to Paragraph 4 below specifies that the Shared Services Agreement has terminated and that the provisions of clause 19.5 of the Shared Services Agreement continue to apply as at such Reporting Date.

### 3. **Auditors' Review**

If, notwithstanding the investigations made by the Borrower Security Trustee in accordance with Paragraph 2(b) above, the Borrower Security Trustee has not received explanations or evidence satisfactory to it or any Borrower Secured Creditor instructing it

pursuant to clause 24 (*QBS Creditor Instructions*) of the STID with respect to the accuracy and correctness of the financial ratios set out in the Compliance Certificate or the confirmation of compliance with the financial ratios, the Security Group Agent must, upon the request of the Borrower Security Trustee (as directed by the Borrower Secured Creditors in accordance with the STID), at the Security Group's cost, use all reasonable endeavours (subject to the Borrower Security Trustee signing any letters or confirmations that may reasonably (in the opinion of the Borrower Security Trustee) be required by the Auditors or the Reporting Accountants in this regard) to arrange for the Auditors, or if the Auditors are unable or unwilling to provide the services, the Reporting Accountants, to perform agreed procedures in connection with such financial information reviewed by the Auditors or Reporting Accountants (as the case may be) and a copy of the Auditor's or Reporting Accountants' (as the case may be) report must be delivered, subject to the Borrower Security Trustee signing any letters reasonably (in the opinion of the Borrower Security Trustee) required by the Auditors or the Reporting Accountants in this regard, to the Borrower Security Trustee. Prior to the occurrence of a Trigger Event, the Borrower Security Trustee will not be entitled to request the review of the information provided to it by the Security Group Agent, the Auditors or (as the case may be) Reporting Accountants at the cost of the Obligors on more than five occasions in any Five Year Period.

#### 4. **Investor Reports**

- (a) In addition to the Compliance Certificate and statement provided pursuant to Paragraph 2 (*Compliance Certificate*) above, the Security Group Agent (on behalf of each Obligor) must supply, by each Reporting Date starting with the Reporting Date falling in December 2008, to the Borrower Security Trustee, the Bond Trustee, each Rating Agency, the Paying Agents on behalf of the Issuer in sufficient copies for all of the relevant Borrower Secured Creditors, each Financial Guarantor and each other Issuer Secured Creditor, an Investor Report.
- (b) Each Investor Report must include:
  - (i) for so long as such Investor Report does not state that a Forecasting Event has occurred and is continuing, the historical ratios and the 12-Month Forward-Looking Ratios of items (a) to (d) of Paragraph 2 (*Financial Ratios*) of Part 2 (*Financial Information*) of this Schedule 2 (*Covenants*) and calculations thereof in reasonable detail and, if such Investor Report states that a Forecasting Event has occurred and for each Investor Report to be supplied thereafter until the Forecasting Event is no longer continuing but, for the avoidance of doubt, including the Investor Report which first states that such Forecasting Event is no longer continuing, such Investor Report shall also be accompanied by a statement confirming the forward looking ratios and calculations thereof in reasonable detail, provided that in each case the historical Senior ICR and historical Junior ICR do not need to be calculated for any Reporting Date prior to the Reporting Date falling on 30 June 2010;
  - (ii) a general update of the following including narrative and details of any key changes:

- (1) General overview;
  - (2) Regulatory and business developments;
  - (3) Capital expenditure;
  - (4) Outsourcing;
  - (5) Financing;
  - (6) Acquisitions and disposals;
  - (7) Current hedging position;
  - (8) Joint Ventures which are Obligors and Permitted Joint Ventures;  
and
  - (9) Performance penalties in respect of any Designated Airport;
- (iii) in respect of the Reporting Date falling on 30 June of each year, a capital investment plan setting out the medium term forecast capital expenditure of the Security Group or, if such a plan is not available, a capital expenditure forecast to the end of the then current Regulatory Period;
- (iv) confirmation of the amount of any Restricted Payment made since the date of the previous Investor Report and if a Forecasting Event has occurred and is continuing, any forecasted Restricted Payments which are to be made within the 90 day period commencing on the date of delivery of such Investor Report;
- (v) confirmation that:
- (1) the Investor Report is accurate in all material respects;
  - (2) no Default or Trigger Event has occurred and is continuing, or if a Default or Trigger Event has occurred and is continuing, steps (which shall be specified) are being taken to remedy such Default or Trigger Event; and
  - (3) the Group is in compliance with the Hedging Policy; and
- (vi) the aggregate lease liability, calculated in accordance with Applicable Accounting Principles, of all leases classified as Existing Operating Leases as at the most recent Reporting Date.
- (c) Each Obligor must ensure that all forward-looking financial ratio calculations and projections made by such Obligor for the purpose of making the confirmation in Paragraph 4(b)(v)(2) above:
- (i) are made on the basis of assumptions made in good faith and arrived at after due and careful consideration;

- (ii) are consistent and updated by reference to the most recently available financial information required to be produced by each Obligor under this Schedule 2 (*Covenants*); and
- (iii) are consistent with the Applicable Accounting Principles (insofar as such Applicable Accounting Principles reasonably apply to such calculations and projections).

## 5. **Form of financial statements**

- (a) The Security Group Agent must ensure that each set of Financial Statements supplied by it under Paragraphs 1(a) and (b) of this Part 1 (*Information Covenants*) of Schedule 2 (*Covenants*):
  - (i) is prepared in accordance with Applicable Accounting Principles and includes a cashflow statement, a profit and loss statement and a balance sheet, where applicable; and
  - (ii) gives a true and fair view of or, in the case of any unaudited Financial Statement, fairly presents its financial condition (consolidated or otherwise) as at the date to which those Financial Statements were drawn up and of the results of its operations during such period.
- (b) The *Security* Group Agent must notify the Borrower Security Trustee of any material change to the basis on which its audited consolidated Financial Statements or the Regulatory Accounts of any Borrower are prepared.
- (c) In respect of the calculation of any financial ratio, if the change notified under Paragraph 5(b) above could reasonably be expected to result in a deviation of equal to or greater than 3 per cent. from the result of the calculation of such financial ratio if such change had not occurred, the Security Group Agent shall, subject as *provided* below, appoint an international firm of auditors (acting as expert and not as an arbitrator) approved by the Borrower Security Trustee (such approval not to be unreasonably withheld or delayed) or, failing that approval, nominated (on the application of the Borrower Security Trustee) by the President for the time being of the Institute of Chartered Accountants of England and Wales (the costs of that nomination and of the auditors being payable by the Obligors) to determine the amendments required to be made to the Trigger Event Ratio Levels contained in this Agreement to place the Security Group Agent and the Borrower Security Trustee in a comparable position to that in which they would have been if the change notified in paragraph 5(b) above had not happened and the determination of any such auditors shall be final and binding upon the parties to this Agreement. Prior to the Security Group Agent appointing auditors as described above, the Borrower Security Trustee shall, if directed in accordance with clause 24 (*QBS Creditor Instructions*) of the STID (and subject as provided in the STID), enter into discussions for a period of not more than 60 days with a view to agreeing any amendments required to be made to the Trigger Event Ratio Levels contained within this Agreement to place the Security Group and the Borrower Security

Trustee in a comparable position to that in which they would have been if the change notified under Paragraph 5(b) above had not happened. Any agreement between the Security Group Agent and the Borrower Security Trustee in respect of such calculation will be subject to receipt by the Borrower Security Trustee of a direction given in accordance with clause 24 (*QBS Creditor Instructions*) of the STID and will be binding on all the Parties. If no agreement is reached between the Security Group Agent and the Borrower Security Trustee (acting as directed pursuant to clause 24 (*QBS Creditor Instructions*) of the STID) then the Security Group Agent will appoint an international firm of auditors in the manner and for the purpose described above.

## **6. Base Prospectus**

Each Obligor shall ensure that the Base Prospectus of the Issuer is updated as required under applicable laws or market practice before the Issuer seeks to issue any further series or tranches of Bonds after the validity period following the filing of the latest update (or, if none, the original filing of the Base Prospectus) has expired.

## **7. Obligor Information**

- (a) So far as permitted by any applicable law, regulation, order or any binding confidentiality obligations, each Obligor must supply to the Borrower Security Trustee:
  - (i) as soon as reasonably practicable after becoming aware of the same but subject to Paragraph 7(c) below, details of any communication, enquiry, investigation or proceeding with, from or involving any Regulator or other governmental authority where such communication relates to a matter which may have a Material Adverse Effect or where such enquiry, investigation or proceeding, if adversely determined, might reasonably be expected to have a Material Adverse Effect; and
  - (ii) such material information (including hedging information) about the business and financial condition of an Obligor which can be requested by the Borrower Security Trustee on the instructions of Qualifying Borrower Creditors holding at least 10 per cent. of the Qualifying Borrower Debt.
- (b) If any duty of confidentiality would preclude disclosure of the relevant details of any enquiry, investigation, proceeding or other information outlined in Paragraphs 7(a)(i) or (ii) above to the Borrower Security Trustee, the relevant Obligor shall use its reasonable endeavours to obtain the consent of the applicable Regulator or other governmental authority (or any other third party to whom a duty of confidentiality is owed) to such disclosure on the basis that such information shall remain confidential and shall not be disclosed by any recipient for so long as such information remains confidential.
- (c) Nothing in this Paragraph 7 shall oblige any Obligor:

- (i) if a Forecast Event has not occurred or is not continuing to supply any information that would not otherwise be required to be made available in any Compliance Certificate prior to the occurrence of a Forecast Event;
- (ii) to disclose any information regarding any contract, agreement, arrangement or approval which is, in the reasonable opinion of such Obligor, material to the business and interests of such Obligor or the Security Group taken as a whole and which is, in the reasonable opinion of such Obligor, of significant commercial sensitivity such that the disclosure of such information, might reasonably be expected to be materially prejudicial to the process of concluding such contract, agreement or arrangement or obtaining such approval or concluding any modification to any of the foregoing unless and until such time as (i) the relevant contract, agreement or arrangement or any modification thereof has been concluded or the relevant approval obtained or declined or, if earlier, (ii) such Obligor or any Affiliate thereof is obliged by law, regulation or any rule of any applicable listing authority or stock exchange to publish details regarding the status of such contract, agreement or approval; or
- (iii) to supply details of any communication, enquiry, investigation or proceeding of a preliminary nature unless and until there is a reasonable prospect that the matters addressed by such communication, enquiry, investigation or proceeding are reasonably likely to proceed in such a manner that, if adversely determined, might reasonably be expected to have a Material Adverse Effect.

## **8. SSA Reports**

The Borrower Security Trustee will have the right (on the instructions of Qualifying Borrower Secured Creditors holding at least 10 per cent. of Qualifying Borrower Debt in accordance with clause 24 (*QBS Creditor Instructions*) of the STID) to investigate any matter disclosed in any SSA Report and the Obligors shall promptly provide or procure the provision of such responses and substantiating evidence as the Borrower Security Trustee shall reasonably request.

## **9. Information - miscellaneous**

The Obligors must supply to the Borrower Security Trustee and each Financial Guarantor the following:

- (a) promptly upon becoming aware of such event, details of:
  - (i) any litigation, arbitration, administrative proceedings, statutory notice (including any enforcement or prohibition notice), claim, or other proceeding ("**Proceedings**") which are current, threatened in writing or pending and which if adversely determined, would be reasonably likely to have a Material Adverse Effect; and

- (ii) any Proceedings which had not previously been considered would have a Material Adverse Effect if at any time the circumstances of the Proceedings change such that they would be reasonably likely to have a Material Adverse Effect, and set out the action to be taken with respect to such matters;
- (b) promptly upon becoming aware of them, details concerning any Obligor and/or any debt obligations of such Obligor being placed on credit watch with negative implications;
- (c) all information as required pursuant to Paragraph 12 of Schedule 11 (Insurances); and
- (d) as soon as reasonably practicable upon becoming aware of such event, details of any non compliance with any judgment, law, regulation order or decree applicable to any of them and which non-compliance would, if enforced, be likely to have a Material Adverse Effect.

**10. Notification of Default and Trigger Event**

- (a) Unless the Borrower Security Trustee has already been so notified by another Obligor, each Obligor (or the Security Group Agent on its behalf) must notify the Borrower Security Trustee of any Default or Trigger Event relating to it (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.
- (b) Promptly following any reasonable request by the Borrower Security Trustee, the Security Group Agent must supply to the Borrower Security Trustee a certificate, signed by two of its authorised signatories on its behalf, certifying that no Default or Trigger Event is outstanding and of which it is aware, having made all reasonable enquiries or, if a Default or Trigger Event is outstanding, specifying the Default or Trigger Event and the steps, if any, being taken or proposed to be taken to remedy it.

**11. Use of websites**

- (a) Except as provided below and subject to the terms of any Surveillance Letter, an Obligor (or the Security Group Agent on its behalf) may deliver any information under this Agreement to a Borrower Secured Creditor or an Issuer Secured Creditor (including Bondholders) by posting it on to an electronic website provided:
  - (i) the Obligor designates an electronic website (without password protection) (the "**Designated Website**") for this purpose; and
  - (ii) the Obligor notifies such persons of the address of the Designated Website.



Each Obligor may designate a third party to operate and manage the Designated Website on its behalf.

- (b) The Obligors or the Security Group Agent must promptly upon becoming aware of its occurrence, notify the Borrower Security Trustee and the Bond Trustee if:
  - (i) the Designated Website cannot be accessed for a period of 5 Business Days;  
or
  - (ii) the Designated Website or any information on the website is infected by any electronic virus or similar software for a period of 5 Business Days.

If the circumstances in sub-paragraphs (b)(i) or (ii) above occur, each relevant Obligor must supply all information required to be delivered under this Agreement to the Borrower Security Trustee and the Bond Trustee in paper form with such copies as may be requested by any Finance Party or Issuer Secured Creditor.

## **12. Review of Finance Leases**

If a Borrower enters into a Finance Lease the capitalised amount of which exceeds 5 per cent. of Total RAB, then such Borrower shall promptly following its entry into such Finance Lease provide to S&P the details of such Finance Lease.

**Part 2**  
**Financial Information**

**1. Confirmations regarding Calculations**

- (a) The Obligors shall in each Compliance Certificate pursuant to Paragraph 2 (*Compliance Certificate*) of Part 1 (*Information Covenants*) of this Schedule 2 (*Covenants*), confirm that each of the historical ratios and forward-looking ratios listed in paragraph 2 (*Financial Ratios*) below has been calculated, specify the results of such calculations and provide a copy of the computations made in respect of the calculation of such ratios and to confirm in each Investor Report pursuant to Paragraph 4 (*Investor Reports*) of Part 1 (*Information Covenants*) of this Schedule 2 (*Covenants*) that each of the historical ratios and the 12 Month Forward-Looking Ratios, and, in the case of each Investor Report for so long as a Forecasting Event has occurred and is continuing, all forward-looking ratios listed below have been calculated, specifying the results of such calculations and providing a copy of the computations made in respect of the calculation of such ratios in reasonable detail.
- (b) The historical ratios shall be calculated using the audited Financial Statements (or unaudited Financial Statements or management accounts if audited Financial Statements are not available on such date) and, if applicable, Regulatory Accounts delivered together with the relevant Compliance Certificate, and (in the case of forward-looking ratios) prepared in accordance with Paragraph 2(d) of Schedule 2, Part 1 (*Information Covenants*) of this Agreement.

**2. Financial Ratios**

The ratios to be calculated by each Reporting Date are as follows:

- (a) the Senior ICR for each Relevant Period;
- (b) the Junior ICR for each Relevant Period;
- (c) the Senior RAR as at each Relevant Date; and
- (d) the Junior RAR as at each Relevant Date.

The historical Senior ICR and historical Junior ICR do not need to be calculated for any Reporting Date prior to the Reporting Date falling on 30 June 2010.

**3. Year end**

- (a) An Obligor may change its financial year end or regulatory year end for regulatory or statutory purposes subject to:
- (i) in the case of regulatory year end changes to be made at the request of a Regulator or to align the relevant Obligors' financial year and regulatory year, by providing written notification of the new year end and other relevant dates (including new Reporting Dates and Calculation Dates) to the

Borrower Security Trustee at least 2 months in advance of the date such change is required to be effected or proposed to be made provided that in the case of regulatory year end changes to be made at the request of a Regulator where the Regulator provides less than 2 months' notice of such requirement, such written notification shall be provided to the Borrower Security Trustee promptly following the request from the Regulator; and

- (ii) in the case of other year-end changes, subject to Borrower Security Trustee consent, not to be unreasonably withheld and the Borrower Security Trustee receiving not less than 3 months notice of such year end changes.
- (b) Where the financial year end has changed in accordance with Paragraph 3(a) above, the relevant Obligor shall change the financial trigger calculations described in Part 1 (*Information Covenants*) of this Schedule 2 (*Covenants*) in such manner as a financial advisor or firm of accountants of international repute appointed by the Security Group Agent on behalf of the Obligors and approved by the Borrower Security Trustee shall certify to the Borrower Security Trustee (upon which certificate the Borrower Security Trustee shall be entitled to rely) are necessary to enable such calculations to continue to be calculated from the relevant consolidated financial statements of the Security Parent or Regulatory Accounts of the Obligors (as appropriate) **provided that** if no such agreement is reached within 60 days of the date of such change of financial year end, the provisions of Paragraph 5(c) (*Form of Financial Statements*) of Part 1 (*Information Covenants*) of this Schedule 2 (*Covenants*) shall apply *mutatis mutandis*.

#### 4. **Earnings from Investments**

In calculating the ratios pursuant to Paragraph 2 (*Financial Ratios*) of this Part 2 (*Financial Information*) of Schedule 2 (*Covenants*), each Obligor shall ensure that:

- (a) earnings from any Joint Ventures which are not Obligors will:
  - (i) only contribute towards a maximum of 5 per cent. of Cashflow from Operations (unless a Ratings Confirmation from at least two Rating Agencies (including S&P) is obtained in advance and **provided that** the contribution of earnings from such Joint Ventures shall not, notwithstanding such Ratings Confirmation, exceed 10 per cent. of Cashflow from Operations); and
  - (ii) only be treated as "earned" to the extent that cash is actually received or was received by any of the Obligors for the benefit of such Obligor; and

- (b) with respect to any earnings during the Relevant Period from Joint Ventures (regardless of whether such Joint Ventures are Obligors) such earnings shall not include any profit that is ultimately intended for the benefit of, or to be repaid to, the partner of the relevant Joint Venture during the Relevant Period.

5. **Financial Indebtedness**

To the extent that a Joint Venture has incurred Financial Indebtedness and the lenders or other providers of such Financial Indebtedness have recourse to the Security Group for such Financial Indebtedness, the Security Group shall be required to take into its calculation, without double counting, of (i) Senior RAR; and (ii) Junior RAR its proportionate share of such Financial Indebtedness for which the Security Group could be liable by virtue of the lenders' or other finance providers' recourse.

**Part 3**  
**General Covenants**

**1. Restricted Business of Security Parent and Asset Holdco**

Neither the Security Parent nor Asset Holdco may (except as otherwise permitted or contemplated by the Transaction Documents):

- (a) carry on or transact any business or other activity other than the ownership of the shares in members of the Security Group (and, in the case of the Security Parent, the Issuer) held by it at any time;
- (b) own any asset or incur any liabilities except for the purposes of carrying on that business in accordance with the Transaction Documents or incurring Financial Indebtedness other than Permitted Financial Indebtedness (to the extent contemplated within paragraph (b) of that definition);
- (c) suspend, abandon or cease to carry on its business;
- (d) have any employees;
- (e) declare, make or pay Restricted Payments; or
- (f) take any steps to enforce any claims it may have against any other Obligor without the prior written consent of the Borrower Security Trustee.

**2. Authorisations**

Each Obligor must:

- (a) promptly obtain and maintain in full force and effect all governmental and regulatory consents, licences, material authorisations and approvals required for the conduct of its business; and
- (b) do all such things as are necessary to maintain its corporate status,

in each case where failure to do so would be reasonably expected to have a Material Adverse Effect or, in the case of Paragraph 2(b) above only, which would otherwise adversely affect the Security Interests of the Borrower Secured Creditors.

**3. Compliance with laws**

Without prejudice to the requirements of Paragraph 12 (*Environmental Matters*) of this Part 3 (*General Covenants*) of Schedule 2 (*Covenants*), each Obligor shall use reasonable endeavours to comply with all judgments, laws, rules, regulations, agreements, orders or decrees to which it is subject and which, if violated and enforced would be reasonably likely to have a Material Adverse Effect.

**4. Ranking of Borrower Secured Claims**

Each Obligor must ensure that the claims of (i) Borrower Secured Creditors against it under the Finance Documents (subject to the Reservations) to the extent that they are secured

pursuant to the Security Agreement and (ii) the Issuer pursuant to the Obligor Floating Charge Agreement, will rank prior to the claims of all its other unsecured and unsubordinated creditors save for those whose claims are preferred solely by any law whether under bankruptcy, insolvency, liquidation or other similar laws of general application or otherwise.

#### 5. **Negative pledge**

- (a) No Obligor may create or permit to exist any Security Interest on any of its present or future business, assets, Equipment or undertakings other than any Permitted Security Interest.
- (b) No member of the Security Group may, without the prior written consent of the Borrower Security Trustee:
  - (i) sell, transfer or otherwise dispose of any of its assets on terms where such asset is or may be leased to or re-acquired or acquired by a member of the Security Group or any Associate, other than pursuant to a Finance Lease or any finance lease to the extent permitted pursuant to paragraph (a)(vi) of the definition of Permitted Financial Indebtedness; or
  - (ii) save to the extent permitted hereunder, purchase any asset on terms providing for a retention of title by the vendor or on conditional sale terms or on terms having a like substantive effect to any of the foregoing except for assets acquired in the ordinary course of its business,

in each case, in circumstances where the transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset.

#### 6. **Disposals**

- (a) No Obligor may, either in a single transaction or in a series of transactions and whether related or not, dispose of all or any part of the Equipment or its undertaking, revenues, business or assets other than a Permitted Disposal or pursuant to the creation of a Permitted Security Interest or with the prior written consent of the Borrower Security Trustee.
- (b) No Borrower may undertake a Permitted Disposal of all or any part of a Designated Airport, which represents more than two per cent. of Total RAB and no Holding Company of a Borrower shall make a Permitted Disposal directly or indirectly of the shares in a Borrower (each such Permitted Disposal, a "**Designated Airport Disposal**") unless (1) it is a Permitted Disposal within the meaning of paragraph (k) of the definition of Permitted Disposal or (2) without prejudice to the mandatory prepayment requirements under paragraph 2.2 (*Mandatory Prepayments*) of Part 2 (*Trigger Event Consequences*) of Schedule 3 (*Trigger Events*), the net proceeds of such Designated Airport Disposal (or a cash amount representing such net proceeds) are applied within six months of receipt

of disposal proceeds arising from the Designated Airport Disposal (the "**Mandatory Prepayment Date**") in one or more of the following ways:

- (i) the prepayment of advances outstanding under the Borrower Loan Agreements (and consequential early redemption of any Bonds in an amount equal to such prepayment and reduction of future scheduled principal repayments); and/or;
- (ii) the market purchase of Bonds (and consequential cancellation and surrender of any Bonds and deemed prepayment of the corresponding Borrower Loan Agreement advances and reduction of future scheduled principal repayments); and/or
- (iii) the repayment of the Capex Facilities, EIB Facilities or the Refinancing Facility, at the relevant Obligor's sole discretion, together with and taking into account:
  - (a) any termination amounts payable by the Borrowers (1) to the Borrower Hedge Counterparties in respect of any Treasury Transactions under any related Borrower Hedging Agreements that fall to be terminated in whole or in part as a consequence of prepayment, market purchase or repayment, or (2) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of any Treasury Transactions under any related Issuer Hedging Agreements that fall to be terminated in whole or in part as a consequence of prepayment, market purchase or repayment, in such amount (the "**Required Amount**"); and
  - (b) the provisions of paragraph 34 (*Pre-Enforcement Priority for Borrower Liquidity Facilities*) of Part 3 (*General Covenants*) of Schedule 2 (*Covenants*),as shall ensure that, immediately following such application:
  - (1) the Senior RAR for each subsequent Relevant Date calculated by reference to the most recently occurring Calculation Date (adjusted on a pro forma basis to take into account the proposed disposal and subsequent application under (i), (ii) and/or (iii) above) shall not be prior to 1 April 2018, more than or equal to 0.70 and thereafter not be more than or equal to 0.725; and
  - (2) the Junior RAR for each subsequent Relevant Date calculated by reference to the most recently occurring Calculation Date (adjusted on a pro forma basis to take into account the proposal disposal and subsequent application under (i), (ii) and/or (iii) above) shall not be more or equal to 0.85.

For the avoidance of doubt, if the net proceeds of a Permitted Disposal made pursuant to paragraph (f) of the definition of "Permitted Disposal" are upon their application in accordance with this paragraph (b) insufficient to ensure that the Senior RAR calculated on the basis described above is, prior to 1 April 2018, not more than or equal to 0.70 and

thereafter not be more than or equal to 0.725; and the Junior RAR calculated on the basis described above is not more than or equal to 0.85, such failure shall result in a Trigger Event occurring pursuant to paragraph 1(a) of Part 1 of Schedule 3 but shall not constitute a Loan Event of Default for the purposes of paragraph 3 (*Breach of other obligations*) of Schedule 4 (*Loan Events of Default*).

- (c) For so long as no Trigger Event is continuing, promptly following receipt of the net proceeds of a Designated Airport Disposal, the relevant Borrower shall deposit into the Disposal Proceeds Account an amount equal to the Required Amount.
- (d) For the avoidance of doubt and notwithstanding the foregoing, HAL may not dispose of or sell the whole or substantially the whole of Heathrow and no Holding Company of HAL may dispose of any shares in HAL or in a Holding Company of HAL (whether in a single transaction or through a series of transactions and whether related or not) to any party other than a member of the Security Group, save with the consent of the relevant Borrower Secured Creditors.
- (e) In circumstances where a Designated Airport Disposal occurs which results in a Borrower ceasing to be a Borrower (such Borrower, the "**Nominated Borrower**"), all Senior Debt and Junior Debt outstanding, of the Nominated Borrower shall, to the extent not prepaid, purchased or repaid in accordance with the provisions of paragraph 6(b) above, be novated to one or more Borrowers which have not undertaken a Designated Airport Disposal in accordance with clause 7.2 (*Reallocation Prepayment*) of the Borrower Loan Agreement, or the equivalent provision of each relevant Authorised Credit Facility.

## 7. **Financial Indebtedness**

- (a) No Obligor may incur any Financial Indebtedness other than Permitted Financial Indebtedness.
- (b) For the purposes of Paragraph (a)(i) and (ii) of the definition of Permitted Financial Indebtedness, the "**Additional Indebtedness Tests**" are:
  - (i) to incur additional Senior Debt, the Senior RAR as at the date such Financial Indebtedness is to be incurred, by reference to the most recently delivered audited annual financial statements or unaudited semi-annual financial statements of the Security Group pursuant to paragraph 1(a) or (b) (*Financial Statements*) of Part 1 (*Information Covenants*) of Schedule 2 (*Covenants*) or, if more recent, the latest management accounts of the Security Group, taking into account the proposed additional Financial Indebtedness, must be less than 0.725.
  - (ii) to incur additional Junior Debt, the Junior RAR as at the date such Financial Indebtedness is to be incurred, by reference to the most recently delivered audited annual financial statements or unaudited semi-annual financial statements of the Security Group pursuant to paragraph 1(a) or (b)



*(Financial Statements)* of Part 1 (*Information Covenants*) of Schedule 2 (*Covenants*) or, if more recent, the latest management accounts of the Security Group, taking account of the proposed additional Financial Indebtedness, must be less than 0.90.

- (c) No Obligor may incur or change the scheduled maturity date of any Financial Indebtedness if as a result of doing so there would fall due (i) in any period of 24 months, an aggregate principal amount (including accretions by indexation and excluding amounts relating to any Hedging Agreement which have not crystallised) in excess of 30 per cent. of Total RAB at the relevant time and (ii) within one Five Year Period, in excess of 50 per cent. of Total RAB at the relevant time.
- (d) For purposes of paragraph (c) above, "relevant time" shall mean the proposed date of incurrence of such Financial Indebtedness or date of change to the relevant scheduled maturity date of such Financial Indebtedness. The due date for any Financial Indebtedness under any inflation-linked Hedging Agreement shall be the earlier of (i) the date on which such inflation-linked Hedging Agreement may be terminated at the election of the applicable Hedging Counterparty, (ii) the scheduled termination date of such inflation-linked Hedging Agreement and (iii) the date specified in the relevant Hedging Agreement on which such inflation-linked Hedging Agreement (other than in respect of a pre-hedge) will terminate pursuant to any mandatory termination provisions specified in the relevant Hedging Agreement.

#### 8. **Mergers**

No Obligor may enter into any amalgamation, demerger, merger, consolidation or reconstruction other than a Permitted Disposal or a Permitted Acquisition or otherwise with the prior written consent of the Borrower Security Trustee.

#### 9. **Acquisitions, Investments and Joint Ventures**

- (a) No Obligor may make any acquisition or investment other than (i) Permitted Acquisitions, (ii) Authorised Investments and (iii) as permitted by paragraph 9(b) below.
- (b) No Obligor may invest in a Joint Venture unless such Joint Venture is or upon creation becomes an Obligor or a Permitted Joint Venture.

#### 10. **Acquired Companies**

Any Obligor wishing an acquired subsidiary or subsidiary undertaking to be treated as an Obligor, shall procure legal opinions addressed to the Borrower Security Trustee confirming:

- (a) the enforceability of the security and accession documentation entered into by the relevant entity; and (b) if required by the Rating Agencies, such tax aspects of such new Obligor as are relevant to its role in the financing and the tax effect of

such new Obligor becoming a member of the Security Group (and in particular the tax effect on any then current Obligor).

**11. Acquired Real Property**

- (a) No Obligor shall acquire any real property other than by way of a Permitted Acquisition.
- (b) An Obligor acquiring any real property pursuant to Paragraph 11(a) above shall enter into Supplemental Charges in respect of such real property in favour of, and to the satisfaction of, the Borrower Security Trustee.

**12. Environmental matters**

- (a) Each Borrower must ensure that it is in compliance with all Environmental Law and Environmental Approvals applicable to it, where failure to do so would be reasonably likely to have a Material Adverse Effect.
- (b) Each Borrower shall, as soon as reasonably practicable upon becoming aware of the same, notify the Borrower Security Trustee of:
  - (i) any Environmental Claim that is current or, to the best of its knowledge and belief, is threatened in writing; or
  - (ii) any facts or circumstances which will or are reasonably likely to result in an Environmental Claim being commenced or threatened against it,

which, if substantiated, is reasonably likely to have a Material Adverse Effect.

**13. Property**

- (a) Each Borrower must ensure that it will keep all buildings, structures, fixtures, fittings, plant, machinery and equipment belonging to or required by it for the operation of its business in such a state of repair as is necessary for the proper and lawful carrying on of its respective business and will renew and replace such items where failure to do so would have a Material Adverse Effect or, in the case of any property leased to a tenant or licensed to a licensee which is not a Borrower and where the tenant or licensee (as applicable) has responsibilities for such maintenance and repair and no Borrower is entitled to enter and carry out such maintenance and repair, each Borrower will use reasonable endeavours to ensure that such covenants are complied with. For the avoidance of doubt, nothing in this Paragraph 13(a) shall prevent the removal or demolition of any item subject to compliance with Paragraph 13(f) below.
- (b) Subject to matters specifically referred to in the Certificates of Title, the Title Reports and any Permitted Security Interests and disposals of assets permitted by the terms hereof, each Borrower shall remain the sole legal and beneficial owner of its interest in all of the Designated Airports and the Leased Premises free from any material covenants, undertakings, restrictions, easements, or other third party

rights which, in any such case, would reasonably (or would if breached as a result of the carrying out of its business as presently conducted) be expected to have a Material Adverse Effect.

- (c) Each Borrower shall, in relation to any lease or agreement to lease or license under which it derives its estate or interest in a Designated Airport or in the Leased Premises or to which its estate or interest is subject:
  - (i) where it is the lessee or licensee, observe and perform in all respects all covenants, undertakings, stipulations and obligations on the lessee or licensee under any such lease; and
  - (ii) where it is the lessor or licensor, use all reasonable endeavours to enforce in all respects all covenants, undertakings, stipulations and obligations on the part of the lessee or licensee under any such lease or license (as applicable),

where failure to do so would, in each case, reasonably be expected to have a Material Adverse Effect.

- (d) Each Borrower shall comply with and perform all restrictive and other covenants, undertakings, stipulations and obligations now or at any time affecting any Designated Airport or any of the Leased Premises insofar as the same are subsisting and are capable of being enforced and where any non-compliance or non-performance would have a Material Adverse Effect.
- (e) Each Borrower shall, where it is in the interests of good estate management to do so, enforce all restrictive or other covenants, burdens, stipulations and obligations benefiting any Designated Airport or any of the Leased Premises and not waive, release or vary (or agree so to do) the obligations of any other party thereto, in each case, where any non-enforcement, waiver, release, variation or agreement to do so would have a Material Adverse Effect.
- (f) No Borrower shall carry out or permit any demolition, reconstruction or rebuilding of or any structural alteration to or change in the use of any Designated Airport or any of the Leased Premises which might reasonably be expected to have a Material Adverse Effect.
- (g) Each Borrower shall comply with any conditions attached to any planning permissions and with the provisions of any planning and highway agreements affecting the Designated Airports or any of the Leased Premises, the non-compliance with which might reasonably be expected to have a Material Adverse Effect.
- (h) No Borrower shall carry out any development or implement any new planning permission which might reasonably be expected to have a Material Adverse Effect.

- (i) Each Borrower shall ensure that a Borrower is a party to each Material Capex Agreement entered into after the Initial Issue Date.

**14. Insurances**

Each Obligor undertakes to:

- (a) comply with the insurance provisions under Schedule 11 (*Insurances*) in accordance with, and subject to, the provisions of that Schedule; and
- (b) ensure that insurance proceeds are managed in accordance with Paragraph 10 (*Insurance Proceeds*) of Schedule 9 (*Borrower Cash Management*).

**15. Hedging**

Each Borrower undertakes (and the Security Parent shall procure in relation to each Borrower) that it shall procure that each Borrower and the Issuer shall at all times with effect on or about the Initial Issue Date maintain compliance with the Hedging Policy and only enter into Treasury Transactions in accordance with the Hedging Policy.

**16. Loans and Credit**

- (a) Except as provided in Paragraph 16(b) below, each Obligor undertakes that it shall not make or grant any loan, guarantee or indemnity to any third party.
- (b) Paragraph 16(a) does not apply to:
  - (i) any loan, guarantee or indemnity provided by a Borrower in the ordinary course of its business;
  - (ii) any guarantee or indemnity provided by a Borrower to any purchaser under or in connection with any sale and purchase agreement relating to a Permitted Disposal by such Borrower;
  - (iii) any Permitted Inter-Company Loan or Permitted Non-Migrated Bond Distribution;
  - (iv) any loan made by way of a permitted Restricted Payment;
  - (v) any authorised guarantee agreement entered into by a Borrower in respect of leasehold real estate property disposed of in accordance with the terms of this Agreement;
  - (vi) the guarantee in respect of Senior Debt and Junior Debt contained in the Security Agreement;
  - (vii) any other loan or guarantee which constitutes Permitted Financial Indebtedness of such Obligor; and
  - (viii) any loan made by an Obligor to any other Obligor.

**17. [Intentionally left blank]**

18. **Cash Management**

- (a) Each Obligor must comply with the obligations applicable to them (if any) set out in Schedule 9 (*Borrower Cash Management*).
- (b) Each Obligor shall maintain bank accounts which are separate from those of any other person or entity (other than any other Obligor).

19. **Conduct of business**

- (a) Each Obligor must operate and maintain, or ensure the operation and maintenance of, its business in accordance with:
  - (i) its memorandum and articles of association or other constitutional documents; and
  - (ii) generally in accordance with Good Industry Practice and the requirements that the Regulators are entitled to impose.
- (b) Each Obligor must perform its obligations under, and comply with the terms of, the Transaction Documents to which it is a party.
- (c) Each Obligor must maintain and take all reasonable steps to enforce its rights and exercise its discretions under the Transaction Documents in accordance with Good Industry Practice.
- (d) Each Obligor must ensure that the nature of its business is limited to Permitted Business except for any business falling within the Permitted Non-Regulated Business Limits **provided that** any business which by virtue of the determination of the applicable Regulator ceases to be Permitted Business and which does not then fall within the Permitted Non-Regulated Business Limits shall not, without prejudice to the rights and remedies of the Borrower Security Trustee following the occurrence of a Trigger Event, constitute a breach of covenant by the applicable Borrower and shall not of itself give rise to a Loan Event of Default.
- (e) No Borrower shall hold itself or any members of the Security Group out as forming part of or being a member of the Non-Designated Group and shall correct any misunderstanding as to identity.

20. **Amendments to constitutional documents and other documents**

- (a) No Obligor may, without the prior written consent of the Borrower Security Trustee, change its memorandum or articles of association or other constitutional documents **provided that** each Borrower may change its memorandum or articles of association or other constitutional documents without the Borrower Security Trustee's consent if such change would not be reasonably likely to have a Material Adverse Effect.

21. **Share capital**

- (a) Except as provided below, no Obligor shall:

- (i) redeem, repurchase, defease, retire or repay any of its share capital or resolve to do so;
  - (ii) issue any shares which by their terms are redeemable or convertible or exchangeable for Financial Indebtedness; or
  - (iii) after the Initial Issue Date, issue any share capital to any person which is not an Obligor.
- (b) Sub-paragraphs (a)(i) to (a)(iii) above do not apply to (i) any such action which is in furtherance of a Restricted Payment, where the amount of the Restricted Payment is permitted to be paid pursuant to the Finance Documents, (ii) any transaction which is expressly permitted under the Finance Documents<sup>1</sup> or (iii) any transaction which has received the prior written consent of the Borrower Security Trustee.
- (c) Sub-paragraph (a)(iii) above does not apply to the issue of any share capital by the Security Parent.

## 22. **Intellectual Property**

Each Obligor shall use all reasonable endeavours to safeguard, preserve and maintain the subsistence and validity of such present and future rights in accordance with all Intellectual Property Rights and licences and sub-licences of such Intellectual Property Rights as are necessary for its business including observing all covenants and stipulations relating thereto and obtaining all necessary registrations where failure to do so would be reasonably likely to have a Material Adverse Effect.

## 23. **Outsourcing Policy**

- (a) Each Obligor shall comply with the Outsourcing Policy, which shall become effective on and from the Initial Issue Date and apply to the Outsourcing Agreements and Capex Contracts on the basis specified therein entered into by or on behalf of a Borrower on and from the Initial Issue Date.
- (b) Subject to Paragraph (a) above, each Borrower shall comply at all times in all material respects with the Public Procurement Rules in outsourcing any part of its business or services or letting any contract pursuant to which Capital Expenditure for the purposes of its business will be incurred, where such is subject to such rules.

## 24. **Credit Rating**

- (a) Each Obligor shall use reasonable endeavours to maintain the ratings and, in the case of each Class of Wrapped Bonds, underlying credit ratings of each Class of Bonds and Sub-Class of Bonds issued by the Issuer.

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<sup>1</sup> To include any transaction contemplated by the transaction steps.

- (b) Each Obligor shall co-operate with the Rating Agencies in connection with any reasonable request for information in respect of the maintenance of an underlying rating or rating and with any review of its business which may be undertaken by one or more of the Rating Agencies after the date of the Master Execution Deed.

25. **Arm's length terms**

- (a) Subject to Paragraph 25(b) below, no Obligor may enter into any arrangement or contract with any person otherwise than on an arm's-length basis or on terms no less favourable to such Obligor than would reasonably be expected to be obtained in a comparable arm's length transaction with a person which is not an Associate, unless such transaction is expressly permitted under the terms of the Finance Documents and **provided that** this covenant does not apply to dealings (i) as between Obligors; (ii) any license or lease granted to HM Revenue & Customs, Immigration Services, Metropolitan Police Special Branch or to any other public service to occupy space at the Designated Airports at no cost or any cost that is below market rates or which is otherwise required to be granted by state or applicable law; or (iii) as between BAA and the Obligors pursuant to the Shared Services Agreement or the SSA Ancillary Documents.
- (b) No Obligor shall be in breach of Paragraph 25(a) with respect to any single arrangement or contract with a contract counterparty if, taken as a whole, each of the arrangements and contracts with such contract counterparty and any Affiliate thereof taken together are on arm's length terms or on terms no less favourable to such Obligor than would reasonably be expected to be obtained in a comparable transaction with a person which is not an Associate and taking each of those arrangements and contracts as a whole.

26. **Accounting**

Each Obligor must:

- (a) procure that there are installed and maintained accounting, management information, financial modelling and cost control systems which are of such a standard which can produce the information required within the time set out in the Finance Documents and procure that there are maintained books of account and other records adequate to reflect fairly and accurately its financial condition, the results of its operations and to provide the reports required to be delivered pursuant to the Finance Documents; and
- (b) authorise the Auditors (whose fees and expenses shall be for its account) to communicate directly with the Borrower Security Trustee at such time as such parties may reasonably require (and whilst any Default is outstanding at any time) regarding its accounts and operations and furnish to the Borrower Security Trustee a copy of such authorisation, subject to the Auditors' agreement to communicate at such time and upon agreed conditions.

27. **Further assurance and co-operation**

Each Obligor must so far as permitted by applicable law and regulatory requirements, execute all such further documents and do all such further acts and things as the Borrower Security Trustee (acting reasonably) may consider to be necessary at any time to give effect to the terms of the relevant Finance Documents.

**28. Security**

Each Obligor must (at the relevant Borrower's cost):

- (a) take all such action as the Borrower Security Trustee may reasonably require of it for the purpose of perfecting, protecting and preserving the rights of the Borrower Security Trustee under the Security Documents and the Security Interests under the Security Documents;
- (b) take all such action as the Borrower Security Trustee may require (following the making of any acceleration, cancellation or demand under any of the Finance Documents, in each case after the occurrence of a Default) for facilitating the exercise of the rights of the Borrower Security Trustee under the Security Documents and/or the realisation of any Security Interests under the Security Documents; and
- (c) use all reasonable endeavours to receive acknowledgements of assignment from such counterparties as the Borrower Security Trustee may nominate.

**29. Litigation**

No Obligor may compromise or settle any claim, litigation or arbitration without prior notification to the Borrower Security Trustee if any such compromise or settlement would be reasonably likely to have a Material Adverse Effect.

**30. Auditors**

- (a) Each Obligor shall at all times retain reputable auditors.
- (b) An Obligor shall only replace the auditors without the prior written approval of the Borrower Security Trustee if the replacement auditors are a firm of independent public accountants of international standing.
- (c) Each Obligor shall, as soon as reasonably practicable, inform the Borrower Security Trustee of any change to the auditors.

**31. Restricted Payments**

Subject to Paragraph 32 (*Permitted Inter-Company and Non-Migrated Bond Distributions*) below, no Obligor will make a Restricted Payment unless the Restricted Payment Condition is satisfied. The Restricted Payment Condition will be satisfied if:

- (a) no Loan Event of Default or Potential Loan Event of Default is subsisting or would result from the making of the Restricted Payment;



- (b) no Trigger Event is subsisting or would result from the making of the Restricted Payment; and
- (c) the Restricted Payment is made within the 90-day period commencing on the date of delivery of the most recent Compliance Certificate or, if later, the date on which any Financial Statements required to be delivered with such Compliance Certificate are delivered,

Provided that this Paragraph 31 shall not prevent an Obligor from making a Restricted Payment to fund the early redemption or permitted purchase of Non-Migrated Bonds by BAA for as long as no Loan Event of Default (other than a Non-Migrated Bond Excluded Default) has occurred and is continuing.

### 32. **Permitted Inter-Company and Non-Migrated Bond Distributions**

- (a) No Obligor will make a Permitted Inter-Company Distribution unless the following conditions are met:
  - (i) no Default has occurred and is continuing or will result from the Permitted Inter-Company Distribution;
  - (ii) the making of the Permitted Inter-Company Distribution is not illegal or unenforceable; and
  - (iii) such Permitted Inter-Company Distribution is made against irrevocable payment instructions directing the recipient account bank to remit the proceeds thereof on receipt by Sub Holdco and Designated Sub Holdco, as the case may be, to the relevant account of the Security Parent, Borrower or Asset Holdco, as the case may be, for same day value.
- (b) No Obligor will make a Permitted Non-Migrated Bond Distribution unless the following conditions are met:
  - (i) no Loan Acceleration Notice has been served; and
  - (ii) following the service of a Loan Enforcement Notice but prior to the service of a Loan Acceleration Notice, the amount of such Permitted Non-Migrated Bond Distribution is no greater than the pro rata payment that the Non-Migrated Bondholders would be entitled to receive pursuant to paragraph (vi)(e) of the Borrower Post-Enforcement (Pre-Acceleration) Revenue Priorities of Payments had such payment been made instead by the Borrowers under the Non-Migrated Bond Guarantees.

### 33. **Pension Arrangements**

- (a) Each Obligor shall use reasonable endeavours to procure that the BAA Pension Scheme is funded in line with the statutory funding requirements under the Pensions Act 2004 and that no action or omission is taken by any Obligor in relation to such BAA Pension Scheme which would reasonably be expected to have a Material Adverse Effect, **provided that** it shall not be a breach of this

covenant if any Obligor takes or performs any action after the Initial Issue Date where the relevant Obligor agreed prior to the Initial Issue Date to take or perform such action.

- (b) Each Obligor will ensure that no Obligor will at any time prior to the expiry of this Agreement be an employer (for the purposes of sections 38 to 51 of the Pension Act 2004) of an occupational pension scheme which is not a money purchase scheme or (save in respect of the BAA Pension Scheme) connected or associated with such an employer.
- (c) Each Obligor shall immediately notify the Borrower Security Trustee of the receipt from the Pensions Regulator of a financial support direction or contribution notice or any investigation which may lead to the issue of such a direction or notice.

**34. Pre-Enforcement Priority for Borrower Liquidity Facilities**

Prior to the delivery of a Loan Enforcement Notice, if a drawing is made or any other amount is outstanding under any Borrower Liquidity Facility Agreement (other than a Standby Drawing), no Borrower will be permitted to make any subsequent payment of or in respect of its Senior Debt (or, where such payment would otherwise be permitted by the terms hereof, make any Restricted Payment) unless and until all amounts owing under the relevant Borrower Liquidity Facility Agreement have been paid in full.

**35. Listing**

Each Obligor shall at all times use all reasonable endeavours to procure that the Issuer maintains a listing of all Wrapped Bonds and all Unwrapped Bonds which, on issue, were listed.

**36. Supported EIB Facilities**

Each Obligor undertakes that it will not have Supported EIB Facilities under which the aggregate principal amount outstanding exceeds at any time 10 per cent. of Total RAB.

**37. Excluded Property**

Each Borrower shall ensure that the value of the Excluded Property of such Borrower shall not at any time exceed 5 per cent. of the Total RAB of such Borrower.

**38. SSA Ancillary Documents**

No Obligor may, without the prior written consent of the Borrower Security Trustee, consent to any material amendment to, waive any material provision of, or terminate the Cross-Licensing Agreement (other than pursuant to clause 4.2 thereof) or a Hardware Lease (other than pursuant to clause 7.1 thereof) to which it is a party.

**39. Centre of Main Interests**

Each Obligor undertakes that it will maintain its centre of main interests for the purpose of Council Regulation (EC) No. 1346/2000 in the United Kingdom and will ensure that it does not have an establishment for the purposes of Council Regulation (EC) No. 1346/2000 in any jurisdiction other than the United Kingdom.

**40. Amendments to Refinancing Facility Agreement**

- (a) The Obligors shall not, without the consent of the Issuer, agree to any amendment or waiver which would change or have the effect of changing the application of disposal proceeds made under the Refinancing Facility Agreement if the result of such amendment or waiver would be to defer the rights of the Refinancing Facility Providers to be prepaid out of the proceeds of such disposal.
- (b) The Issuer shall only consent to such amendment or waiver upon being directed to do so in writing by its Secured Creditor Representatives representing Issuer Qualifying Creditors together holding or representing 25 per cent. or more of the Issuer Qualifying Debt.

**SCHEDULE 3**

## TRIGGER EVENTS

### Part 1 Trigger Events

The occurrence of any of the following events will be a Trigger Event.

#### 1. Financial Ratios

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

- (a) the Senior RAR as at any Relevant Date prior to 1 April 2018, is or is estimated to be, more than 0.70 and thereafter is or is estimated to be more than 0.725;
- (b) the Junior RAR as at any Relevant Date is or is estimated to be more than 0.85;
- (c) the Senior ICR for each Relevant Period is or is estimated to be less than 1.40;  
or
- (d) the Junior ICR for each Relevant Period is or is estimated to be less than 1.20.

#### 2. Credit Rating Downgrade

- (a) In respect of any ratings sought by the Issuer in relation to the Class A Wrapped Bonds, the long-term underlying credit rating of any Class A Wrapped Bonds ascribed by at least two Rating Agencies is downgraded below BBB+ or equivalent rating from any other rating agency that has been engaged by the Issuer to provide a public long-term credit rating;
- (b) in respect of any ratings sought by the Issuer in relation to the Class A Unwrapped Bonds, the public long-term credit rating of any Class A Unwrapped Bonds ascribed by at least two Rating Agencies is downgraded below BBB+ or equivalent rating from any other rating agency that has been engaged by the Issuer to provide a public long-term credit rating;
- (c) in respect of any ratings sought by the Issuer in relation to the Class B Wrapped Bonds, the long-term underlying credit rating of the Class B Wrapped Bonds ascribed by at least two Rating Agencies falls below Investment Grade; or
- (d) in respect of any ratings sought by the Issuer in relation to the Class B Unwrapped Bonds, the long-term public credit rating of the Class B Unwrapped Bonds ascribed by at least two Rating Agencies falls below Investment Grade.

Each credit rating referred to above is the "**Trigger Credit Rating**" for the relevant Class of Bonds.

3. **Capex Funding Trigger and Debt Service Funding Trigger**

- (a) The amount of the Security Group's forecast Capital Expenditure over the 12 months following the most recently occurring Calculation Date is more than the aggregate of:
- (i) the undrawn available commitment under the Capex Facilities as at such Calculation Date;
  - (ii) cash credited to the bank accounts of the Borrowers or invested in Authorised Investments (excluding any Excluded Cash) as at such Calculation Date; and
  - (iii) Projected Excess Cashflow Before Capex for such 12 month period.
- (b) The amount of the Issuer's estimated recurring fees and expenses, interest and equivalent finance charges for the 12 months following the most recently occurring Calculation Date on Issuer Senior Debt and for the 6 months following the most recently occurring Calculation Date on Issuer Junior Debt is more than the sum of the undrawn available commitment under the Liquidity Facilities of the Issuer and the balance on the Issuer Liquidity Reserve Account (if any) as at such Calculation Date.
- (c) If any Borrower has outstanding Supported EIB Facilities, amounts outstanding under the Refinancing Facility Agreement or outstanding Treasury Transactions under any Borrower Hedging Agreement which hedges amounts advanced to such Borrower under an Authorised Credit Facility (other than the Refinancing Facility), the sum of the aggregate undrawn available commitment under Borrower Liquidity Facilities and the balance on the Borrower Liquidity Reserve Account is less than the sum of (i) the aggregate forecast net payments scheduled to be payable by the Borrowers under such Treasury Transactions; (ii) the amount of the Borrowers' estimated recurring fees and expenses, interest and equivalent finance charges under the Refinancing Facility (after taking account of the impact of all Interest Rate Hedging Agreements entered into in respect of the Refinancing Facility which continue in force) for the 12 months following the most recently occurring Calculation Date on Tranche A Loans outstanding under the Refinancing Facility Agreement and for 6 months following the most recently occurring Calculation Date on Tranche B Loans outstanding under the Refinancing Facility Agreement and (iii) the maximum potential EIB Liquidity Shortfall under the Supported EIB Facilities, in each case for the succeeding 12 month period, assuming, in respect of such Treasury Transactions:
- (i) the maximum notional quantum of Borrower hedging forecast to be in place over the next 12 months; and
  - (ii) in relation to any Treasury Transaction, which is an interest rate swap, under Interest Rate Hedging Agreements, a fall of 1.5 per cent. in 3 months LIBOR from the LIBOR rate as at the most recent Calculation Date and in relation to any Treasury Transaction, which is an inflation swap, under

Interest Rate Hedging Agreements, an increase of 1.5 per Cent. in the relevant indexation factor as at the most recent Calculation Date.

**4. Drawdown on Liquidity Facilities**

The Issuer draws down under an Issuer Liquidity Facility (excluding any drawing or repayment of any Standby Drawing) or withdraws sums credited to the Issuer Liquidity Reserve Account if the withdrawal of such amount results in the occurrence of a Trigger Event under paragraph 3(b) or a Borrower draws down under a Borrower Liquidity Facility (excluding any drawing or repayment of any Standby Drawing) or withdraws sums credited to the Borrower Liquidity Reserve Account if the withdrawal of such amount results in the occurrence of a Trigger Event under paragraph 3(c).

**5. Enforcement Order**

The issue of a compliance order or enforcement order by any Regulator under any applicable law or regulation (including any order made pursuant to section 41 of the Airports Act) if such order would reasonably be expected to have a Material Adverse Effect.

**6. Termination of Licence**

The issue of a notice by any Regulator to terminate any licence required for the carrying on of the business of any Obligor or of any proposed or actual modification to any such licence which, if implemented, would reasonably be expected to have a Material Adverse Effect.

**7. Adverse Governmental Legislation**

The commencement of the final reading of draft legislation in the House of Lords or the House of Commons (whichever occurs later) of legislation relating to the business of any Obligor if such legislation could (if enacted) reasonably be expected to have a Material Adverse Effect.

**8. Loan Event of Default**

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

**9. Inflation Linked Hedging Agreements**

As at the most recently occurring Calculation Date, the aggregate amount of all accretions by indexation to the notional amount of any inflation-linked Treasury Transactions exceeds 8 per cent of Senior Net Indebtedness.

## **Part 2**

### **Trigger Event Consequences**

Following the occurrence of a Trigger Event and at any time until such Trigger Event has been waived by the Borrower Security Trustee or remedied in accordance with the Trigger Event Remedies described in Part 3 (*Trigger Event Remedies*) of this Schedule, the provisions set out below will apply:

#### **1. No Restricted Payments**

No Obligor may make any Restricted Payments.

#### **2. Mandatory Prepayments**

2.1 Subject to paragraph 2.2 below, following the occurrence of a Trigger Event under paragraph 1(a) and/or paragraph (1)(b) (*Financial Ratios*) of Part 1 (*Trigger Events*) of this Schedule 3, the Borrowers will, unless and until such Trigger Event has been waived by the Borrower Security Trustee or remedied in accordance with the Trigger Event Remedies set out in Part 3 (*Trigger Event Remedies*) of this Schedule 3, procure that within 90 days of each Reporting Date on which such a Trigger Event is continuing, an amount equal to the amount that the Borrowers would have applied in making a Restricted Payment within the period specified in paragraph 31 (*Restricted Payments*) of Part 3 (*General Covenants*) of Schedule 2 (*Covenants*) if no such Trigger Event had occurred and was continuing is applied in one or more of the following ways, at the Borrowers' sole discretion, and for the avoidance of doubt, after payment of all amounts outstanding under any Borrower Liquidity Facility Agreement in accordance with paragraph 34 (*Pre-Enforcement Priority for Borrower Liquidity Facilities*):

- (a) prepayment of advances in respect of Senior Debt outstanding under the Borrower Loan Agreements (and consequential early redemption of any Class A Bonds in an amount equal to such prepayment and reduction of future scheduled principal repayments); and/or
- (b) market purchases of Class A Bonds (and consequential cancellation and surrender of any Bonds and deemed prepayment of the corresponding Borrower Loan Agreement advances and reduction of future scheduled principal repayments); and/or
- (c) the repayment of Senior Debt outstanding under any Authorised Credit Facility;

together with, and taking into account any termination payments payable (i) by the Borrowers to the Borrower Hedge Counterparties in respect of any Treasury Transaction under the related Borrower Hedging Agreements or (ii) to the Issuer by way of Ongoing Facility Fee (or pursuant to back-to-back hedging agreements) in respect of any Treasury Transactions under the related Issuer Hedging Agreements that fall to be terminated in whole or in part as a consequence of prepayment, market purchase or repayment.

2.2

(a) If, on or following the date on which an amount equal to the aggregate initial drawn amount under the Refinancing Facility has been repaid to the Refinancing Facility Providers, a Designated Airport Disposal occurs, then the net proceeds of such disposal (after deducting any amounts to be applied in repayment of the Refinancing Facility and payment of all amounts outstanding under the Borrower Liquidity Facility Agreement) shall, to the extent required be applied in accordance with paragraphs 2.1(a), (b) or (c) above by no later than the Mandatory Prepayment Date on a *pro rata* basis towards prepayment of the principal amount outstanding of the Senior Debt of all Borrower Secured Creditors (unless the relevant Borrower Secured Creditors have agreed otherwise) and, at the option of the Borrowers, towards prepayment of the principal amount outstanding of Junior Debt only to the extent required to restore compliance with the Trigger Event Ratio Levels, in each case together with and taking into account any termination amounts payable by the Borrowers (1) to the Borrower Hedge Counterparties in respect of any Treasury Transactions under any related Borrower Hedging Agreements that fall to be terminated in whole or in part as a consequence of such prepayment, or (2) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of any Treasury Transactions under any related Issuer Hedging Agreements that fall to be terminated in whole or in part as a consequence of such prepayment **provided that** in the case of amounts to be applied in prepayment of advances under the Borrower Loan Agreements:

- (i) which are not Floating Rate Debt ("**Non-Floating Rate Advances**"); or
- (ii) which are Floating Rate Debt but, in respect of which, the Borrowers would be required to pay a premium to par upon prepaying such advances as a consequence of a corresponding redemption premium applicable to any related Call Protected Floating Rate Bonds ("**Call Protected Floating Rate Advances**"),

the principal amount to be prepaid in respect of such Non-Floating Rate Advances shall be equal to the Modified Redemption Amount as determined in respect of the Class or Sub-Class of Bonds corresponding to such Non-Floating Rate Advances and, in respect of such Call Protected Floating Rate Advances, shall be equal to the Par Redemption Amount corresponding to such Call Protected Floating Rate Advances, each in accordance with Condition 8(f) (*Early Redemption on Prepayment of Borrower Loan Agreements*).

- (b) Notwithstanding the foregoing, such prepayment shall only be made by the Borrowers in respect of a Non-Floating Rate Advance or Call Protected Floating Rate Advance in respect of which the related class or sub-class of Bondholders have elected, pursuant to an Extraordinary Resolution, to have their Bonds redeemed at such Modified Redemption Amount or, as the case may be, Par Redemption Amount as a consequence of such Designated Airport Disposal.
- (c) The relevant Borrower shall have sole discretion as to which Senior Debt or Junior Debt to prepay out of the net proceeds of any Designated Airport Disposal which would have been applied in prepayment of Non-Floating Rate Advances



or Call Protected Floating Rate Advances but for the failure of the relevant class or sub-class of Bondholders to pass the applicable Extraordinary Resolution.

**3. Further Information and Remedial Plan**

- (a) The Security Group must provide such information as to the relevant Trigger Event (including its causes and effects) as may be requested by the Borrower Security Trustee.
- (b) The Security Group or such member or members thereof as the Borrower Security Trustee may request, shall provide to the Borrower Security Trustee its written proposals for the remedy of the Trigger Event in a specified timeframe, and shall in any event, if requested by the Borrower Security Trustee, meet with both the Borrower Security Trustee and the Secured Creditor Representatives of the Borrower Secured Creditors to discuss the ramifications of the Trigger Event and its remedy.

**4. Preparation of Termination Plan**

If the relevant Trigger Event has been continuing for a period equal to or more than 6 months, the Borrower Security Trustee shall be entitled but not obliged to require the Security Group to provide a Termination Plan (as defined in the Shared Services Agreement) dealing with the termination arrangements to be effected were a termination of the Shared Services Agreement to occur at such time or shortly thereafter, such Termination Plan to be provided within 60 calendar days of such request in the form prescribed in Schedule 6 of the Shared Services Agreement.

**5. Review of Service Charge**

- (a) If requested by the Borrower Security Trustee (acting in accordance with a request in writing from Qualifying Borrower Secured Creditors representing 10 per cent. of the Qualifying Borrower Debt in accordance with the provisions of the STID), the Security Group will assist with a review by an independent professional advisor to, and appointed by, the Borrower Security Trustee (at the cost of the Obligors) of the fees, costs and charges (together, the "**Charges**") charged by BAA as Shared Services Provider to the Security Group in the 12 months preceding the date of the relevant Trigger Event. Subject to Paragraph 5(b) below, the Charges shall be adjusted without retroactive effect in accordance with, and promptly following, the delivery of such independent professional advisor's findings and recommendations to the Borrower Security Trustee and BAA.
- (b) If BAA, acting in good faith, disputes any of the findings and recommendations of the independent professional advisor to the Borrower Security Trustee, then such dispute shall be resolved between BAA and the Borrower Security Trustee pursuant to the provisions of clause 17.5 of the Shared Services Agreement and pending such resolution, Paragraph (a) of the definition of Restricted Payment shall exclude any payments which would contravene the findings and recommendations of such independent professional advisor.

6. **Independent Review**

- (a) The Borrower Security Trustee shall be entitled but shall not be obliged to commission an Independent Review of the businesses of the Security Group once in any 12 month period to be undertaken on the timetable stipulated by the Borrower Security Trustee and the cost of which shall be met by the Security Group. The Independent Review will be conducted by a technical or other appropriate expert appointed (at the cost of the Obligors) by the Borrower Security Trustee acting pursuant to a BSC Instruction Notice given in accordance with the STID.
- (b) The Independent Review will examine the causes of the relevant Trigger Event and recommend appropriate corrective measures.
- (c) Each member of the Security Group must co-operate with the person appointed to prepare the Independent Review including providing access to its books and records and personnel and facilities as may be required for those purposes.

7. **Consultation with Regulator**

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

8. **No disposals to Joint Ventures**

No Obligor shall be entitled to make any disposal permitted by paragraph (k) of the definition of "**Permitted Disposal**" or enter into any agreement for such disposal unless such disposal is required to be made by the Regulators or if the applicable Trigger Event would be remedied upon the making of such disposal.

9. **Disposal Proceeds Account**

An amount equal to the net proceeds of any Designated Airport Disposal made after the occurrence of a Trigger Event that have not been applied in prepayments, market purchases or repayments in accordance with paragraph 6(b) (*Disposals*) of Part 3 (*General Covenants*) of Schedule 2 (*Covenants*) must be promptly (and in any event within 2 Business Days of the receipt of such disposal proceeds) deposited into the Disposal Proceeds Account.

**Part 3**  
**Trigger Event Remedies**

At any time when an Obligor believes that a Trigger Event has been remedied by virtue of any of the following, it must provide the Borrower Security Trustee with a certificate signed by a director of the Obligor to that effect and provide such evidence in support of such certificate as the Borrower Security Trustee may reasonably require. In the case of the Trigger Events referred to in Paragraph 5 (*Enforcement Order*) and Paragraph 8 (*Loan Event of Default*) below, the Borrower Security Trustee must respond within 10 days (or such longer period as it may reasonably stipulate within 5 business days of receipt of notice from an Obligor) confirming that the relevant Trigger Event has, in its reasonable opinion, been remedied or setting out its reasons for believing that such Trigger Event has not been remedied (in which case, such event will continue to be a Trigger Event until such time as the Borrower Security Trustee is reasonably satisfied that the Trigger Event has been remedied).

The following shall constitute remedies to the Trigger Events (each a "**Trigger Event Remedy**").

1. **Financial Ratios**

The breach of a Trigger Event Ratio Level will be remedied if such ratio or ratios come within the relevant level or levels specified below relating to the most recently occurring Calculation Date:

- (a) the Senior RAR (as per the latest Compliance Certificate) as at each Relevant Date prior to 1 April 2018, is or is estimated to be equal to or less than 0.70 and thereafter equal to or less than 0.725;
- (b) the Junior RAR (as per the latest Compliance Certificate) as at each Relevant Date is or is estimated to be less than or equal to 0.85;
- (c) the Senior ICR (as per the latest Compliance Certificate) for each Relevant Period is or is estimated to be greater than or equal to 1.40; or
- (d) the Junior ICR (as per the latest Compliance Certificate) for each Relevant Period is or is estimated to be greater than or equal to 1.20.

2. **Credit Rating Downgrade**

The occurrence of a Trigger Event referred to in Paragraph 2 (*Credit Rating Downgrade*) of Part 1 (*Trigger Events*) of this Schedule will be remedied if the credit rating of the relevant Class of Bonds given by at least two of the Rating Agencies is no longer below the Trigger Credit Rating.

3. **Capex Funding Trigger and Debt Service Funding Trigger**

- (a) The occurrence of a Trigger Event referred to in Paragraph 3(a) (*Capex Funding Trigger and Debt Service Funding Trigger*) of Part 1 (*Trigger Events*) of this Schedule 3 will be remedied if on any subsequent date the amounts referred to that Paragraph 3 are in aggregate equal to or greater than the Security Group's forecast Capital Expenditure over the next 12 months.
- (b) The occurrence of a Trigger Event in relation to the amount of the Issuer's estimated recurring fees and expenses, interest and equivalent finance charges for

the 12 months following the most recently occurring Calculation Date on Issuer Senior Debt and for the 6 months following the most recently occurring Calculation Date on Issuer Junior Debt will be remedied if on any subsequent date such amounts are equal to or less than the sum of the undrawn available commitment under the Issuer Liquidity Facilities and the balance on the Issuer Liquidity Reserve Account (if any).

- (c) The occurrence of a Trigger Event in relation to paragraph 3(c) (Capex Funding Trigger and Debt Service Funding Trigger) of Part 1 (Trigger Events) of this Schedule 3 will be remedied if on any subsequent date, the sum of the aggregate undrawn available commitment under Borrower Liquidity Facilities and the balance on the Borrower Liquidity Reserve Account is more than the sum of (i) the aggregate forecast net payments payable by the Borrowers under their Treasury Transactions (other than Treasury Transactions relating to the Refinancing Facility); (ii) the amount of the Borrower's estimated recurring fees and expenses, interest and equivalent finance charges under the Refinancing Facility (after taking account of the impact of all Interest Rate Hedging Agreements entered into in respect of the Refinancing Facility which continue in force) for the 12 months following the most recently occurring Calculation Date on Tranche A Loans outstanding under the Refinancing Facility Agreement and for 6 months following the most recently occurring Calculation Date on Tranche B Loans outstanding under the Refinancing Facility Agreement and (iii) the maximum potential EIB Liquidity Facility Shortfall under the Supported EIB Facilities for the succeeding 12 month period using the assumptions set out in paragraph 3(c).

#### **4. Drawdown on Liquidity Facilities**

The occurrence of a Trigger Event referred to in Paragraph 4 (*Drawdown on Liquidity Facilities*) of Part 1 (*Trigger Events*) of this Schedule 3 will be remedied if the aggregate balance drawn down (other than by way of Standby Drawings) under the Issuer Liquidity Facilities or the Borrower Liquidity Facilities, as the case may be, is restored to zero.

#### **5. Enforcement Order**

The occurrence of a Trigger Event referred to in Paragraph 5 (*Enforcement Order*) of Part 1 (*Trigger Events*) of this Schedule 3 will be remedied if the relevant Obligor has complied with the terms of the relevant Enforcement Order to the reasonable satisfaction of the Borrower Security Trustee or if the Enforcement Order has been effectively withdrawn or if, in the opinion of the Borrower Security Trustee (acting reasonably), the relevant fine or sanction will not have a Material Adverse Effect or, where such licence continues to be required, the notice is withdrawn or such licence is replaced or reinstated on such terms as would not reasonably be expected to have a Material Adverse Effect.

#### **6. Termination of Licence**

The occurrence of a Trigger Event referred to in Paragraph 6 (*Termination of Licence*) of Part 1 (*Trigger Events*) of this Schedule 3 will be remedied by the replacement or reinstatement of such licence or by the relevant authority or Regulator having directed

either that the Security Group's business can continue without such license or that such licence is no longer required.

**7. Adverse Governmental Legislation**

The occurrence of the Trigger Event referred to in Paragraph 7 (*Adverse Governmental Legislation*) of Part 1 (*Trigger Events*) of this Schedule 3 will be remedied if the draft bill fails to become an act of parliament or becomes an act in a form which is reasonably likely not to have a Material Adverse Effect.

**8. Loan Event of Default**

The occurrence of a Trigger Event referred to in Paragraph 8 (*Loan Event of Default*) of Part 1 (*Trigger Events*) of this Schedule 3 will be remedied if the Loan Event of Default is waived in accordance with the STID or is remedied to the reasonable satisfaction of the Borrower Security Trustee.

**9. Inflation-Linked Hedging Agreements**

The occurrence of a Trigger Event referred to in paragraph 9 (*Inflation-Linked Hedging Agreements*) of Part 1 (*Trigger Events*) of this Schedule 3 will be remedied if, on any subsequent date, the aggregate amount of all accretions by indexation to the original notional amounts of any inflation-linked Treasury Transactions no longer exceeds 8 per cent. of Senior Net Indebtedness.

**SCHEDULE 4**

## LOAN EVENTS OF DEFAULT

Each of the events set out in this Schedule is a Loan Event of Default under each Finance Document save in circumstances set out in Clause 7.1.3.

### 1. **Non-payment**

- (a) An Obligor does not pay on the due date any amount payable by it under the Finance Documents in the manner required under such documents unless payment is made within 3 Business Days of the due date. The "**due date**" for the purpose of any payment under a Borrower Loan Agreement shall be the date on which such payment is required to be made to the Issuer even if it is in advance of the applicable Interest Payment Date.
- (b) No Loan Event of Default will occur under paragraph 1(a) (*Non-Payment*) in respect of (i) amounts payable to a Borrower Hedge Counterparty under a Borrower Hedging Agreement, a Refinancing Facility Provider under the Refinancing Facility Agreement or the EIB Lender under the EIB Facility Agreements in circumstances where sufficient amounts were available to be claimed under any Letter of Credit issued pursuant to the Borrower Liquidity Facility Agreement or from Trust Property under the Borrower Liquidity Reserve Account Trust Deed and such Borrower Hedge Counterparty, Refinancing Facility Provider or the EIB Lender, as the case may be, has failed to instruct the Borrower Security Trustee to make a claim thereunder (an instruction for these purposes shall include, without limitation, any instruction contained in the STID), or (ii) any amount which becomes due and payable under a guarantee of the amount due under the Subordinated Facility Agreement following an event of default under the Subordinated Facility Agreement.

### 2. **Breach of Financial Covenant**

- (a)
  - (i) The Senior RAR as stated in the Compliance Certificate produced in respect of the Reporting Date falling in June in respect of 31 December of the preceding Financial Year is more than 0.925; and/or
  - (ii) The Average Senior ICR as stated in the Compliance Certificate produced in respect of the Reporting Date falling in June on or after the Reporting Date in June 2012, is less than 1.05.
- (b) No Event of Default shall occur under paragraph (a) above if within 30 days of the Relevant Reporting Date:
  - (i) the Borrowers shall have procured that Additional SP Contributions are made; and
  - (ii) the proceeds of such Additional SP Contributions are applied in prepayment and reduction of the Senior Debt; and

- (iii) the Borrowers shall have delivered to the Borrower Security Trustee a revised Compliance Certificate indicating, after taking into account the Additional SP Contributions used to remedy the breach, that the Senior RAR is not more than 0.925 and the Average Senior ICR is not less than 1.05.
- (c) For the purpose of remedying any breach of paragraph (b) above, the amount of such Additional SP Contributions shall be treated as though it had been received and applied in prepayment and reduction of Senior Debt by the Borrowers on (i) the Relevant Date for which the Senior RAR is tested and (ii) the first day of the first Financial Year for which the Average Senior ICR is tested.

### 3. **Breach of other obligations**

An Obligor does not comply with any term of any covenant or undertaking in this Agreement, or to the extent permitted by Schedule 2 (*Covenants*) and Clause 7 (*Loan Events of Default*), any other Finance Document (other than non-monetary performance obligations under a Finance Lease Document) which except where such non-compliance is not capable of remedy, is not remedied within the applicable Remedy Period **provided that** a breach of Paragraph 1(c) of Part 1 (*Information Covenants*) of Schedule 2 (*Covenants*) may only be capable of remedy once in any Five Year Period.

### 4. **Misrepresentation**

A representation made or repeated by an Obligor in this Agreement (other than any representation or statement made under a Finance Lease Document which is not a representation under Schedule 1 or 2 and which is permitted pursuant to paragraph 2 of Schedule 13 or, to the extent permitted by Clause 4 (*Representations*) and Clause 7 (*Loan Events of Default*), any other Finance Documents) or in any document delivered by or on behalf of any Obligor under any Transaction Document is incorrect or misleading in any material respect when made or deemed to be repeated, unless the circumstances giving rise to the misrepresentation:

- (a) are capable of remedy; and
- (b) are remedied within 30 days (60 days if the representation in question is contained in Paragraph 10 (*Full Disclosure*) of Schedule 1 (*General Representations*) of the earlier of the Borrower Security Trustee giving notice and an Obligor becoming aware that the representation was incorrect or misleading.

### 5. **Cross-default**

Any of the following occurs in respect of an Obligor:

- (a) any Non-ACF Financial Indebtedness is not paid when due after the expiry of any originally applicable grace period or in respect of the Non-Migrated Bonds, after the expiry of 30 days from the date on which such Non-ACF Financial Indebtedness became due for payment; or (b) any Non-ACF Financial Indebtedness:

- (i) is declared due and payable prior to its specified maturity (and, in respect of the Non-Migrated Bonds only, remains due and payable after the expiry of 30 days from the date on which such Non-ACF Financial Indebtedness was declared due and payable prior to its specified maturity); or
- (ii) is capable of being declared by a creditor to be prematurely due and payable prior to its specified maturity following the expiry of 30 days from the date on which such Non-ACF Financial Indebtedness became capable of being declared to be prematurely due and payable,

in each case, as a result of an event of default (howsoever described) and **provided that** no Loan Event of Default will occur under this Paragraph 5 if the aggregate amount of Non-ACF Financial Indebtedness falling within sub-paragraph (a) and (b) above at the relevant time is less than 0.5 per cent. of Total RAB.

## 6. **Insolvency**

Any of the following occurs in respect of an Obligor:

- (a) it is, or is deemed for the purposes of any law to be, unable to pay its debts as they fall due or the value of its assets is less than its liabilities, taking into account its contingent and prospective liabilities;
- (b) it makes a general assignment for the benefit of or a composition with its creditors;
- (c) a moratorium is declared in respect of any of its indebtedness; or
- (d) any Obligor is declared insolvent by any court.

## 7. **Insolvency proceedings**

- (a) A petition is presented, or a meeting is convened for the purpose of considering a resolution or other steps are taken for making an administration order in respect of or for the winding up of an Obligor or for the appointment of an Insolvency Official or similar official in respect of an Obligor or any or all of an Obligor's assets.
- (b) An administration order or a winding up order is made in respect of an Obligor.

Notwithstanding anything in (a) or (b) above, no Loan Event of Default shall arise in respect of any proceedings referred to in (a) and/or (b) above, which are taken for the purpose of a solvent reorganisation or merger (which has received the prior written approval of the Borrower Security Trustee) or in respect of any proceedings which are frivolous or vexatious or which are discharged within 30 days of being commenced.

## 8. **Authorisations**

The termination of any material licence or authorisation which is required for the carrying on of a material part of the Permitted Business of any Obligor in circumstances where a replacement licence or authorisation is required for the carrying on of such material part



of the Permitted Business of an Obligor and (i) such licence or authorisation is not replaced or (ii) where any replacement licence or authorisation obtained would reasonably be expected to have a Material Adverse Effect.

9. **Effectiveness of Transaction Documents**

- (a) It is or becomes unlawful for any Obligor to perform any of its obligations under any Transaction Document where such illegality would have a Materially Adverse Effect.
- (b) Except as regards any indemnity relating to stamp duty which is rendered void under Section 117 of the Stamp Act 1891, any Transaction Document or any material obligation purported to be contained in a Transaction Document is not effective or is alleged by an Obligor to be ineffective, invalid or unenforceable against any Obligor for any reason.
- (c) An Obligor repudiates a Relevant Document or any obligation purported to be contained in such Relevant Document or evidences an intention to repudiate a Relevant Document or any obligation purported to be contained in such Relevant Document.

10. **Effectiveness of security**

The Borrower Security created by a Security Document entered into by any Obligor ceases to be in full force and effect.

11. **Failure to comply with judgment**

Any Obligor fails to comply with or pay any sum due from it or them under any judgment or any order made or given by any court of competent jurisdiction except where such judgment is being appealed in good faith to a higher court.

12. **Change in Law**

Any change in law which would reasonably be expected to have a Material Adverse Effect.

13. **Nationalisation**

- (a) In this Paragraph 13 (*Nationalisation*), "**Governmental Agency**" 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.
- (b) Any Governmental Agency:
  - (i) seizes, expropriates, nationalises or compulsorily acquirers (whether or not for fair compensation) any material asset of an Obligor; or(ii) takes any step that is reasonably likely to result in the management of an Obligor being wholly or partially displaced or the authority of an Obligor to conduct its business is wholly or partially curtailed, in any case where such event would

be reasonably likely to have a Material Adverse Effect, **provided that** such event will not be determined to have a Material Adverse Effect to the extent that a Ratings Confirmation regarding the Bonds then outstanding is provided in connection with such event and **provided further that** this Paragraph 13(b) shall not apply to any displacement of management occurring at the direction of, or pursuant to undertakings given to, any Regulator. Notwithstanding the foregoing, nothing in this Paragraph 13 (*Nationalisation*) shall be construed so as to impose an obligation on an Obligor to seek a Ratings Confirmation.

**14. Change of Permitted Business**

A Borrower ceases to carry on its business or any substantial part of its business carried on as at the date of the Master Execution Deed or which is contemplated by the Transaction Documents other than as permitted pursuant to the Transaction Documents.

**15. Material Proceedings**

- (a) Any litigation is brought against an Obligor or in respect of its assets or revenues which, in any such case, would be reasonably likely to be adversely determined and which, if so adversely determined, would reasonably be expected to have a Material Adverse Effect.
- (b) Any execution proceedings are enforced in relation to any assets of any Obligor where such enforcement would reasonably be expected to have a Material Adverse Effect.

**16. Bond Event of Default**

The occurrence of a Bond Event of Default.

**SCHEDULE 5**  
**HEDGING POLICY AND OVERRIDING PROVISIONS RELATING TO HEDGING AGREEMENTS**

**1. Definitions**

In this Schedule:

**"Group"** means the Security Parent and its Subsidiaries;

**"Existing Initial Hedge Counterparty Hedging Agreement"** means any Hedging Agreement entered into between either the Issuer or the Borrower (as the case may be) and an Initial Hedge Counterparty (or a transferee in respect of such Initial Hedge Counterparty) before 15 December 2022; and

**"New Initial Hedge Counterparty Hedging Agreement"** means any Hedging Agreement entered into between the Issuer or the Borrower (as the case may be) and an Initial Hedge Counterparty or a transferee in respect of such Initial Hedge Counterparty on or after the 15 December 2022.

**2. General Principles**

- 2.1 The Borrowers and the Issuer are the only members of the Group permitted to enter into Hedging Agreements.
- 2.2 Where the Issuer enters into Interest Rate Hedging Agreements with the Hedge Counterparties to hedge the interest rate obligations of the Issuer in respect of the Bonds, the economic effect arising under each such Interest Rate Hedging Agreement will be effectively passed on to each Borrower, either through the corresponding Borrower Loan Agreements or by way of back-to-back hedge agreements between the Borrowers and the Issuer. Where the Borrowers and the Issuer have entered into back-to-back hedge agreements, the Borrowers and the Issuer shall terminate any such back-to-back transactions immediately upon and to the extent of any termination of corresponding Treasury Transactions by the Issuer and the relevant Hedge Counterparty as permitted by the terms hereof.
- 2.3 Each Borrower may enter into Hedging Agreements with Hedge Counterparties in respect of its obligations under any Authorised Credit Facility (other than the Borrower Loan Agreements, any Borrower Liquidity Facility Agreement or any Hedging Agreement) entered into by such Borrower. Each Borrower and the Issuer may enter into Hedging Agreements in respect of obligations projected to be incurred under Authorised Credit Facilities or Bonds respectively, yet to be entered into by such Borrower or the Issuer subject to paragraphs 4.2 and 4.3 below.
- 2.4 The purpose of the Hedging Policy is to manage the exposure of the Group to fluctuations in interest rates, currencies and other financial or operational risks.
- 2.5 No member of the Group will enter into Treasury Transactions for the purpose of

speculation, but rather only to manage risk inherent in its business or funding on a prudent basis.

- 2.6 Any change to the Hedging Policy will be subject to board approval of each Borrower, the Issuer and, only in respect of any change to the Hedging Limit (defined below) (other than a decrease in the 102.5% threshold specified in the Hedging Limit only), the approval of the Hedge Counterparties and (in all cases) may only be made with the approval of the Borrower Security Trustee (acting in accordance with the STID). A decrease in the 102.5% threshold specified in the Hedging Limit only shall be notified in writing to the Hedge Counterparties within 3 Business Days of such change.
- 2.7 Subject to the approvals contemplated in paragraph 2.6 above, the Hedging Policy will be reviewed from time to time by the Group and amended (subject to and in accordance with the provisions of the STID) as appropriate in line with market developments, regulatory developments, Good Industry Practice and the Group's funding arrangements and requirements.
- 2.8 Treasury Transactions will be entered into with counterparties meeting the requirements set out in this Schedule 5. Each Hedge Counterparty to a Treasury Transaction under a Hedging Agreement shall be a party to or accede to the STID and, in the case of such a Treasury Transaction with the Issuer, the Issuer Deed of Charge, at or prior to the date of entry into such Treasury Transaction.
- 2.9 Prior to the occurrence of a Loan Event of Default which is continuing and prior to the occurrence of a Termination Event (as defined in the relevant Hedging Agreement) or an Event of Default (as defined in the relevant Hedging Agreement) which is continuing, any Borrower and/or the Issuer (as applicable) may contact the Hedge Counterparties at any time to discuss, negotiate and agree the termination of any particular Treasury Transaction prior to the stated or expected term of that Treasury Transaction under the relevant Hedging Agreement, **provided that** the Group remains in compliance with the Hedging Policy.
- 2.10 Hedging Agreements entered into by the Issuer and/or the Borrower with Hedge Counterparties which are subject to the regulations issued by the US Board of Governors of the Federal Reserve System (12 C.F.R. §§ 252.2, 252.81-88), the US Federal Deposit Insurance Corporation (12 C.F.R. §§ 382.1-7) and the US Office of the Comptroller of the Currency (12 C.F.R. §§ 47.1-8) (collectively, the “**US Stay Regulations**”) may expressly acknowledge the application of the US Stay Regulations to such Hedging Agreement whether by adherence to the ISDA 2018 U.S. Resolution Stay Protocol or by the inclusion of bilateral provisions in such Hedging Agreement the purpose and effect of which provisions is only to acknowledge the application of the US Stay Regulations to such Hedging Agreement.

### **3. Currency Risk Principles**

- 3.1 The Group must not (after taking into account any natural hedging arising from operating income of the Group received in currencies other than the Base Currency) bear currency risk in respect of any foreign currency denominated debt instruments (excluding any fees payable in respect of any foreign currency denominated Authorised Credit Facility).

Furthermore, no Borrower will enter into any Cross Currency Hedging Agreement other than as specified in paragraph 3.3 below.

- 3.2 Currency hedges (entered into between the Issuer and the Hedge Counterparties) for non-Base Currency denominated Bonds issued by the Issuer will convert into Base Currency liabilities the interest payable to Scheduled Redemption Date and the scheduled repayment of principal in respect of such Bonds.
- 3.3 Currency hedges (entered into between the Borrowers and the Hedge Counterparties) for non-Base Currency denominated Non-Migrated Bonds issued by BAA will convert into Base Currency liabilities the interest payable to final maturity and the repayment of principal in respect of such Non-Migrated Bonds.<sup>2</sup>
- 3.4 In addition, the Borrowers will be permitted to enter into currency hedges to hedge any non-sterling revenues or expenditures **provided that** such hedging is entered into in the ordinary course of business and not for speculative purposes. The counterparties under such hedging arrangements will not be required to be party to the STID and will not benefit from the Borrower Security or have any voting rights. The Borrowers will be permitted to provide collateral support in respect of such hedging arrangements.
- 3.5 No member of the Security Group may enter into inflation-linked Treasury Transaction on or about the Initial Issue Date and the Issuer may not enter into inflation-linked Treasury Transactions in respect of any Class B Bonds.

#### 4. **Interest Rate Risk Principles**

- 4.1 The Group may hedge its exposure to interest rate risk through a combination of cash balances, Authorised Investments and derivative instruments such as interest rate swaps and/or inflation swaps, subject to the parameters in Paragraph 4.2 below. The Group will not, at any time enter into non-Sterling denominated interest rate swaps or inflation swaps except as part of a Cross Currency Hedging Agreement.
- 4.2 The Group will hedge its exposure to interest rate risk on its interest outgoings such that (without double counting):
  - (a) at least 75 per cent. of the Relevant Debt of the Group from time to time effectively bears either a fixed rate of interest or inflation-linked rate of interest until the end of the current Regulatory Period; and
  - (b) at least 50 per cent. of the Relevant Debt effectively bears either a fixed rate of interest or inflation-linked rate of interest until the end of the immediately following Regulatory Period.

For these purposes "Relevant Debt" means the aggregate, at the time, of the outstanding

- (a) Qualifying Borrower Senior Debt, excluding for these purposes any mark-to-market value of any transactions under Cross Currency Hedging Agreements; the termination values of any Finance Leases designated as Senior Debt that

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<sup>2</sup> To be inserted if 2014 and 2018 euro uncovenanted bonds constitute Non-Migrated Bonds

would otherwise be included in Qualifying Borrower Senior Debt; and the principal amount outstanding under each Working Capital Facility at such time; and

- (b) Qualifying Borrower Junior Debt, excluding for these purposes any mark-to-market value of any transactions under Cross Currency Hedging Agreements and the termination values of any Finance Leases designated as Junior Debt that would otherwise be included in Qualifying Borrower Junior Debt,

**provided that** for the purposes of calculating Relevant Debt only, non-Sterling denominated debt shall be deemed to be converted to Sterling at the rate specified in the relevant Cross-Currency Hedging Agreement related to the relevant non-Sterling denominated debt.

The Group will not, at any time, hedge its exposure to interest rate risk such that the Total Notional Hedged Amount (defined below) exceeds 102.5 per cent. of the sum of the Relevant Debt (the "**Hedging Limit**"). The "**Total Notional Hedged Amount**" shall be the aggregate, at the time, of (a) the outstanding Notional Amount (as defined in the relevant Hedging Agreements) of Treasury Transactions which are interest rate swap transactions and inflation swap transactions (excluding, prior to (but including upon and following) any Loan Event of Default, any Pre-hedges (as defined in paragraph 4.3 below) and excluding the Notional Amount of any Treasury Transactions that have been identified expressly in the relevant confirmations for such Treasury Transactions as hedging Fixed-rate Debt) entered into between the Issuer and the Hedge Counterparties or the Borrowers and the Hedge Counterparties (as applicable) under the relevant Hedging Agreements and (b) the outstanding principal amount of the Fixed-rate Debt. "**Fixed-rate Debt**" is the aggregate, at the time, of the outstanding Relevant Debt that bears either a fixed rate of interest or inflation-linked return.

- 4.3 The Group will, in addition, be permitted to enter into derivative instruments such as forward starting interest rate swap transactions and/or inflation rate swap transactions with an effective date no later than 24 months from the date of entry into such Treasury Transaction, in respect of Financial Indebtedness which is projected to be incurred within 24 months from the date of entry into such Treasury Transactions and which would not, on the basis of the most recent projections of the Security Group, be projected to breach the Additional Indebtedness Tests at the projected date of incurrence (the "**Pre-hedges**"). Subject to no Loan Event of Default having occurred, such Pre-hedges will not count towards, or be limited by reference to, the Hedging Limit prior to the applicable effective date of the relevant Pre-hedge. The Hedge Counterparties' termination rights set out in paragraph 6.3 below shall apply equally to Pre-hedges. In addition, such Pre-hedges may contain provisions to the effect that such Pre-hedges may be terminated at the election of the Issuer or relevant Borrower who is party to such Pre-hedge or the Security Group Agent acting on its behalf if the projected Financial Indebtedness is either not incurred or is incurred and the pre-hedging is no longer required, or that, such Pre-hedges are subject to mandatory termination.

## 5. Other Hedging Risk Principles

- 5.1 The Borrowers will be permitted to enter into hedges (including, but not limited to, index-linked instruments) to hedge their forecast operating revenues or operating or capital expenditures (including, but not limited to, electricity price hedging and commodities hedging in respect of materials required for development projects) **provided that** such hedging is entered into in the ordinary course of business, relates to the business requirements of the Borrowers and is not for speculative purposes. The counterparties under such hedging arrangements will not be required to be party to the STID and will not benefit from the Borrower Security or have any voting rights. The Borrowers will be permitted to provide collateral support in respect of such hedging arrangements.

## 6. Principles relating to Hedge Counterparties and Hedging Agreements

- 6.1 Subject to Paragraph 6.3 below, the Issuer and each Borrower may only enter into Treasury Transactions with Hedge Counterparties (i) whose short-term, unsecured and unsubordinated debt obligations are rated at least as high as "A-2" by S&P or if such counterparty does not have a short-term rating, whose long-term, unsecured and unsubordinated debt obligations are rated at least as high as "BBB+" by S&P, or (ii) whose short-term, unsecured and unsubordinated debt obligations are rated at least "F1" by Fitch and whose long-term, unsecured and unsubordinated debt obligations are rated at least "A" by Fitch or where a guarantee of the obligations of such party in connection with the Treasury Transaction is provided by an institution which meets the same criteria.

- 6.2 Subject to Paragraph 6.3 below, in respect of the Hedging Agreements, if at any time,
- (a) the rating of the short-term unsecured and unsubordinated debt obligations of a Hedge Counterparty (or, if relevant, its guarantor) falls below "F1" by Fitch or if the rating of the long-term unsecured and unsubordinated debt obligations of a Hedge Counterparty (or, if relevant, its guarantor) falls below "A" by Fitch; or
  - (b) the rating of the short term unsecured and unsubordinated debt obligations of a Hedge Counterparty (or, if relevant, its guarantor) falls below "A-2" by S&P or if the rating of the long-term unsecured and unsubordinated debt obligations of a Hedge Counterparty (or, if relevant, its guarantor) falls below "BBB+" by S&P,
- (each a "**Hedge Counterparty Downgrade**")

and the relevant Hedge Counterparty has not, within the time period required by the Rating Agencies (which in any event must not be more than 60 days of having been notified of such Hedge Counterparty Downgrade), at the relevant Hedge Counterparty's own cost:

- (1) procured that another person become co-obligor or guarantor in respect of its obligations under the relevant Hedging Agreement such other person having a rating of no less than the rating required by the Rating Agencies under the relevant Hedging Agreement in respect of which the Hedge Counterparty Downgrade has occurred; or

- (2) activated the mark-to-market collateral agreement in accordance with the requirements specified in the relevant Hedging Agreement in support of its obligations under the relevant Hedging Agreement; or
- (3) transferred all of its rights and obligations under the Hedging Agreement to a replacement third party who complies with the rating requirements set out in the relevant Hedging Agreement; or
- (4) taken such action as the Hedge Counterparty agrees with the Rating Agencies that will result in the rating (or shadow rating, as applicable) of the relevant Bonds being restored to the level they would have been immediately prior to the Hedge Counterparty Downgrade,

then the Issuer or, as applicable, the relevant Borrower shall be entitled to terminate the relevant Hedging Agreement (and in the case of any termination by the Issuer, any corresponding back-to-back treasury transactions with the Borrowers will terminate automatically on such termination on a *pro rata* basis).

- 6.3 Paragraphs 6.1 and 6.2 shall apply only to Existing Initial Hedge Counterparty Hedging Agreements. All other Hedging Agreements (including, for the avoidance of doubt, any New Initial Hedge Counterparty Hedging Agreements) must comply with the requirements set out in the Rating Agency Criteria or if the relevant Rating Agency Criteria does not apply, the rating requirements set out in 6.1 and 6.2.
- 6.4 Notwithstanding anything to the contrary in this Agreement, the Issuer or, as applicable, the relevant Borrower will only enter into a Hedging Agreement with a Hedge Counterparty if such Hedging Agreement provides that the Hedge Counterparty may only terminate a Treasury Transaction under a Hedging Agreement prior to its specified maturity date if one or more of the following events has occurred and is continuing:
- (a) an event outlined in Section 5(a)(i) of the relevant Hedging Agreement if it relates to non-payment or non-delivery by the Issuer or, as applicable, the relevant Borrower, under such Hedging Agreement provided that a Borrower Hedge Counterparty will not be entitled to terminate a Borrower Hedging Agreement for non-payment in circumstances where sufficient amounts were available to be claimed under any Letter of Credit issued pursuant to the Borrower Liquidity Facility Agreement or from Trust Property under the Borrower Liquidity Reserve Account Trust Deed and such Borrower Hedge Counterparty has failed to instruct the Borrower Security Trustee to make a claim thereunder;
  - (b) in the case of any Treasury Transactions of the Issuer, any event outlined in Section 5(a)(vii)(*Bankruptcy*) of the relevant Hedging Agreement (as amended by the relevant schedule to such Hedging Agreement to disapply, with respect to the Issuer, Section 5(a)(vii)(2), (7) and (9) of the standard ISDA Master Agreement) if it relates to an event that has occurred in relation to the Issuer;
  - (c) in the case of any Treasury Transactions of a Borrower, any event outlined in Section 5(a)(vii)(*Bankruptcy*) of the relevant Hedging Agreement, as amended by the relevant schedule to such Hedging Agreement by deleting the standard ISDA



Master Agreement Section 5(a)(vii) in its entirety and replacing it with a provision describing an event which is the earlier to occur of:

- (1) the LF Termination Date (as that term is defined in the Borrower Liquidity Facility Agreement); or
  - (2) any of the events described in the "Insolvency" and "Insolvency Proceedings" provisions of Schedule 4 of the Common Terms Agreement, if it relates to an event that has occurred in relation to the relevant Borrower, in circumstances where, on or after the thirtieth calendar day following the occurrence of such an insolvency event, the conditions precedent to drawdown under the Borrower Liquidity Facility (including the making of a claim under a Letter of Credit) are not satisfied or the debt service funding triggers for the Borrower Liquidity Facility as set out in Schedule 3, Part 1(3)(c) of the Common Terms Agreement are in breach;
- (d) any termination event under the relevant Hedging Agreement relating to Illegality (as defined in the relevant Hedging Agreement);
  - (e) any termination event under the relevant Hedging Agreement relating to a Tax Event or Tax Event Upon Merger (as such terms are defined in the relevant Hedging Agreement);
  - (f) in the case of any Treasury Transactions of the Issuer, the Bonds then outstanding are prepaid or repaid in full, or become prepayable or repayable in full (and in respect of which any amounts calculated in accordance with the terms of the relevant Hedging Agreement as being due in respect of an Early Termination Date (as defined in the relevant Hedging Agreement) designated as a result of this Additional Termination Event (as defined in the relevant Hedging Agreement) shall be payable on the date on which the Bonds are due to be prepaid or repaid in full);
  - (g) in the case of any Treasury Transactions of the Borrowers, the Relevant Debt is prepaid or repaid in full, or becomes prepayable or repayable in full;
  - (h) Any sale or disposal of all or substantially all of Heathrow or any sale or disposal of any shares in HAL or a Holding Company of HAL (and in the case of either sale or disposal whether voluntarily or as a result of the enforcement of security or in any other circumstances whatsoever and whether in a single transaction or through a series of transactions and whether related or not), which results in, (i) a release of all or substantially all of Heathrow from the Security Interests held for the benefit of the Borrower Secured Creditors in accordance with the Security Documents other than in the case of a sale or disposal to another Obligor which simultaneously creates security over Heathrow in favour of the Borrower Security Trustee on terms which are in all respects equivalent to the released security; and/or (ii) a release, without the simultaneous taking of the benefit of an equivalent guarantee, of the guarantee in respect of obligations secured by such Security Interests from the owner of Heathrow; and/or (iii) a release of the shares in HAL from the fixed security held by

the Borrower Security Trustee pursuant to the Security Agreement and in accordance with the STID for the benefit of the Borrower Secured Creditors other than in the case of a sale or disposal to another Obligor which simultaneously creates security over the shares in HAL in favour of the Borrower Security Trustee on terms which are in all respects equivalent to the released security; and/or (iv) a release, without the simultaneous taking of the benefit of an equivalent guarantee, of the guarantee in respect of the obligations secured by such fixed security from the Holding Company for the time being of HAL; and/or (v) any adverse charge to the benefit, enjoyed by the Hedge Counterparties, of the security granted in favour of the Hedge Counterparties prior to such sale or disposal.

For the purpose of the above provision: "equivalent guarantee" means, in the case of (ii) above, a guarantee in respect of the obligations secured by such Security Interests from the owner for the time being of Heathrow; and in the case of (iv) above, a guarantee in respect of the obligations secured by such fixed security from the Holding Company of the time being of HAL.

- (i) following the delivery of a Loan Acceleration Notice by the Borrower Security Trustee in accordance with the STID;
- (j) to the extent required to ensure that the Hedging Limit is not exceeded (in which event (i) prior to the occurrence of a Loan Event of Default which is continuing, the Group or the Security Group Agent acting on its behalf shall terminate in whole or in part such Treasury Transactions of the Group which are interest rate swap transactions or inflation swap transactions as it shall, by notice to the Borrower Security Trustee and the relevant Hedge Counterparties, elect and (ii) following the occurrence of a Loan Event of Default which is continuing, each Treasury Transaction of the Group which is an interest rate swap transaction or inflation swap transaction (including any Pre-hedge in respect of which the effective date has not occurred) shall be terminated, on a *pro rata* basis by reference to their then outstanding notional amounts (including any accretions on account of indexation));
- (k) to the extent that the aggregate notional amount of Treasury Transactions which hedge any particular portion of non-sterling denominated Relevant Debt at that time exceeds the outstanding principal amount of such debt in which event each such Treasury Transaction shall be terminated on a *pro rata* basis;
- (l) to the extent that the aggregate notional amount of Treasury Transactions which hedge any particular portion of the Fixed-Rate Debt exceeds the outstanding principal amount of such debt, in which event such Treasury Transaction shall be terminated on a *pro rata* basis;
- (m) in the case of any Pre-hedges and/or any other inflation or interest rate swap transactions, (a) pursuant to any mandatory termination provision in the relevant Hedging Agreement or (b) in respect of the Pre-hedge only, to the extent that the projected Financial Indebtedness is not incurred as projected or has been incurred and the relevant pre-hedging is no longer required;

- (n) prior to the effective date of a Pre-hedge and in respect of such Pre-hedge only, any of the events outlined in Section 5(a) and Section 5(b) of the relevant Hedging Agreement;
- (o) prior to the occurrence of a Loan Event of Default which is continuing and prior to the occurrence of a Termination Event (as defined in the relevant Hedging Agreement) or an Event of Default (as defined in the relevant Hedging Agreement) which is continuing, an agreement is reached between the relevant Borrower(s) or Issuer and the relevant Hedge Counterparty at any time to terminate, in whole or in part, a Treasury Transaction(s) prior to its stated or expected term under the relevant Hedging Agreement, provided that the Group remains in compliance with the Hedging Policy;
- (p) in respect of Treasury Transactions with any particular Borrower, if such Borrower ceases to be a member of the Group and the Treasury Transactions entered into under a Hedging Agreement to which that Borrower is a party are not novated (such novation to be effective immediately prior to the Borrower ceasing to be a member of the Group) to another Borrower or Borrowers; and
- (q) if
  - (1) either the Borrower or the Issuer has entered into with the same Initial Hedge Counterparty (or the same transferee of such Initial Hedge Counterparty) both an Existing Initial Hedge Counterparty Hedging Agreement and a New Initial Hedge Counterparty Hedging Agreement, which rank pari passu with one another in the relevant Borrower Post-Enforcement Priorities of Payments and the relevant Issuer Payment Priorities (as the case may be); and
  - (2) an Event of Default or Termination Event (both as defined in each such Hedging Agreement) occurs and is continuing under such Hedging Agreement (save where (X) the event is in respect of a failure to comply with the Additional Termination Event – Rating Event under such Existing Initial Hedge Counterparty Hedging Agreement (a ***Ratings Downgrade Event***) only; or (Y) is in respect of a Termination Event where some only rather than all Treasury Transactions thereunder are Affected Transactions (as defined in each such Hedging Agreement)) (the ***Defaulting Hedge Agreement***),

an equivalent Event of Default or Termination Event will have occurred and be continuing under the Existing Initial Hedge Counterparty Hedging Agreement or a New Initial Hedge Counterparty Hedging Agreement which is not the Defaulting Hedge Agreement.

#### 6.5 Where:

- (1) the Borrower or Issuer has entered into with the same Initial Hedge Counterparty (or the same transferee of such Initial Hedge Counterparty) both an Existing Initial Hedge Counterparty Hedging Agreement and a New Initial Hedge Counterparty

Hedging Agreement, which rank pari passu with one another in the relevant Borrower Post-Enforcement Priorities of Payments and the relevant Issuer Payment Priorities (as the case may be); and

- (2) a notice designating an Early Termination Date (each as defined in the relevant Hedging Agreement) (an *Early Termination Notice*) in relation to all Transactions under a Defaulting Hedge Agreement (save where the Termination Event is a Ratings Downgrade Event), such Early Termination Notice will also constitute valid and effective notice of the same Early Termination Date under the Existing Initial Hedge Counterparty Hedging Agreement or a New Initial Hedge Counterparty Hedging Agreement which is not the Defaulting Hedge Agreement.
7. All Hedging Agreements must be entered into in the form, as amended by the parties thereto, of the 1992 ISDA Master Agreement (Multicurrency - Cross Border), the 2002 Master Agreement published by ISDA or any successor thereto published by ISDA unless otherwise agreed by the Borrower Security Trustee. With regard to any Hedging Agreement entered into in the form of the 2002 ISDA Master Agreement, the parties thereto must agree, together with any other amendments, that Section 5(a)(i) of such 2002 ISDA Master Agreement is amended by deleting references to 'first' in lines 3 and 4 and inserting the word 'third' in lieu thereof.

## 8. Tax

- 8.1 A member of the Group may only enter into Treasury Transactions with counterparties who are party to such transactions otherwise than as agent or nominee of another person and who either:
- (a) are resident for tax purposes in the United Kingdom; or
  - (b) hold the contract comprising the Treasury Transaction solely for the purposes of a trade or part of a trade carried on by it in the United Kingdom through a branch or agency in respect of which it is chargeable to United Kingdom corporation tax; or
  - (c) are resident for tax purposes in a jurisdiction with which the United Kingdom has a double taxation convention which makes provision, whether for relief or otherwise, in relation to interest.
- 8.2 Each Hedge Counterparty will be obliged to make payments under the Hedging Agreements without any withholding or deduction of taxes, unless required by law.
- 8.3 If any such withholding or deduction is required by law, a Hedge Counterparty will be required to pay any such additional amount as is necessary to ensure that the net amount received by the Issuer or, as the case may be, Borrower will equal the full amount the Issuer or Borrower would have received had no such deduction or withholding been required. Such a Hedge Counterparty is also required to use its reasonable efforts to transfer all of its rights and obligations under the Hedging Agreement to another of its offices or affiliates in accordance with the relevant Hedging Agreement so that such deduction or withholding will not be required, **provided that** such transferee is a person having the minimum required rating under the relevant

Hedging Agreement or the transferee has a guarantee provided by a person that meets the same criteria.

- 8.4 The Issuer and each Borrower will make payments under the Hedging Agreements subject to any withholding or deduction of taxes required by law, but will not be required to pay any additional amount to any Hedge Counterparty in respect thereof.
- 8.5 Notwithstanding Paragraphs 8.1 to 8.3 above, if a withholding or deduction is required due to any action by a taxing authority or brought in a court of competent jurisdiction, or change in tax law after the date on which a Treasury Transaction is entered into, and such withholding or deduction cannot be avoided in accordance with the relevant Hedging Agreement, the Hedge Counterparty may, subject to the terms and conditions of the relevant Hedging Agreement, terminate the relevant Treasury Transaction.
9. All Hedging Agreements must provide for "two-way payments" in the event of early termination of any such Hedging Agreement for whatever reason.
10. Subject to Paragraph 6 above, if both Interest Rate Hedging Agreements and Cross Currency Hedging Agreements are entered into by the Issuer with an Issuer Hedge Counterparty:
  - (a) such Interest Rate Hedging Agreements must be entered into under a separate master agreement; and
  - (b) the Cross Currency Hedging Agreements hedging the Class A Bonds and the Cross Currency Hedging Agreements hedging the Class B Bonds must be entered into under separate master agreements.
11. All payments under a Hedging Agreement shall be made without set-off or counterclaim, except when (as provided in (b) below) an Event of Default or a Termination Event occurs under both an Existing Initial Hedge Counterparty Hedging Agreement and a New Initial Hedge Counterparty Hedging Agreement, and:
  - (a) as expressly provided for in Sections 2(c) and 6(e) of the Hedging Agreement (provided that if the Hedging Agreement is entered into in the form of the 1992 ISDA Master Agreement (Multicurrency - Cross Border), Section 6(e) of such Hedging Agreement must be amended by the deletion of "The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off."); and
  - (b) set-off shall be automatically effected without notice or election by either party between any amount payable pursuant to Section 6(e) of an Existing Initial Hedge Counterparty Hedging Agreement and any amount payable pursuant to Section 6(e) of a New Initial Hedge Counterparty Hedging Agreement (save in the instance of Termination Event resulting from a Ratings Downgrade Event), provided that the Existing Initial Hedge Counterparty Hedging Agreement and the New Initial Hedge Counterparty Agreement have been entered into with the same Initial Hedge Counterparty (or the same transferee of such Initial Hedge Counterparty)

and rank pari passu with one another in the relevant Borrower Post-Enforcement Priorities of Payments and the relevant Issuer Payment Priorities (as the case may be).

12. Each Hedge Counterparty must agree and consent to and, if applicable, procure the consent of its Credit Support Provider (if any) (as defined in the Hedging Agreement), to the creation of security by the Issuer or, as applicable, the relevant Borrower over its interests under the related Hedging Agreement (without prejudice to, and after giving effect to, any set-off or netting provisions contained in the Hedging Agreement) and under any collateral, guarantee or security provided in support of the obligations of the Hedge Counterparty under the Hedging Agreement, including any Credit Support Document provided in relation to the Hedge Counterparty, to (in the case of the Issuer), the Bond Trustee pursuant to and in accordance with the Issuer Deed of Charge and to (in the case of each Borrower) the Borrower Security Trustee pursuant to and in accordance with the Security Agreement and must acknowledge and, if applicable, procure the acknowledgement by its Credit Support Provider of, notice of such security.
13. All Hedging Agreements must provide that any transfer effected by the Hedge Counterparty to avoid a termination event shall be subject to the requirements that the transferee satisfies the minimum rating requirements under the relevant Hedging Agreement or that the transferee has a guarantee of the obligations of such transferee in connection with the Hedging Agreement provided by an institution which meets the same criteria.
14. Each Hedge Counterparty must acknowledge, in the terms of the related Hedging Agreement, that all amounts payable or expressed as payable (whether by indemnity or otherwise) by the Issuer or the Borrower (as the case may be) to a Hedge Counterparty under or in connection with the relevant Hedging Agreement shall only be exercisable or recoverable (as the case may be) in accordance with the STID and, in the case of any Hedging Agreements with the Issuer, the Issuer Deed of Charge and, in the case of any Hedging Agreements with a Borrower, the Senior/Subordinated Intercreditor Agreement if applicable.
15. Any person procured to become co-obligor or guarantor in respect of the obligations of a Hedge Counterparty under a Hedge Agreement in accordance with the provisions of such agreement, will be treated as a Credit Support Provider of such Hedge Counterparty for the purposes of such Hedging Agreement.

## SCHEDULE 6 OUTSOURCING POLICY

### Definitions

For the purposes of this Outsourcing Policy:

"**Capex Contract**" means (i) any agreement pursuant to which BAA (on behalf of an Obligor) or any Obligor incurs capital expenditure in relation to any of the Designated Airports, (ii) any building design or consultancy agreement relating to the aforementioned capital expenditure and (iii) any building estates management services agreement relating to any of the Designated Airports.

"**Capital Project**" means any construction or other project, which involves capital expenditure rather than operating expenditure, undertaken or to be undertaken, by or on behalf of a Borrower, including (without limiting the generality of the foregoing):

- (a) construction or engineering projects;
- (b) projects in relation to the acquisition of business systems (including IT systems);
- (c) consultancy contracts in connection with any of the above; and
- (d) any associated planning activities (whether local or regional), the purchase and development of land in connection with such a project, the purchase, construction, demolition, remodelling, renovation of buildings or other physical facilities (including building design or consultancy activities in relation thereto), the purchase or installation of fixed or moveable equipment, and/or, to the extent not already covered above, the purchase of design engineering and other professional services directly associated with any such project.

"**Outsourcing Agreement**" means any agreement (excluding any Capex Contract) pursuant to which BAA (on behalf of any Obligor) or any Obligor contracts or outsources either the day to day operation of its assets, business services and service delivery (including any maintenance expenditure) or acquires technical know-how and access to other intellectual property rights in relation to services that, in the case of any outsourcing BAA (on behalf of the Obligor) or the Obligor could, if not so contracted or outsourced, perform itself.

"**Material Capex Agreement**" means any Capex Contract:

- (i) where the contract price (or target contract price) or estimated total contract spend payable by the relevant Obligor (and/or BAA on its behalf) under that Capex Contract is equal to or greater than 2 per cent. of Total RAB; or
- (ii) which, when aggregated with all other outstanding Capex Contracts (which in each case have not been terminated or expired in accordance with their terms) previously entered into by the relevant Obligor or any other Obligor (and/or BAA on behalf of any Obligors) with the same Contractor (or its affiliates) and in relation to the same Capital Project, results in an aggregate NPV of agreed target costs (the NPV in each case being calculated at the later of (a) the Initial Issue Date and (b) the date on which the relevant

Capex Contract was entered into) being equal to or greater than 2 per cent. of Total RAB.

**"Material O&M Agreement"** means any Outsourcing Agreement:

- (i) where the annual value of the contract exceeds 10% of the annual projected operating expenditure of the Security Group for the financial year in which such agreement is entered into; or
- (ii) which, when aggregated with all other Outsourcing Agreements (which in each case have not been terminated or expired in accordance with their terms) previously entered into by one or more Obligors (and/or BAA on their behalf) with the same Contractor (or its affiliates), results in an aggregate annual contract value equal to or greater than 10% of the projected operating expenditure of the Security Group for the financial year in which such calculation is made.

### **GENERAL PRINCIPLES AND OBLIGATIONS TO APPLY TO ALL MATERIAL O&M AGREEMENTS AND MATERIAL CAPEX AGREEMENTS**

1. The obligations set out in this Schedule shall apply to all Material O&M Agreements and Material Capex Agreements (except to the extent explicitly provided otherwise) entered into or materially amended or extended after the date hereof.
2. Each Obligor (and/or BAA on their behalf) shall, in relation to the procurement process for and the terms of any Material O&M Agreements and Material Capex Agreements and decisions in relation to whether or not to outsource and when considering whether to exercise its rights to terminate any Material O&M Agreement or Material Capex Agreement, act in accordance with Good Industry Practice and shall, without limiting the generality of the foregoing, take reasonable steps to avoid additional operational risks when outsourcing.
3. Each Obligor (and/or BAA on their behalf) shall ensure that the following matters are, in relation to each Material O&M Agreement and Material Capex Agreement, adequately addressed in the relevant agreement or by way of arrangements put in place by BAA or the relevant Borrower or with the contractors:
  - (a) the relevant Obligor shall be a party to each Outsourcing Agreement and Capex Contract under which it receives any benefit;
  - (b) the Obligor (and/or BAA on its behalf) shall retain staff with the necessary experience and expertise to manage and monitor the performance of the Supplier during the term of the relevant Material O&M Agreement or Material Capex Agreement;
  - (c) appropriate arrangements must be in place to ensure the business continuity of the Permitted Business of each Obligor upon termination or expiration of an Material O&M Agreement for any reason, such arrangements to include (without limitation) (i) the ability of each Obligor to access all manuals and data relating and/or required to conduct its business and (ii) the ability of each Obligor to take



transfer of, or otherwise have relevant rights to use, such assets and contracts as may be necessary to conduct its business.

4. Each Outsourcing Agreement and Capex Contract shall be concluded on arm's length terms.
5. Each Material O&M Agreement shall include the right of the Borrower Security Trustee (or its nominee), in the event of the insolvency of (or similar situation relating to) BAA or an Obligor, to perform any obligations of the BAA or an Obligor, including payment on behalf of BAA or the relevant Obligor (as the case may be) of any fees due under the relevant agreement (the "**Step-In Rights**"). Where a payment is made in the exercise of such right, the Supplier shall not have the right to terminate the relevant agreement due to the insolvency event and will continue to perform the agreement in accordance with its terms. The Obligors will use reasonable endeavours to ensure that each Material Capex Agreement includes Step-In Rights and, in addition, or alternatively, the Obligors will use reasonable endeavours to ensure that the Supplier shall not have the right to terminate the relevant agreement due to the occurrence of an insolvency event relating to BAA or an Obligor and will continue to perform the agreement in accordance with its terms **provided that** it continues to be paid.
6. A Supplier shall not have the right to dispose of or in any manner encumber assets that are material to the conduct of the Permitted Business or any part thereof to the extent that the relevant Material O&M Agreement permits BAA/the Obligors to require the relevant assets to be returned to BAA/the relevant Obligors on a termination/expiry thereof.
7. The Obligors shall use reasonable endeavours to ensure that no Material O&M Agreement contains a change of control termination right in favour of the Supplier.
8. Each Material O&M Agreement and Material Capex Agreement shall, where entered into by an Obligor, be capable of being subject to security in favour of the Borrower Security Trustee or its nominee, which security shall (if applicable) be capable of perfection upon an insolvency event in relation to the relevant Obligor.

**SCHEDULE 7**  
**FORM OF COMPLIANCE CERTIFICATE**

To: [•] as Borrower Security Trustee  
From: BAA Limited as Security Group Agent

[Date]

Dear Sirs

**Common Terms Agreement dated [•] 2008 between, among others, the Issuer, the Obligors and [•] (the "Borrower Security Trustee") (the "Common Terms Agreement")**

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

1. We refer to the Common Terms Agreement. This is a Compliance Certificate.
2. We confirm that:
  - (a) [no Forecasting Event has occurred and is continuing/a Forecasting Event has occurred and is continuing]<sup>3</sup>
  - (b) the ratios (together the "**Ratios**") are as detailed in the tables below:

|           |   |
|-----------|---|
| ICR TESTS | Historical for Relevant Period ending [•] |
|-----------|---|

|            |  |
|------------|--|
| Senior ICR |  |
|            |  |

Junior ICR

|            |  |
|------------|--|
| RAR TESTS  | Historical for Relevant Date [•]. Where Total RAB is to be based on the Regulatory RAB of each Obligor specified in the most recently published Regulatory Accounts (if available) or if not, the applicable management accounts |
| Senior RAR |  |
| Junior RAR |  |

<sup>3</sup> Delete as applicable

| Forecast ICR Ratios  | Forecast for Relevant Period ending on<br>[•] | Forecast for Relevant Period ending on<br>[•] | Forecast for Relevant Period ending on<br>[•] | Forecast for Relevant Period ending on<br>[•] |
|--|---|---|---|---|
| Senior ICR<br><br>(at such Calculation Date or, in the case of forward-looking ratios, as at [•] falling in the Relevant Period) |   |   |   |   |
| Junior ICR<br><br>(at such Calculation Date or, in the case of forward-looking ratios, as at [•] falling in the Relevant Period) |   |   |   |   |
| Forecast RAR Ratios  | Forecast for Relevant Date as at<br>[•]       | Forecast for Relevant Date as at<br>[•]       | Forecast for Relevant Date as at<br>[•]       | Forecast for Relevant Date as at<br>[•]       |
| Senior RAR<br><br>(at such Calculation Date or, in the case of forward-looking ratios, as at [•] falling in the Relevant Period) |   |   |   |   |
| Junior RAR<br><br>(at such Calculation Date or, in the case of forward-looking ratios, as at [•] falling in the Relevant Period) |   |   |   |   |

3. We confirm that historical ratios have been calculated using the most recently available financial information required to be provided by the Obligors under Schedule 2 (*Covenants*) of the Common Terms Agreement and delivered together with this Compliance Certificate.
4. We confirm that all forward-looking financial ratio calculations and projections:
  - (i) have been made on the basis of assumptions made in good faith and arrived at after due and careful consideration;
  - (ii) are consistent and updated by reference to the most recently available financial information required to be produced by the Obligors under Schedule 2 (*Covenants*) of the Common Terms Agreement and delivered together with this Compliance Certificate; and
  - (iii) are consistent with the Applicable Accounting Principles (insofar as such Applicable Accounting Principles reasonably apply to such calculations and projections).
5. We set out below the computation of the following ratios set out in the tables in Paragraph 2 above for your information:
  - (a) Senior ICR  
*[insert in reasonable detail the computations necessary to demonstrate compliance]*
  - (b) Junior ICR  
*[insert in reasonable detail the computations necessary to demonstrate compliance]*
  - (c) Senior RAR  
*[insert in reasonable detail the computations necessary to demonstrate compliance]*
  - (d) Junior RAR  
*[insert in reasonable detail the computations necessary to demonstrate compliance]*
6. We also confirm that:
  - (a) no Default or Trigger Event has occurred and is continuing, or if a Default or Trigger Event has occurred and is continuing, steps (which shall be specified) are being taken to remedy such Default or Trigger Event;
  - (b) the Group is in compliance with the Hedging Policy; [insert details of the Treasury Transactions then in place and setting out a summary of the hedging arrangements, including levels of over-hedging and details of forward starting Treasury Transactions];<sup>4</sup>

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<sup>4</sup> Include only if a Trigger Event has occurred and is continuing

- (c) [no termination of the Shared Services Agreement has occurred/the Shared Services Agreement has terminated and the provisions of Clause [19.5] continue to apply/do not continue to apply];<sup>5</sup>
- (d) this Compliance Certificate is accurate in all material respects;
- (e) the current balance of the Insurance Proceeds Account is [•] and the current balance of the Disposal Proceeds Account is [•];
- (f) *[insert a summary of any acquisition or disposal of subsidiaries or subsidiary undertakings by any Obligor and of any company or business or Material Disposals by any Obligor, in each case since the previously delivered Compliance Certificate (or, if none, the Initial Issue Date)];*
- (g) the amount of any Restricted Payment made since the date of the previous Compliance Certificate (or, if none, the Initial Issue Date) is [•]; and
- (h) [the forecasted Restricted Payments which are to be made within the 90 day period commencing on the date of delivery of this Compliance Certificate is

[•]]<sup>6</sup>.

Yours faithfully,

[Finance Director or CFO]

Director

For and on behalf of

BAA Limited as Security Group Agent

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<sup>5</sup> Delete as applicable

<sup>6</sup> Include only if a Forecasting Event has occurred and is continuing.



**SCHEDULE 8**  
**FORM OF INVESTOR REPORT**  
**Template for Investor Report**

**General Overview**

**Regulatory and business update**

1. New significant regulatory and business developments (including any highly publicised incidents)
2. Significant announcements/publications by Regulator/CAA/government
3. Significant Board/Management changes

**Capital Expenditure**

4. Material matters on capex procurement and expenditure

**Outsourcing**

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

**Financing**

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

**etc. Acquisitions and Disposals**

7. Summary details of any acquisition of subsidiaries or subsidiary undertakings and of any company or business or Material Disposals, in each case since the previously delivered Investor Report (or, if none, the Initial Issue Date).

**Joint Ventures**

8. Summary details of any acquisition or disposal of Joint Ventures which are Obligors or Permitted Joint Ventures, any significant financings thereof or investments therein.

**Performance penalties**

9. Summary details of any performance penalties imposed in respect of any Designated Airport.

**[Capital Investment Plan/Forecast Capital Expenditure**

10. A capital investment plan setting out the medium term forecast capital expenditure of the Security Group or, if such a plan is not available, a capital expenditure forecast to the end of the then current Regulatory Period.]<sup>7</sup>

**Restricted Payments**

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<sup>7</sup> To be included in respect of each Reporting Date falling on 30 June of each year only.

11. The amount of any Restricted Payment made since the date of the previous Investor Report dated [•] is [•][ and the amount of Restricted Payments which are proposed to be made in the 90 day period commencing on the date of delivery of this Investor Report is [•]].<sup>8</sup>

### Ratios<sup>9</sup>

12. We confirm that in respect of this investor report dated [•], by reference to the most recent financial statements that we are obliged to deliver to you in accordance with Paragraph 1 (*Financial Statements*) of Part 1 (*Information Covenants*) of Schedule 2 (*Covenants*) of the Common Terms Agreement:

- (a) [the historical Senior ICR for the Relevant Period ending [•] was [•]];<sup>10</sup>
- (b) [the historical Junior ICR for the Relevant Period ending [•] was [•]];<sup>11</sup>
- (c) the historical Senior RAR as at the Relevant Date, 31 March [•] was [•];
- (d) the historical Junior RAR as at the Relevant Date 31 March [•] was [•],[;]
- (e) the forecast Senior ICR for the Relevant Period ending [•] is [•];
- (f) [the forecast Senior ICR for the Relevant Period ending [•] is [•];
- (g) the forecast Senior ICR for the Relevant Period ending [•] is [•];
- (h) the forecast Senior ICR for the Relevant Period ending [•] is [•];]
- (i) the forecast Junior ICR for the Relevant Period ending [•] is [•];
- (j) [the forecast Junior ICR for the Relevant Period ending [•] is [•];
- (k) the forecast Junior ICR for the Relevant Period ending [•] is [•];
- (l) the forecast Junior ICR for the Relevant Period ending [•] is [•];]
- (m) the forecast Senior RAR as at the Relevant Date, 31 March [•] is [•];
- (n) [the forecast Senior RAR as at the Relevant Date, 31 March [•] is [•];
- (o) the forecast Senior RAR as at the Relevant Date, 31 March [•] is [•];
- (p) the forecast Senior RAR as at the Relevant Date, 31 March [•] is [•];]
- (q) the forecast Junior RAR as at the Relevant Date, 31 March [•] is [•];]
- (r) [the forecast Junior RAR as at the Relevant Date, 31 March [•] is [•];
- (s) the forecast Junior RAR as at the Relevant Date, 31 March [•] is [•]; and

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<sup>8</sup> To be included if a Forecast Event has occurred and is continuing.

<sup>9</sup> All forecast ratios other than 12 Month Forward Looking Ratios only required to be included if a Forecast Event has occurred and is continuing.

<sup>10</sup> To be included in respect of each Reporting Date falling on or after 30 June 2010.

<sup>11</sup> To be included in respect of each Reporting Date falling on or after 30 June 2010.



- (t) the forecast Junior RAR as at the Relevant Date, 31 March [•] is [•].  
(together the "**Ratios**").

### **Current Hedging Position**

13. General overview of the current hedging position.
14. We confirm that each of the above Ratios has been calculated in respect of the Relevant Period(s) or as at the Relevant Dates for which it is required to be calculated under the Common Terms Agreement.
15. We confirm that historical ratios have been calculated using, and are consistent and have been updated by reference to the most recently available financial information required to be provided by the Obligors under Schedule 2 (*Covenants*) of the Common Terms Agreement.
16. We confirm that all forward-looking financial ratio calculations and projections:
- (i) have been made on the basis of assumptions made in good faith and arrived at after due and careful consideration;
  - (ii) are consistent and updated by reference to the most recently available financial information required to be produced by the Obligors under Schedule 2 (*Covenants*) of the Common Terms Agreement; and
  - (iii) are consistent with the Applicable Accounting Principles (insofar as such Applicable Accounting Principles reasonably apply to such calculations and projections).
17. We also confirm that:
- (a) no Default or Trigger Event has occurred and is continuing, or if a Default or Trigger Event has occurred and is continuing, steps (which shall be specified) are being taken to remedy such Default or Trigger Event;
  - (b) the Group is in compliance with the Hedging Policy; and
  - (c) this Investor Report is accurate in all material respects;

Yours faithfully,

[Finance Director or Chief Financial Officer]

Director

For and on behalf of

BAA Limited as Security Group Agent

**SCHEDULE 9**  
**BORROWER CASH MANAGEMENT**

1. On or prior to the Initial Issue Date, the Borrowers and HEX Opco shall each open and maintain an Operating Account with the Borrower Account Bank.
2. On or prior to the Initial Issue Date, HAL will also open and maintain an insurance proceeds account (the "**Insurance Proceeds Account**") on behalf of the Borrowers and the Borrowers will also open and maintain a joint disposal proceeds account (the "**Disposal Proceeds Account**") and a joint debt collateralisation account (the "**Debt Collateralisation Account**") each with the Borrower Account Bank.
3. **[Intentionally left blank]**
4. HAL may also open and maintain separate Borrower Hedge Collateral Accounts with the Borrower Account Bank in respect of each Credit Support Annex entered into by a Borrower with a Borrower Hedge Counterparty.
5. Each Obligor shall comply with the provisions of the Borrower Account Bank Agreement and those parts of this Schedule and other provisions of this Agreement that apply to the Accounts maintained by it. Additionally, the fees of the Borrower Account Bank under the Borrower Account Bank Agreement will be paid from the Operating Accounts by each Obligor.
6. HEX Opco will maintain operating accounts with Barclays Bank PLC (the "**HEX Opco Barclays Operating Account**") and will transfer amounts standing to the credit of such accounts on a weekly basis to an operating account opened by HEX Opco with the Borrower Account Bank (the "**HEX Opco Operating Account**").
7. **Operating Accounts**
  - 7.1 Each Borrower shall ensure that all of its revenues (excluding any interest or Income which shall be credited to the Obligor Account upon which such interest accrued and/or from which such Authorised Investment was made) including all income received from the BSC Account or BAA Account on allocation of revenues processed for such Borrower and the proceeds of any Borrower Loan and any advance under an Authorised Credit Facility will be paid into an Operating Account in its name and will use the funds standing to the credit of such Operating Account to make payments permitted pursuant to the Transaction Documents to the BSC Account or BAA Account in order to settle any payments processed by the Shared Services Sub-Contractor or Shared Services Provider, as the case may be, on its behalf.
  - 7.2 The Operating Accounts shall be the sole current accounts of the Borrowers through which all operating expenditure and Capital Expenditure or any Taxes incurred by the relevant Borrower and (subject to the terms of the Finance Documents) payments in respect of the Financial Indebtedness of the Security Group shall be cleared.
  - 7.3 All operating expenditure of each Borrower will be funded (a) through payments made directly into the Operating Account of that Borrower and (b) through drawings made by

the relevant Borrower under any Authorised Credit Facility or other Permitted Financial Indebtedness and, including from the Issuer under each Borrower Loan Agreement, as and when required and permitted by the Finance Documents.

- 7.4 Capital Expenditure will be funded out of monies standing to the credit of the Operating Accounts.
- 7.5 All Restricted Payments and Permitted Post-Closing Events will be funded (directly or indirectly) out of monies standing to the credit of the Operating Accounts subject always to the satisfaction of the Restricted Payment Condition.
- 7.6 Prior to the delivery by the Borrower Security Trustee of a Loan Enforcement Notice, the Borrower shall be entitled to operate a cash sweep or cash pooling system as between the Operating Accounts in accordance with the provisions set out in Schedule 3 to the Shared Services Agreement.

## 8. **Debt Collateralisation Account**

- 8.1 The Debt Collateralisation Account may be credited by the Borrowers in discharge of their obligation to Collateralise Senior Debt or Junior Debt that is not required to be Actually Prepaid following the delivery of a Loan Enforcement Notice.
- 8.2 The Borrower Cash Manager (on behalf of the Borrowers) shall establish and maintain sub-ledgers ("**DCA Ledgers**") in respect of amounts standing to the credit of the Debt Collateralisation Account from time to time and if the Borrowers Collateralise any individual loan, tranche or other Outstanding Principal Amount of Senior Debt or Junior Debt, the Borrower Cash Manager shall:
  - 8.2.1 establish and maintain a DCA Ledger for such loan, tranche or other Outstanding Principal Amount of Senior Debt or Junior Debt;
  - 8.2.2 credit to such DCA Ledger all amounts deposited into the Debt Collateralisation Account from time to time to Collateralise such loan, tranche or other Outstanding Principal Amount of Senior Debt or Junior Debt; and
  - 8.2.3 debit from such DCA Ledger all amounts which are withdrawn from the Debt Collateralisation Account from time to time to Actually Prepay such loan, tranche or other Outstanding Principal Amount of Senior Debt or Junior Debt or which are applied in meeting any shortfall in funds credited to the DCA Ledger of a Borrower Hedge Counterparty which are required to Actually Prepay any termination amounts or other unscheduled amounts due to a Borrower Hedge Counterparty under an Interest Rate Hedging Agreement as a consequence of the Actual Prepayment of the applicable loan or tranche of Senior Debt or Junior Debt (such shortfall, a "**Collateralised Hedging Shortfall**").

## 8.3

- 8.3.1 No withdrawal of any amount credited to the Debt Collateralisation Account may be made except for the purpose of Actually Prepaying the Senior Debt or Junior Debt that has been Collateralised.
- 8.3.2 Notwithstanding paragraph 8.3.1 above, if, as a consequence of such Actual Prepayment, a Collateralised Hedging Shortfall would arise, then the amount to be applied in Actual Prepayment of the applicable loan or tranche of such Senior Debt or Junior Debt will be reduced by such amount as shall ensure that, following Actual Prepayment of such Senior Debt or Junior Debt, no Collateralised Hedging Shortfall will exist and the amount of such reduction shall be debited from the DCA Ledger of the applicable Borrower Secured Creditor whose loan or tranche was to be Actually Prepaid and shall be credited to the DCA Ledger of the Borrower Hedge Counterparty in respect of whom the Collateralised Hedging Shortfall would have arisen.
- 8.3.3 If there is more than one loan or tranche which upon Actual Prepayment would give rise to the Collateralised Hedging Shortfall, the amount to be debited to each related DCA Ledger for the purpose of discharging the relevant Collateralised Hedging Shortfall shall be the proportion of which the amount credited to such related DCA Ledger bears to the aggregate amount credited to all related DCA Ledgers of the relevant loans or tranches to be Actually Prepaid.

## 9. **Authorised Investments**

### 9.1

- 9.1.1 The Security Group may invest in Authorised Investments from such part of the amounts standing to the credit of any of the Obligor Accounts from time to time as is prudent.
- 9.1.2 The Security Group may only invest in Authorised Investments which are held to the order of the Security Group or any member thereof.
- 9.1.3 The Security Group will at all times:
- (a) ensure to the best of its knowledge that a prudent spread of any Authorised Investments is maintained; and
  - (a) liquidate (or ensure that there are liquidated) Authorised Investments to the extent necessary for the purposes of payment of any amount due under the Finance Documents.
- 9.1.4 Whenever the Borrower Account Bank or the Security Group receives any Investment Proceeds it must apply the Investment Proceeds by either:
- (a) reinvesting them in further Authorised Investments nominated by the Security Group; or

- (b) paying them into the Obligor Account concerned with the Authorised Investment from which the Investment Proceeds derive,

whichever the Security Group directs.

## 9.2

9.2.1 The Security Group shall procure that the maximum average life of an Authorised Investment is twelve months.

9.2.2 If any investment ceases to be an Authorised Investment, the Security Group must as soon as reasonably practicable after becoming aware of that fact (and in any event, no more than [30] Business Days after that time) replace the investment with an Authorised Investment or with cash as soon as it is reasonably practicable to do so.

9.3 Any reference in any Finance Document to the balance standing to the credit of one of the Obligor Accounts will be deemed to include a reference to the Authorised Investments in which all or part of such balance is for the time being invested. In the event of any dispute as to the value of any Authorised Investment for the purpose of determining the amount deemed to be standing to the credit of an Obligor Account, that value will be determined in good faith by the Borrower Cash Manager.

## 10. Insurance Proceeds

Each Obligor shall ensure that any insurance proceeds shall be applied in accordance with Schedule 11 (*Insurances*).

## 11. Disposal Proceeds Account

Subject to paragraph 12 below, no monies may be withdrawn from the Disposal Proceeds Account unless there is no Trigger Event continuing or if such monies are to be applied in making any prepayment, market purchase or repayment permitted by Paragraph 6(b) of Part 3 (*General Covenants*) of Schedule 2 (*Covenants*).

## 12. Application of Borrower Post-Enforcement (Pre-Acceleration) Priorities of Payments in certain circumstances

If, prior to the delivery of a Loan Enforcement Notice:

- (a) there occurs a breach of any undertaking or obligation contained within paragraph 3(c) of Part 1 (*Trigger Events*) of Schedule 3 (*Trigger Events*);
- (b) a Hedge Counterparty becomes entitled to terminate any Treasury Transaction under a Borrower Hedging Agreement due to non-payment of any amounts by a Borrower due and payable thereunder or due to the occurrence of any event set out in paragraph 6.4 (c) or 6.4 (h) of the Hedging Policy; or

- (c) on any Payment Date there are insufficient funds available to the Obligors to pay in full all Borrower Secured Liabilities falling due for payment on such date;
- (d) there occurs any sale or disposal of all or substantially all of Heathrow or any sale or disposal of any shares in HAL or a Holding Company of HAL (and, in the case of either sale or disposal, whether voluntarily or as a result of the enforcement of security or in any other circumstances whatsoever, whether in a single transaction or through a series of transactions, and whether related or not), which results in:
  - (i) a release of all or substantially all of Heathrow from the Security Interests held for the benefit of the Borrower Secured Creditors in accordance with the Security Documents other than in the case of a sale or disposal to another Obligor which simultaneously creates security over Heathrow in favour of the Borrower Security Trustee on terms which are in all respects equivalent to the released security; and/or
  - (ii) a release, without the simultaneous taking of the benefit of an equivalent guarantee in respect of obligations secured by such Security Interests from the owner of Heathrow; and/or
  - (iii) a release of the shares in HAL from the fixed security held by the Borrower Security Trustee pursuant to the Security Agreement and in accordance with the STID for the benefit of the Borrower Secured Creditors other than in the case of a sale or disposal to another Obligor which simultaneously creates security over the shares in HAL in favour of the Borrower Security Trustee on terms which are in all respects equivalent to the released security; and/or
  - (iv) a release, without the simultaneous taking of the benefit of an equivalent guarantee, of the guarantee in respect of the obligations secured by such fixed security from the Holding Company for the time being of HAL; and/or
  - (v) any adverse change to the benefit, enjoyed by the Borrower Hedge Counterparties, of the security granted in favour of the Borrower Hedge Counterparties prior to such sale or disposal,

then for so long as any such event is continuing unremedied or unwaived, the Borrower Post-Enforcement (Pre-Acceleration) Priorities of Payments shall apply and the Borrower Cash Manager shall ensure that no amounts are applied in discharging any liabilities due to a Borrower Secured Creditor unless on the date such amounts are to be applied all sums then due and payable to each prior ranking Borrower Secured Creditor have been first discharged in full and, in connection with any sale of HAL or the assets of HAL as referred to in paragraph 6.4(h) of the Hedging Policy, no disposal proceeds may be applied in repaying, prepaying or making market purchases as required by Paragraph 6(b) of Schedule 2 Part 3 hereof until (i) all amounts outstanding under the Borrower Liquidity Facilities are repaid and (ii) after the determination and payment of any termination amounts or other unscheduled amounts due to the Hedge Counterparty following the designation of an Early Termination Date (as defined in the relevant Hedging

Agreement) in relation to the occurrence of such event referred to in paragraph (d) above.

**SCHEDULE 10**  
**LIQUIDITY FACILITIES**

1. Each Liquidity Facility Provider must have the Minimum Short-term Rating.

**Requirements in respect of Issuer Liquidity Facilities**

2. Each Issuer Liquidity Facility shall be available to cover Liquidity Shortfalls only.
3. Each Issuer Liquidity Facility Agreement shall contain provisions permitting drawings thereunder notwithstanding:
  - (a) the occurrence of a Loan Event of Default (other than an LF Event of Default);  
and
  - (b) that any representation under any Finance Document (other than the Issuer Liquidity Facility Agreements) is not then true.
4. No Liquidity Facility Provider shall be obliged to make facilities available if (i) the Issuer fails to pay any sum under the Issuer Liquidity Facility Agreement or any related fee letter at the time, in the currency and in the manner specified therein unless payment is made within three Business Days; (ii) an Insolvency Event has occurred in relation to the Issuer; (iii) the Bond Trustee delivers a Bond Enforcement Notice or is instructed to deliver Bond Enforcement Notice (and is indemnified in accordance with the Trust Documents) but fails to do so within 30 days of becoming bound to do so; (iv) at any time it is or becomes unlawful for the Issuer to perform or comply with any or all of its obligations under the Issuer Liquidity Facility Agreement or any other obligations of the Issuer under the Issuer Liquidity Facility Agreement are not or cease to be legal, valid, binding and enforceable; (v) the Issuer breaches a warranty under clause 17.1 (*Issuer Warranties*) of the Issuer Liquidity Facility Agreement which, if capable of remedy, is not remedied within 10 Business Days and is likely to materially and adversely affect the ability or obligation of the Issuer to make payments to the Issuer Liquidity Facility Providers under the Issuer Liquidity Facility Agreement; or (vi) the Issuer breaches any covenant under Clause 10.3 (*Additional Issuer Liquidity Facility Provider*) of the Issuer Liquidity Facility Agreement and such breach is not remedied within ten (10) Business Days (each an "**LF Event of Default**").
5. Unless otherwise agreed by the Issuer and the Bond Trustee, amounts becoming available to be drawn under an Issuer Liquidity Facility Agreement (whether as a result of repayment of an earlier drawing or otherwise) will be treated as first providing liquidity in respect of Issuer Senior Debt to the extent necessary to ensure that the aggregate of the amount available under Issuer Liquidity Facilities equals the next 12 month's interest forecast to be due on the Issuer Senior Debt and all amounts ranking above the Issuer Senior Debt in the Issuer Pre-Enforcement Priorities of Payments and the next 6 months' interest forecast to be due on the Issuer Junior Debt.

**Requirements in respect of Borrower Liquidity Facilities**



6. Each Borrower Liquidity Facility shall be available to cover Borrower Liquidity Shortfalls only.
7. Each Borrower Liquidity Facility Agreement shall contain provisions permitting drawings under any cash, guarantee or equivalent facilities thereunder notwithstanding:
  - (a) the occurrence of a Loan Event of Default (other than an LF Event of Default);
  - (b) the delivery of a Loan Enforcement Notice by the Borrower Security Trustee pursuant to the STID;
  - (c) that any representation under any Finance Document (other than the Borrower Liquidity Facility Agreement) is not then true.
8. Each Borrower Liquidity Facility Agreement shall include the right to utilise the facility through the issuance of letters of credit up to the full amount of the Total Commitments in favour of the LC Beneficiary in respect of any shortfalls arising and to the extent contemplated in respect of the Financial Indebtedness of the Borrower referred to in paragraph 3(c) (*Capex Funding Trigger and Debt Service Funding Trigger*) of Part 1 (*Trigger Events*) of Schedule 3 (*Trigger Events*), provided that the right to utilise the facility as described in this paragraph 6 shall cease upon the delivery of a Ratings Confirmation to the Borrower Security Trustee from two of the Rating Agencies (including S&P) notwithstanding the withdrawal of any letter of credit or equivalent surety option under any Borrower Liquidity Facility Agreement.
9. No Borrower Liquidity Facility Provider shall be obliged to pay any claim under a Borrower Liquidity Facilities if;
  - (a) any Borrower fails to pay any sum that is due and payable under the relevant Borrower Liquidity Facility Agreement or any related fee letter at the time, in the currency and in the manner specified therein unless payment is made within three Business Days; or
  - (b) a Liquidity Insolvency Event occurs in respect of any Borrower;
  - (c) the Borrower Security Trustee delivers a Loan Acceleration Notice or is instructed to deliver a Loan Acceleration Notice (and has been indemnified in accordance with the STID) but fails to do so within 30 days of becoming bound to do so;
  - (d) at any time it is or becomes unlawful for a Borrower to perform or comply with any or all of its obligations under the Borrower Liquidity Facility Agreement or any of the obligations of the Borrowers under the Borrower Liquidity Facility Agreement are not or cease to be legal, valid, binding and enforceable;
  - (e) a Borrower breaches a representation under the Borrower Liquidity Facility Agreement which (a) if capable of remedy, is not remedied within ten (10) Business Days (or such other longer period as otherwise agreed with the Borrower Security Trustee) and (b) is likely to materially and adversely affect the ability or

obligation of any Borrower to make payments to the Borrower Liquidity Facility Providers under the Borrower Liquidity Facility Agreement;

- (f) at any time following the repayment of all amounts outstanding under the Refinancing Facility Agreement, a LF Event of Default under the Issuer Liquidity Facility Agreement occurs;
- (g) the Borrower breaches any covenant under Clause 14.3 (*Additional Borrower Liquidity Facility Provider*) of the Borrower Liquidity Facility Agreement and such breach is not remedied within ten (10) Business Days,

each an "**LF Borrower Event of Default**".

### **Liquidity Reserve Accounts**

- 10. The Issuer may establish a reserve for the purpose of (together with any Issuer Liquidity Facilities) satisfying the minimum debt service funding requirements set out in paragraph 3(b) of Part 3 (*Trigger Event Remedies*) of Schedule 3 (*Trigger Events*).
- 11. Any reserve established pursuant to Paragraph 8 above shall be credited to the Issuer Liquidity Reserve Account established for such purpose with the Issuer Account Bank in accordance with clause 5 of the Issuer Cash Management Agreement. The Issuer may not withdraw any monies credited to the Issuer Liquidity Reserve Account unless the proceeds of such withdrawal will be applied as if it were a drawing under an Issuer Liquidity Facility or the minimum debt service funding requirements referred to in paragraph 8 would continue to be satisfied immediately following such withdrawal.
- 12. The Borrowers may establish a reserve for the purpose of (together with any Borrower Liquidity Facilities) satisfying the minimum debt service funding requirements set out in paragraph 3(c) of Part 3 (*Trigger Event Remedies*) of Schedule 3 (*Trigger Events*).
- 13. Any reserve established pursuant to Paragraph 10 above shall be credited to an account established for such purpose with the Borrower Account Bank in accordance with Schedule 9 (*Borrower Cash Management*) of this Agreement and shall be subject to the terms of a trust declared by the Borrower Liquidity Reserve Account Trustee pursuant to the Borrower Liquidity Reserve Account Trust Deed. No withdrawal may be made from the Borrower Liquidity Reserve Account except to the extent permitted by the Borrower Liquidity Reserve Account Trust Deed.

**SCHEDULE 11**  
**INSURANCES**

**Part A**  
**General**

**1. DEFINITIONS**

1.1 **Availability Qualification** means the availability of any insurance to any of the Obligors in the international insurance market place on reasonable commercial terms (including, without limitation, as to premium), having regard to the risk being or intended to be covered, the existing insurance arrangements of the Obligors and the interests therein of any of the Obligors and, if applicable, the Borrower Security Trustee;

1.2 **BAA Insurance Year** means:

(a) subject to paragraph (b), the period of twelve (12) months beginning on 1 January every year; and

(b) for the purposes of the representations given by the Obligors under Clause 7.1 of Schedule 11 (Insurances) with respect to any directors & officers liability insurance and pension trustee liability insurance taken out by an Obligor, the period of twelve (12) months beginning on 1 April every year,

(or, in each case, such other period agreed by the Obligors and the Borrower Security Trustee);

1.3 **Captive** means any captive insurer in the BAA Group or in any ultimate shareholder group of which BAA or any Obligor (or any Affiliate of BAA or any Obligor) is a member;

1.4 **CAR Insurance** means that insurance effected and maintained by the Obligors from the Initial Issue Date until the Discharge Date which satisfies the requirements of Schedule 11 Part C2;

1.5 **Day 1 Insurances** means:

(a) the Property Damage Insurance;

(b) the CAR Insurance; and

(c) the Liability Insurances;

1.6 **Discharge Date** means [•];

1.7 **Employer's Liability Insurance** means that insurance effected and maintained by the Obligors from the Initial Issue Date until the Discharge Date which satisfies the requirements of Schedule 11 Part C3;

1.8 **Endorsement** means an endorsement substantially in the form of that contained in Schedule 11 Part D;

- 1.9 ***Financial Liability Insurance*** means that insurance effected and maintained by the Obligors from the Initial Issue Date until the Discharge Date which satisfies the requirements of Schedule 11 Part C6;
- 1.10 ***General Liability Insurance*** means that insurance effected and maintained by the Obligors from the Initial Issue Date until the Discharge Date which satisfies the requirements of Schedule 11 Part C4;
- 1.11 ***Good Industry Insurance Practice*** means an insurance strategy (including the implementation thereof) as may reasonably be expected of a prudent entity, which is not state-owned or -operated (whether by a government, a public administration or any other state entity whatsoever), operating and developing leading international airports of a size broadly comparable to the Designated Airports, and taking into consideration:
- (a) the regulatory and legal constraints applicable to the Designated Airports;
  - (b) the particular circumstances of any one Designated Airport or the Designated Airports as a whole;
  - (c) the way in which any single Obligor, or the Obligors collectively, organise their risk financing; and
  - (d) what insurance programme would usually be established by a business the size of the Obligors' if such business were in a group of companies whose size and nature were comparable to any ultimate shareholder group to which the Obligors belong from time to time; and
  - (e) the totality of the Obligors' obligations under the Transaction Documents save for the Obligors' obligations under this Schedule 11.
- 1.12 ***Insurance Compliance Letter*** means a certificate substantially in the form of that contained in Schedule 11 Part B;
- 1.13 ***Lender Insurance Advisor*** means an insurance advisor appointed by the Borrower Security Trustee from time to time, at the sole cost of the Obligors, further to a letter of appointment, the form and substance of which has been agreed by the Obligors (such agreement not be unreasonably withheld or delayed). As on the Initial Issue Date, the Lender Insurance Advisor is [•];
- 1.14 ***Liability Insurance*** means the Employer's Liability Insurance, the General Liability Insurance, the Motor Insurance and the Financial Liability Insurance.
- 1.15 ***Motor Insurance*** means that insurance effected and maintained by the Obligors from the Initial Issue Date until the Discharge Date which satisfies the requirements of Schedule 11 Part C5;
- 1.16 ***Property Damage Insurance*** means that insurance effected and maintained by the Obligors from the Initial Issue Date until the Discharge Date which satisfies the requirements of Schedule 11 Part C1 and (as applicable) Part C2, but not including any Tenant's Policy;

- 1.17 **Servicer** means BAA acting through its Risk & Insurance Department which arranges and administers insurances on behalf of all insureds under the BAA Group insurances, including the Obligors;
- 1.18 **Tenant's Policy** means any separate property insurance policy for any of the tenanted properties (or parts thereof) and/or for any other assets of any of the Obligors; and
- 1.19 **Voidable**, in relation to any insurance, means that such insurance may be avoided by the relevant insurer for a failure by any insured thereunder to observe the duty of utmost good faith.
- 1.20 References to matters any Obligor is required to procure shall be construed as meaning that such Obligor shall procure that such matters be done by the Servicer under the Shared Services Agreement, unless this Schedule 11 requires otherwise.
- 1.21 Unless a contrary indication appears, if a term is used in this Schedule 11 and in any Day 1 Insurance, the meaning it has in such Day 1 Insurance shall be its meaning for Schedule 11 Part C, unless the context requires otherwise.

## **2. SCOPE AND DURATION OF INSURANCE COVERAGE**

- 2.1 Except as otherwise agreed by the Borrower Security Trustee, the Obligors shall effect and maintain, or cause to be effected and maintained, in full force and effect, at all times on or after the Initial Issue Date until the Discharge Date, insurance policies in relation to their respective businesses, liabilities, undertakings and assets (and in such amount, with such deductibles and such levels of self-insurance (including in respect of any Captive)) as are acceptable in accordance with Good Industry Insurance Practice (including any insurances required by law).

## **3. UNAVAILABILITY**

- 3.1 Notwithstanding any requirement in this Schedule 11, but except for any insurances required by law, the parties agree that to the extent that, and if any insurance is not, in the reasonable opinion of any of the Obligors, available to such Obligor in accordance with the Availability Qualification, such Obligor shall notify the Borrower Security Trustee of such unavailability as soon as reasonably practicable upon becoming aware of such unavailability.
- 3.2 Following such notification, such Obligor shall not be in breach of its obligations under this Schedule 11, **provided that** such Obligor has, as soon as reasonably practicable, procured the provision of such alternative insurance policy and/or risk financing measure which satisfies Good Industry Insurance Practice and which is available pursuant to the Availability Qualification (for so long as any single instance of unavailability is continuing in the reasonable opinion of the Obligors).
- 3.3 Upon becoming aware that the circumstances specified in paragraph 3.1 above are no

longer continuing, the Obligors shall notify the Borrower Security Trustee and the Obligors shall review whether the alternative insurance policy and/or risk financing measure provided further to paragraph 3.2 above continues to satisfy Good Industry Insurance Practice.

#### **4. INSURERS**

- 4.1 Except as otherwise agreed by the Borrower Security Trustee, any insurance taken out by the Obligors shall:
- (a) be purchased or renewed by the Obligors, the Servicer or through a reputable insurance broker recognised in the international insurance market; and
  - (b) be placed and maintained with insurers or underwriters (including Captives) which:
    - (i) either are reputable and financially sound or, in the case of Captives only, comply with all regulatory requirements of the jurisdiction of incorporation of such Captive; and
    - (ii) have all necessary licences and authorisations to accept the risk which they underwrite.

#### **5. PERMITTED SELF-INSURANCE AND USE OF CAPTIVES**

- 5.1 Each Obligor shall have the discretion:
- (a) solely in respect of losses falling within the deductibles specified in any insurance, to effect and maintain, or procure to have effected and maintained, all forms of self-insurance; and
  - (b) in respect of losses falling outside the deductibles specified in any insurance, to effect and maintain, or procure to have effected and maintained, insurance or reinsurance with a Captive, **provided that**:
    - (i) any such Captive is incorporated in a jurisdiction approved by the Lender Insurance Adviser, **provided that** the Lender Insurance Adviser's approval shall be deemed to have been given in respect of any Captive whose jurisdiction of incorporation is the Isle of Man or the Republic of Ireland;
    - (ii) the relevant Obligors have no financial liabilities to such Captive under any policy of insurance or reinsurance, other than the payment of any premium set out therein; and
    - (iii) all policies of insurance or any other contracts between the relevant Obligors and such Captive are on arm's length terms and for sufficient consideration.
- 5.2 The Obligors shall notify the Borrower Security Trustee when a Captive retains, pursuant

to paragraph (b) only, more than five million pounds (£5,000,000) (as indexed on the first Business Day of each BAA Insurance Year) in respect of any one loss under any one coverage under any insurance policy.

## 6. FORM OF INSURANCE AND ENDORSEMENTS

6.1 Each Obligor shall use best endeavours to procure that:

- (a) except, and only, to the extent the Day 1 Insurances are Liability Insurances or provide third party liability cover, the present and future rights under and in respect of each of the Day 1 Insurances, shall be subject to the Security Agreement;
- (b) subject to paragraphs 8.1 and 8.2 of this Schedule, each of the Day 1 Insurances shall, insofar as reasonably practicable, have attached to, or incorporated into, each policy the Endorsements;
- (c) each of the Day 1 Insurances, except for the Employer's Liability Insurance and the Motor Third Party Liability Insurance, shall name the Borrower Security Trustee (for itself and on behalf of each of the Borrower Secured Creditors) and its successors and assigns as additional (but not joint) insured; and
- (d) except, and only, to the extent the Day 1 Insurances are Liability Insurances or provide third party liability cover each of the Day 1 Insurances shall name the Borrower Security Trustee (for itself and on behalf of each of the Borrower Secured Creditors) and its successors and assigns as loss payee,

**provided that** no Obligor shall be in breach of its obligation under paragraph 6.1 above to use best endeavours if the inclusion of the relevant provisions or waivers referred to therein would result in the relevant insurance not being available to that Obligor in the international insurance market place on reasonable commercial terms (including, without limitation, as to premium) having regard to the risk being or intended to be covered, the existing insurance arrangements of the Obligors, the interest therein of any of the Obligors and, if applicable, the Borrower Security Trustee and Good Industry Insurance Practice. The relevant Obligor shall provide the Borrower Security Trustee with a certificate signed by a director of the relevant Obligor as soon as the Obligor becomes aware certifying that it will not be possible to comply with its obligations under paragraph 6.1 above.

## 7. REPRESENTATIONS

7.1 Each Obligor jointly and severally represents to the Issuer and each Finance Party, as at the Initial Issue Date and on the first Business Day of every BAA Insurance Year, that, save as disclosed to the Borrower Security Trustee in writing by any Obligor or Obligors prior to the Initial Issue Date and prior to the first Business Day of every BAA Insurance Year (as applicable), the following statements are true, accurate and not misleading by reference to the facts and circumstances existing as at the Initial Issue Date or the first Business Day of the relevant BAA Insurance Year (as applicable):

- (a) each insurance it has taken out is valid and enforceable and is not void or Voidable (as at the date of the representation);
- (b) to the best of each Obligor's knowledge, information and belief, there is nothing that has occurred which could vitiate any insurance it has taken out; and
- (c) all premia which are due and payable (before or on the Initial Issue Date, or before or on first Business Day of the relevant BAA Insurance Year (as applicable)) under any insurance which it has taken out have been paid.

## **8. FINANCE PARTIES AND THE BORROWER SECURITY TRUSTEE**

- 8.1 Subject to paragraph 8.3, during the negotiation period for the placement of any of the Day 1 Insurances prior to the Initial Issue Date and during the negotiation period for the replacement or renewal of any of the Day 1 Insurances, each Obligor shall use best endeavours to procure that each of the Day 1 Insurances shall provide that the Finance Parties and the Borrower Security Trustee shall have no duty of disclosure in respect thereof and no obligations thereunder, always **provided that** the Borrower Security Trustee shall have the right (but no duty) to make insurance premium payments in accordance with paragraph 8.4.
- 8.2 Subject to paragraph 8.3, during the negotiation period for the placement of any of the Day 1 Insurances prior to the Initial Issue Date and during the negotiation period for the replacement or renewal of any of the Day 1 Insurances, each Obligor shall use best endeavours to procure that each of the Day 1 Insurances shall contain waivers of the respective insurers' subrogation rights in connection with the Day 1 Insurances which such insurers may have acquired or would otherwise acquire against any Finance Party or the Borrower Security Trustee and their respective parents, affiliates, officers, directors, employees, sub-contractors or representatives.
- 8.3 No Obligor shall be in breach of its obligation under paragraphs 8.1 and 8.2 above to use best endeavours if the inclusion of the relevant provisions or waivers referred to therein would result in the relevant insurance not being available to that Obligor in the international insurance market place on reasonable commercial terms (including, without limitation, as to premium) having regard to the risk being or intended to be covered, the existing insurance arrangements of the Obligors, the interest therein of any of the Obligors and, if applicable, the Borrower Security Trustee and Good Industry Insurance Practice.
- 8.4 The Borrower Security Trustee may, but shall not be obliged to, pay any premium which is due and remains unpaid under the Day 1 Insurances and each and every Obligor will jointly and severally indemnify the Borrower Security Trustee for any premia so paid in respect of the Day 1 Insurances. Any premia paid by the Borrower Security Trustee shall become an additional obligation of each and every Obligor to the Borrower Security Trustee. The Obligors shall forthwith pay such amounts to the Borrower Security Trustee (together with interest thereon at the rate which represents the cost of such funds to the Borrower Security Trustee from the date so advanced).
- 8.5 The relevant Obligor shall provide the Borrower Security Trustee with a certificate



signed by a director of the relevant Obligor as soon as the Obligor becomes aware certifying that it will not be possible to comply with any of its obligations under this Paragraph 8.

## **9. MATERIAL ADVERSE CHANGE**

9.1 Each Obligor shall as soon as reasonably practicable notify, or procure the notification to, the Borrower Security Trustee upon becoming aware of:

- (a) any material and adverse change to any insurance effected, including but not limited to avoidance or the cancellation of any such insurance (or any notice thereof) in whole or in part;
- (b) to the extent that paragraph (a) does not apply, any facts or circumstances (including, but not limited to, failure to pay premium) which could reasonably be expected to materially and adversely affect the nature or extent of the cover to be provided under the insurances placed by the Obligors; or
- (c) the fact that any of the named insureds (other than the Borrower Security Trustee) under any of the Day 1 Insurances has done or omitted to do anything which has the effect of making any of the Day 1 Insurances void or Voidable and/or entitles any of the insurers under any of the Day 1 Insurances to refuse indemnity in whole or in any material part in respect of any material claims under the Day 1 Insurances as against any Obligor or, if applicable, the Borrower Security Trustee.

## **10. CLAIMS**

10.1 The Obligors shall notify, or procure the notification to, the Borrower Security Trustee:

- (a) in the event of any claim or entitlement to claim under any insurance, including claims by insureds other than the Obligors, where the actual or estimated amount of such claims exceeds (after the application of any deductible or excess) ten million pounds (£10,000,000) (as indexed on the first Business Day of each BAA Insurance Year); and
- (b) to the extent practicable and upon their becoming aware that insureds, including insureds other than the Obligors, have made claims in the aggregate under any one insurance that:
  - (i) have exhausted fifty per cent (50%) or more of any aggregate or sub-limits applicable to the Obligors under that insurance; and
  - (ii) have exhausted ninety per cent (90%) or more of any aggregate or sub-limits applicable to the Obligors under that insurance.

10.2 Notwithstanding the assignment to the Borrower Security Trustee by the Obligors of any present and future rights under and in respect of the Day 1 Insurances and subject to sub-clause 9.4.2 of the Security Agreement:

- (a) each Obligor shall conduct, or procure to have conducted by the Servicer, without being required to consult with the Borrower Security Trustee, any of its claims

under any Day 1 Insurance which relate to any loss, injury or damage where the actual or estimated amount of such claims does not exceed (after the application of any deductible or excess) twenty-five million pounds (£25,000,000) (as indexed on the first Business Day of each BAA Insurance Year) of the relevant limits or sub-limits in respect of each claim or event; and

- (b) in respect of any other claims under any Day 1 Insurance, upon notice being given thereof to the Borrower Security Trustee, each Obligor shall conduct, or procure to have conducted by the Servicer, such claim in consultation with the Borrower Security Trustee and shall not negotiate, compromise or settle any claim, or procure to do any of the aforementioned, without the written consent of the Borrower Security Trustee (such consent not to be unreasonably withheld or delayed).

10.3 Subject to sub-clause 9.4.2 of the Security Agreement, if any claim made by such Obligor under any Day 1 Insurance (as detailed in paragraph (b) only) is disputed by the insurers, such Obligor shall notify the Borrower Security Trustee of such dispute and shall upon a request therefore from the Borrower Security Trustee provide the Borrower Security Trustee with such details as the Borrower Security Trustee may reasonably require as to the dispute and such Obligor shall take, or procure to take through the Servicer, such steps as may be reasonable (including, without limitation, in terms of time, effort and expense), necessary and within its control (including, without limitation, the commencement of legal or other proceedings) to pursue such claims and collect on them and to prevent such claims from being rendered void, Voidable, suspended, unenforceable, cancelled, impaired or defeated, in whole or in part, pursuant to the terms of the relevant insurance.

## **11. VARIATION**

11.1 Subject to paragraph 11.2, any variation or amendment to any insurance (including any Day 1 Insurance) may be effected or agreed by any Obligor.

11.2 No variation or amendment to any insurance, which could reasonably be expected to have a Material Adverse Effect, shall be effected or agreed by any Obligor without first notifying the Borrower Security Trustee, save for variations:

- (a) which an insurer under any of insurance is entitled to make unilaterally in accordance with the terms and conditions of such insurance;
- (b) required by law or by a Regulator; or
- (c) rectifying a manifest error.

## **12. ANNUAL REVIEW**

12.1 Subject to paragraphs 12.2 and 12.3, on or before the Initial Issue Date and within 30 days of the beginning of each BAA Insurance Year, the Obligors shall promptly provide to the Lender Insurance Advisor, at the sole cost of the Obligors:

- (a) full details of the insurance programme for the then current BAA Insurance Year;
- (b) any information reasonably requested by the Lender Insurance Advisor in respect of the insurance programme of the three (3) BAA Insurance Years immediately preceding the then current BAA Insurance Year; and
- (c) at the reasonable request of the Lender Insurance Advisor, any other information relevant to the assessment of Good Industry Insurance Practice and required for the purpose of the annual review under this Clause 12 except for such information which pre-dates the beginning of the then current BAA Insurance Year by more than three (3) years.

Following receipt of such details the Lender Insurance Advisor shall, as soon as reasonably practicable thereafter, give the Insurance Compliance Letter for the BAA Insurance Year into which the Initial Issue Date falls (as regards the first Insurance Compliance Letter) or the then current BAA Insurance Year (as regards each subsequent Insurance Compliance Letter), as the case may be, addressed to the Borrower Security Trustee.

- 12.2 As regards the first Insurance Compliance Letter the Obligors shall not be in breach of this Schedule 11 (*Insurances*) if the Lender Insurance Advisor is unable to provide the confirmation specified in paragraph (c) of Part B (*Form of Insurance Compliance Letter*) of this Schedule 11 (*Insurances*) regarding the Endorsements, provided that the Obligors produce to the Lender Insurance Advisor evidence of the Endorsements as soon as reasonably practicable but in any event no later than 60 days after the Initial Issue Date and the Lender Insurance Advisor shall, as soon as reasonably practicable thereafter, provide to the Borrower Security Trustee such confirmation in the form specified in paragraph (c) of Part B (*Form of Insurance Compliance Letter*) of this Schedule 11 (*Insurances*).
- 12.3 The Obligors shall not be in breach of this Schedule 11, if, following notification by the Lender Insurance Advisor of its inability to give an Insurance Compliance Letter because it is of the view that the insurances then in force do not comply in all material respects with the requirements of the statements contained in the Insurance Compliance Letter, the Obligors have, within thirty (30) Business Days after receipt of notice of such non-compliance, remedied such non-compliance to the satisfaction of the Lender Insurance Advisor such that the Lender Insurance Advisor can give the Insurance Compliance Letter promptly thereafter.

### 13. **QUALIFYING BORROWER SENIOR CREDITOR INSTRUCTIONS**

- 13.1 Any notice given to, and request for the consent of, the Borrower Security Trustee by the Obligors given pursuant to paragraphs [3.1, 3.3, 5.2, 9.1, 10.1, 10.2 and 11.2] above shall be copied to each Secured Creditor Representative to the extent permitted pursuant to Schedule [2], Part 1, paragraph 7. If instructed by any Qualifying Borrower Secured Creditor in accordance with paragraph (c) of clause 24.1 (*Entitlement to direct Borrower Security Trustee*) of the STID, the Borrower Security Trustee shall be entitled to request,

and the Obligors shall be required to provide, any reasonable information in connection with such notice or request within a reasonable period of time.

**Part B**  
**Form of Insurance Compliance Letter**

To: [Borrower Security Trustee]

Dear Sirs,

We have been requested [by you] to provide you with certain confirmations relating to the insurance programme effected by the Obligors in respect of the BAA Insurance Year [●]. We refer to the common terms agreement dated [●] between the Obligors and the other parties named therein, as amended, varied and supplemented from time to time (the *CTA*). Save as otherwise defined herein, terms defined in the *CTA* shall have the same meanings in this letter.

We confirm that, save for the Liability Insurances (not including the General Liability Insurance and the Financial Liability Insurance), each of the Day 1 Insurances name you as an additional (but not joint) insured and we further confirm that, save for any Liability Insurance and third party liability cover, each Day 1 Insurance names you as loss payee.

We confirm that:

- (a) all insurances placed by the Obligors, the Servicer or any broker permitted (pursuant to the terms of the *CTA*) to place insurance on behalf of the Obligors are, to the best of our knowledge, information and belief, placed with insurers or underwriters (including Captives) which, at the time of placement:
  - (i) either are reputable and financially sound or, in the case of Captives only, comply with all regulatory requirements of the jurisdiction of incorporation of such Captive; and
  - (ii) had all necessary licences and authorisations to accept the risk which they underwrite,
- (b) as at the date hereof, the Obligors have effected all insurance policies in relation to the Obligors' respective businesses, undertakings and assets (including in respect of amounts, deductibles and levels of self-insurance (whether with any Captive or otherwise)) consistent with Good Industry Insurance Practice.
- (c) each Day 1 Insurance referred to in Schedule [11] Part A, paragraph 6.1(b) has attached to it the Endorsements required pursuant to the *CTA* and such Endorsements [do/do not] contain the provisions and waivers referred to in paragraphs 8.1 and 8.2 of Schedule [11] Part A of the *CTA*.

This certificate shall be governed by and construed in all respects in accordance with English law and any dispute as to its terms shall be submitted to the exclusive jurisdiction of the English courts.

Yours faithfully,

**Part C**  
**Day 1 Insurances**

**1. PROPERTY DAMAGE / BUSINESS INTERRUPTION (INCLUDING TERRORISM)**

- 1.1 **Risk:** Loss or damage to assets owned by, or the responsibility of, the Obligors and resultant business interruption and/or loss of rental income.
- 1.2 **Interest / Property insured:** Real and personal property owned by the Obligors or in which the Obligors have an insurable interest.
- 1.3 **Cover:** All risks of physical loss or damage not otherwise excluded, including terrorism and loss of rental income. Business interruption losses directly resulting from physical loss or damage of the type insured by the policy.
- 1.4 **Insured:** The Obligors and the Borrower Security Trustee (for itself and on behalf of each of the Borrower Secured Creditors). Each insured for their respective rights and interests.

**2. CONSTRUCTION ALL RISKS (INCLUDING TERRORISM)**

- 2.1 **Risk:** Loss or damage to permanent and temporary works during the course of construction including materials and equipment for incorporation therein.
- 2.2 **Property insured:** Any works undertaken by or on behalf of the Obligors.
- 2.3 **Cover:** All risks of physical loss or damage including terrorism not otherwise excluded.
- 2.4 **Insured:** The Obligors as employers and the Borrower Security Trustee (for itself and on behalf of each of the Borrower Secured Creditors). Each insured for their respective rights and interests.

**3. EMPLOYER'S LIABILITY**

- 3.1 **Risk:** Liability to employees for bodily injury arising out, or in the course, of their employment with the Obligors.
- 3.2 **Cover:** Legal liability for bodily injury sustained by an employee arising out, or in the course, of their employment, including costs and expenses.
- 3.3 **Insured:** The Obligors as employers. Each insured for their respective rights and interests.

**4. GENERAL LIABILITY (INCLUDING AVIATION LIABILITY; AVIATION WAR/TERRORISM; PUBLIC/PRODUCTS LIABILITY; PUBLIC LIABILITY — HEATHROW EXPRESS; CONSTRUCTION THIRD PARTY LIABILITY)**

- 4.1 **Risk:** Liability to third parties for personal injury or property damage arising out of the Obligors' normal business activities (excluding liabilities under the Road Traffic Act [•]).

- 4.2 **Cover:** Legal liability for third party bodily injury and/or property damage caused by an occurrence arising out of the Obligors' normal business activities, including costs and expenses.
- 4.3 **Insured:** The Obligors and the Borrower Security Trustee (for itself and on behalf of each of the Borrower Secured Creditors). Each insured for their respective rights and interests.

## **5. MOTOR THIRD PARTY LIABILITY**

- 5.1 **Risk:** Liability to third parties / passengers for personal injury or property damage arising out of motor vehicles belonging to, or in the custody or control of, the Obligors.
- 5.2 **Cover:** Legal liability under the Road Traffic Act 1988 for third party bodily injury and/or property damage arising out of the use of motor vehicles belonging to, or in the custody or control of, the Obligors, including costs and expenses.
- 5.3 **Insured:** The Obligors. Each insured for their respective rights and interests.

## **6. FINANCIAL LOSS; PROFESSIONAL INDEMNITY**

- 6.1 **Risk:** Liability to third parties for financial losses or breach of professional duty arising out of the Obligors' normal business activities.
- 6.2 **Cover:** Legal liability for third party financial loss arising out of the Obligors' normal business activities, including costs and expenses.
- 6.3 **Insured:** The Obligors and the Borrower Security Trustee (for itself and on behalf of each of the Borrower Secured Creditors). Each insured for their respective rights and interests.

**Part D**  
**Form of Endorsement**

**1. DEFINITIONS**

- 1.1 **Vitiating Act** means any act or omission which has the effect of making the Insurance Policy void or Voidable and/or entitles the Insurer to refuse indemnity in whole or in any material part in respect of any material claims under the Insurance Policy as against any Insured; and
- 1.2 Terms defined in the master definitions agreement, dated [15] August 2008 (the "**Master Definitions Agreement**"), a redacted copy of which has been provided to the Insurers, have the same meaning when used in this Endorsement unless otherwise expressly defined herein.

**2. ENDORSEMENT**

- 2.1 The Insurers agree that the Borrower Security Trustee (for itself and on behalf of each of the Borrower Secured Creditors) and its successors and assigns are named as additional (but not joint) insured under the Insurance Policy.<sup>12</sup>
- 2.2 The Insurers agree that the Borrower Security Trustee (for itself and on behalf of each of the Borrower Secured Creditors) and its successors and assigns are named as loss payee under the Insurance Policy.<sup>13</sup>
- 2.3 The Insurers agree to waive all rights of subrogation which they may have or acquire against any Finance Party or the Borrower Security Trustee, and their respective parents, affiliates, officers, directors, employees, sub-contractors or representatives.
- 2.4 The Borrower Security Trustee and the Finance Parties shall have no duty of disclosure in respect of, or under, the Insurance Policy.
- 2.5 The Insurers note and agree that if the Insureds consist of more than one insured party each operating as a separate and distinct legal entity then (save as described herein) cover hereunder shall apply in the same manner and to the same extent as if individual policies had been issued to each Insured, **provided that** the total liability of the Insurers to all of the Insureds collectively shall not exceed the sums insured and the limits of indemnity (including any inner limits set by memorandum or endorsement stated in the Insurance Policy).

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<sup>12</sup> Delete this endorsement in respect of the Employers' Liability Insurance and the Motor Third Party Liability Insurance.

<sup>13</sup> Delete this endorsement in respect of any Liability Insurances, except for the General Liability Insurance and the Financial Liability Insurance.



- 2.6 Subject to paragraph 2.5, the Insurers agree and confirm that following a security assignment of each Obligor Insureds' present and future rights under and in respect of the Insurance Policy (except, and only, to the extent the Insurance Policy provides third party liability cover) to the Borrower Security Trustee (for itself and on behalf of itself and the Borrower Secured Creditors) (the *Assignment*), the Obligor Insureds and the Borrower Security Trustee shall not be deprived of any benefit under the Insurance Policy and/or further to the Assignment, or suffer any disadvantage whatsoever under the Insurance Policy and/or the Assignment, as a result of any Vitiating Act on the part of any other Insured.
- 2.7 The Insurers undertake to each Insured that the Insurance Policy will not be invalidated as regards the rights and interests of each such Insured and that the Insurer will not seek to avoid or deny any liability under the Insurance Policy and/or the Assignment, if applicable, because of any Vitiating Act of any other Insured.
- 2.8 The Insurers agree that the Borrower Security Trustee and its officers, directors, employees, servants, agents and assigns shall (whether or not they are an Insured under the Insurance Policy) under no circumstances be liable to perform any obligation or be liable for the payment of any premium, but the Borrower Security Trustee shall have the right, but no duty, to make insurance premium payments under the Insurance Policy and, upon the Borrower Security Trustee making any claim under the Insurance Policy, the Borrower Security Trustee shall be obliged to comply with any claims conditions of the Insurance Policy.
- 2.9 If any Insured owes any amounts to the Insurers (other than unpaid premium), whether in connection with the Insurance Policy or any other policy underwritten by the Insurers, the Insurers waive any right they may have to set-off or counterclaim against, and agree not to deduct any such amount from any insurance proceeds payable under the Insurance Policy to the Borrower Security Trustee (on behalf of itself and the Borrower Secured Creditors) as loss payee and/or as additional insured.
- 2.10 Any payment or payments by Insurers to one or more Insureds shall reduce to the extent of that payment the Insurers' liability ((if applicable) in the aggregate) to all Insureds arising from any one event giving rise to a claim under the Insurance Policy.
- 2.11 Unless and until the Borrower Security Trustee shall have notified the Insurers to the contrary, all recoveries hereunder in respect of any loss, damage or liability suffered by any of the Obligor Insureds shall be paid through the relevant broker (if applicable) without any deductions whatsoever (except, if applicable, the appropriate Insurance Policy excess or deductible and unpaid premium, and subject to any limits of indemnity being exhausted) from the agreed claim figure as follows:
- (a) in respect of claims relating to loss of earnings, all payments shall be paid to the relevant Operating Account;
  - (b) in respect of claims relating to damage to, or the loss of, property of any Obligor or for which any Obligor is responsible, where the amount of the claim equals or exceeds (after the application of any deductible or excess) ten million pounds (£10,000,000) (as indexed on the first Business Day of each BAA Insurance Year), all payments shall be paid to the Insurance Proceeds Account and applied:

- (i) in payment of any tax, if any, relating to the receipt of such payment;
  - (ii) to the repair or reinstatement of such property; and
  - (iii) in reimbursing any Obligor Insured who has incurred any expenditure in repairing or reinstating such property,
- (c) in respect of claims relating to damage to, or the loss of, property of any Obligor or for which any Obligor is responsible, where the amount of the claim (after the application of any deductible or excess) is less than ten million pounds (£10,000,000) (as indexed on the first Business Day of each BAA Insurance Year), all payments shall be credited to the relevant Operating Account; and
- (d) in respect of claims relating to any third party liability cover, subject to the provisions of any applicable laws or court order, all sums in respect of any claim thereunder shall be paid directly to the person whose claim(s) constitutes the risk or liability insured against, **provided that** such person has executed a discharge of all claims made against the relevant Obligor Insured in respect of the risk or liability in relation to which the claim was made, save in cases where (notwithstanding the policy terms to the contrary) an Insurer accepts liability to indemnify the Obligor Insured in respect of the claims or liabilities which the Obligor Insured has settled directly with the claimant, and where cash has been paid to such claimant, in which case payment under the policy of such sums shall be made in accordance with the instructions of the relevant Obligor Insured.

2.12 If any of the Obligor Insureds become obliged to take instructions from the Borrower Security Trustee under the Borrower Security, such Obligor Insured shall notify the Insurers and the Insurers will cease to take instructions from any such Obligor Insured or its agents and instead will take instructions from the Borrower Security Trustee.

2.13 The Insurers shall notify the Borrower Security Trustee of:

- (a) any notice of material default in the payment of premia under the Insurance Policy; and
- (b) any notice of cancellation of the Insurance Policy in whole or in part,

save that Insurers acknowledge and agree that they will not terminate the Insurance Policy if within 30 days of the notice described under paragraph (a) or (b) above all breaches related to any notice under paragraph (b) are remedied (if remediable) and/or any outstanding premium is paid, as the case may be.

2.14 Nothing herein implies a right for Insurers to modify or cancel the Insurance where such right does not exist in the absence of this endorsement.

2.15 The Insurers acknowledge receipt of consideration for the insurance of the Borrower Security Trustee under the Insurance Policy and for entering into this endorsement.

- 2.16 During the term of the Insurance Policy, the provisions of this endorsement may only be amended by written agreement between the Servicer, the Insurer and the Borrower Security Trustee, such amendment to be endorsed on the Insurance Policy.
- 2.17 This endorsement overrides any conflicting provision in the Insurance Policy.

## **SCHEDULE 12**

**FORM OF ACCESSION MEMORANDUM  
(NEW OBLIGORS)**

THIS DEED dated [•], is supplemental to the common terms agreement (the "**Common Terms Agreement**") dated [•] and made between, amongst others, the Borrowers, the Security Group Agent, [•] as "**Borrower Security Trustee**" and [•] as "**Obligors**" (as the same may from time to time be amended, restated, novated or supplemented).

Words and expressions defined or incorporated by reference in the Common Terms Agreement have the same meaning when used in this Deed.

[*Obligor*] (the "**New Obligor**") of [*address*] agrees with each other person who is or who becomes a party to the Common Terms Agreement that, with effect from [*Insert Date*], the New Obligor will become a party to and be bound by and benefit from the Common Terms Agreement, the Tax Deed of Covenant and the Master Definitions Agreement as an Obligor in respect of the Borrower Secured Liabilities owed by it to the Borrower Secured Creditors from time to time.

The notice details for the New Obligor are as follows:

[*insert address, telephone, fax and contact details*].

This Deed is governed by English law.

This Deed has been entered into as a deed on the date stated at the beginning of this Deed.

Signed as a deed on behalf of  
**[SECURITY GROUP AGENT]**

Signed as a deed on behalf of  
**[BORROWER SECURITY TRUSTEE]**

[Signed as a deed on behalf of  
**[OUTGOING OBLIGOR]**  
Director  
Director/Secretary]

Signed as a deed on behalf of  
**[INCOMING OBLIGOR]**  
Director  
Director/Secretary

**SCHEDULE 13**  
**PROVISIONS RELATING TO FINANCE LEASES**

1. **General**

1. Any Finance Lessor becoming a party to or acceding to this Agreement and the STID agrees that with effect from the date of its accession, its Finance Lease will be supplemented by the incorporation therein of the terms of this Agreement in accordance with the provisions of this Schedule 13. To the extent that the terms of the relevant Finance Lease are inconsistent with the provisions of this Schedule 13, the provisions of this Schedule 13 shall prevail.
2. Any representations, covenants, undertakings, events of default or termination events which are more extensive than those which apply under this Agreement, including Schedule [13] are unenforceable or invalid to such extent and confer no rights upon the relevant creditor in excess of those contained in or permitted by the Common Documents **provided that** a Finance Lease may include representations as to the protection of the rights of the Finance Lessor as owner of the Equipment, covenants in respect of maintenance, operation and inspection of the Equipment, tax assumptions, covenants in respect of maintenance, operation and inspection of the equipment and title protection provisions. Each of the Parties acknowledges that a Finance Lessor may require provisions to be included in a Finance Lease in addition to those permitted hereunder (including, without limitation, provisions requiring the granting of discrete security arrangements in favour of the Finance Lessor (including security over cash deposits and defeasance arrangements)) and the Obligors agree to seek approval for such provisions by way of a STID Proposal in accordance with the STID.
3. None of the Borrowers or HEX Opco nor the relevant Finance Lessor shall be entitled to terminate the leasing of any Equipment or to prepay any of the rentals in respect of the leasing of any Equipment or to exercise any of its respective rights or remedies unless such termination or prepayment either (a) constitutes a Permitted Lease Termination or (b) is made pursuant to clause 22.3 (*Redelivery of Movable following acceleration of Borrower Secured Liabilities*) of the STID or (c) subject to the terms of this Agreement and the STID, arises upon the occurrence of a Loan Event of Default relating to the relevant Finance Lease.
4. If and to the extent that the relevant Obligor has served notice of any exercise of its rights to prepay voluntarily any rental or to terminate voluntarily the leasing of any Equipment under and in accordance with the terms of the relevant Finance Lease, this Agreement and the STID and such Obligor fails to make payment of any sums due in respect of such prepayment or termination, then, in such circumstances, such failure shall not constitute a Loan Event of Default but instead, the leasing of such Equipment under the relevant Finance Lease shall continue as if such notice to prepay or terminate had never been received and as if the relevant Obligor had never exercised any of its rights to voluntarily terminate or prepay.
5. Neither party to a Finance Lease shall be entitled to exercise any rights of set-off they may have under the relevant Finance Lease, at law or otherwise, save that upon a Permitted

Lease Termination, the relevant Finance Lessor shall be entitled (**provided that** no Loan Event of Default is subsisting) to set off any and all sums due from the relevant Obligor to the relevant Finance Lessor under the relevant Finance Lease as a result of such Permitted Lease Termination against any amounts received in accordance with the relevant Finance Lease and other Finance Documents by way of either (i) proceeds of any insurances (other than third party liability insurances) in respect of the total loss of any Equipment or (ii) net proceeds of the sale of any Moveables following the termination of the leasing of such Moveables under and in accordance with the relevant Finance Lease.

6. The relevant Finance Lessor shall be deemed to have discharged in full any of its obligations under the relevant Finance Lease to rebate any monies to the relevant Obligor if such Finance Lessor makes payment of such monies as are due to the relevant Obligor, and as hereby directed by such Obligor to the Borrower Security Trustee for the order of, and as trustee for, such Obligor. Any such monies received by the Borrower Security Trustee hereunder shall be applied in accordance with the provisions of the STID.
7. If, under the terms of the relevant Finance Lease, the relevant Obligor is required to obtain specific insurance in respect of the Equipment, the relevant Finance Lessor may be appointed sole loss payee in respect of any insurance proceeds payable following loss of or damage to the Equipment. The provisions of Schedule 11 (*Insurances*) of this Agreement shall apply to each Finance Lease to the extent that the relevant Finance Lease contains insurance provisions relating to or covering any Equipment leased pursuant to the such Finance Lease so that, at all times, the relevant Finance Lessor shall be named as an additional insured (in addition to any other person required by the Finance Lease to be so named) on any insurance policy relating to or covering any Equipment leased pursuant to the relevant Finance Lease.
8. Subject to any provision to the contrary in this Schedule 13, the rights and remedies of the relevant Finance Lessor (including the right to terminate the leasing of any of all of the Equipment under the Finance Lease) following the occurrence of an event of default set out in the relevant Finance Lease or in respect of any other termination or prepayment event (howsoever worded) shall not be exercised other than in accordance with the terms of the STID.
9. In accordance with clause 22.3 (*Redelivery of Movables following acceleration of Borrower Secured Liabilities*) of the STID, upon any acceleration of any Borrower Secured Liabilities under any Finance Document other than the relevant Finance Lease, the leasing of the Equipment under the relevant Finance Lease shall automatically terminate (without request or notice from the relevant Finance Lessor).
10. No amendment, waiver or consent of or to any provisions of a Finance Lease shall be effective unless made;
  - (a) in accordance with the terms of this Schedule 13; and
  - (b) with the consent of the Borrower Security Trustee in accordance with the STID save that such consent shall not be required where such amendment, consent or waiver is sought to correct a manifest error or is of a formal, minor or technical nature;

no Finance Lessor shall exercise any of its rights to assign or transfer its rights and/or obligations to Equipment or to any of the related Finance Lease Documents under the relevant Finance Lease unless such permitted assignee or transferee has become an Additional Borrower Secured Creditor for the purposes of the Finance Documents in accordance with clause 32 (*Assignment*) of the STID.

**SCHEDULE 14**  
**FINANCIAL INSTITUTIONS**

**Part A**  
**Initial Capex Facility Providers**

Banco Bilbao Vizcaya Argentaria S.A., London Branch

Banco Santander S.A., London Branch

BNP Paribas, London Branch

Caja De Ahorros Y Monte De Piedad De Madrid

CALYON, Sucursal en España

Citibank, N.A., London Branch

HSBC Bank plc

Royal Bank of Canada

The Royal Bank of Scotland plc



**Part B**  
**Initial WCF Providers**

Banco Bilbao Vizcaya Argentaria S.A., London Branch

Banco Santander S.A., London Branch

BNP Paribas, London Branch

Caja De Ahorros Y Monte De Piedad De Madrid

CALYON, Sucursal en España

Citibank, N.A., London Branch

HSBC Bank plc

Royal Bank of Canada

The Royal Bank of Scotland plc

**Part C**  
**Refinancing Facility Providers**

Banco Bilbao Vizcaya Argentaria S.A., London Branch

Banco Santander S.A., London Branch

BNP Paribas, London Branch

Caja De Ahorros Y Monte De Piedad De Madrid

CALYON, Sucursal en España

Citibank, N.A., London Branch

HSBC Bank plc

Royal Bank of Canada

The Royal Bank of Scotland plc

**Part D**  
**Initial Issuer Hedge Counterparties**

Banco Bilbao Vizcaya Argentaria S.A.

Banco Santander S.A.

Barclays Bank PLC

BNP Paribas

Caja De Ahorros Y Monte De Piedad De Madrid

CALYON

Citibank, N.A., London Branch

HSBC Bank plc

Morgan Stanley & Co. International plc

The Royal Bank of Scotland plc

**Part E**  
**Initial Borrower Hedge Counterparties**

Banco Bilbao Vizcaya Argentaria S.A.

Banco Santander S.A.

BNP Paribas

Caja De Ahorros Y Monte De Piedad De Madrid

CALYON

Citibank, N.A., London Branch

HSBC Bank plc

Morgan Stanley & Co. International plc

The Royal Bank of Scotland plc