

RULES OF THE NATIONAL LOAN GUARANTEE SCHEME

AS AMENDED ON 20 MARCH~~JULY~~ 2012

THE COMMISSIONERS OF HER MAJESTY'S TREASURY

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1. GENERAL

- 1.1 On 20 March 2012 the Commissioners of Her Majesty's Treasury announced the National Loan Guarantee Scheme (as defined below) and on 20 March 2012 the Deed of Guarantee (as defined below) was executed by the Commissioners of Her Majesty's Treasury.
- 1.2 These are the rules of the National Loan Guarantee Scheme ~~in force as amended~~ on 20 ~~March~~July 2012.

2. DEFINITIONS AND INTERPRETATION

- 2.1 In these Rules the following expressions have the following meanings:

Allocation means, in respect of an Eligible Institution, the total amount (in, or converted into, sterling) of Guaranteed Liabilities that such Eligible Institution or other members of its Group may issue during the period from (and including) the date on which the Allocation is granted to such Eligible Institution to (but excluding) the date on which the Allocation is terminated.

Allocation Termination Notice means a notice in the form set out in Annex 10 issued pursuant to Rule 8.3 or Rule 9.7.

Applicant means the Eligible Institution making an Application.

Application means an application made under Rule 4.1 or Rule 4.3.

Beneficiary means a person to whom a Guaranteed Liability is from time to time owed.

Bilateral Agreement means, in respect of each Eligible Institution, the agreement (~~as amended and supplemented from time to time~~) entered into between the Guarantor and such Eligible Institution setting out certain terms and operational requirements under the National Loan Guarantee Scheme specific to that Eligible Institution.

Business Day means a day (excluding Saturday and Sunday) on which banks are generally open in London for the transaction of banking business.

~~**Charity** means a charity which satisfies the criteria set out in Part 1 of Schedule 6 to the Finance Act 2010.~~

Closing Date means, in respect of an issue of Guaranteed Liabilities, the date of issue of those Guaranteed Liabilities.

commitment, in respect of a proposed Eligible Business Loan, includes an offer ~~that has been internally sanctioned and/or made~~ by the relevant Participating Group Member ~~that has and/or agreed or accepted by the relevant Eligible Business, but in relation to which the funds have~~ not yet been ~~accepted~~drawn by the relevant Eligible Business, and **commit** and **committed** shall be construed accordingly.

Deed of Guarantee means the Deed of Guarantee dated 20 March 2012 and executed by the Guarantor, as amended and supplemented from time to time, under which are constituted the guarantees in respect of the National Loan Guarantee Scheme.

DMO means the United Kingdom Debt Management Office.

Eligible Business means a business or Charity which satisfies the criteria set out in Annex 7.

Eligible Business Loan means a credit facility to an Eligible Business which satisfies the criteria set out in Annex 8.

Eligible Institution means (i) an Initial Eligible Institution or (ii) any other institution which (x) satisfies the NLGS Eligible Institution Criteria and (y) has entered into a Bilateral Agreement with the Guarantor.

Eligible Institution Counter-Indemnity means a deed of counter-indemnity in favour of the Guarantor to be provided in accordance with Rule 6.

Eligible Institution Legal Opinion means, in respect of a Bilateral Agreement and/or an Eligible Institution Counter-Indemnity (or an amendment or supplement thereto), one or more signed legal opinions addressed to the Guarantor, in form and substance satisfactory to the Guarantor, from the external legal advisers to the relevant Eligible Institution (or, where another Participating Group Member is becoming an additional counter-indemnitor under Rule 6.3, the external legal advisers to the relevant Participating Group Member) which, taken together, confirm, in respect of the Eligible Institution (or, as the case may be, the other Participating Group Member), that it is duly incorporated and has the requisite capacity to enter into the Bilateral Agreement and the Eligible Institution Counter-Indemnity (or the amendment or supplement, as the case may be), that the Bilateral Agreement and the Eligible Institution Counter-Indemnity (if applicable, as so amended or supplemented) constitute legal, valid, binding and enforceable obligations of it, and that no consents, filings, registrations or notifications are required in England (or, if different, the jurisdiction of incorporation of the other Participating Group Member), and containing only those assumptions, qualifications and reservations which are customary for transactions of the relevant kind.

Eligible Securities means debt instruments which satisfy the Guaranteed Liabilities Eligibility Criteria.

Fee means, in respect of a Guarantee Certificate, the fee calculated and determined by the Guarantor in accordance with the relevant Bilateral Agreement.

Fee Letter means, in respect of a Fee, the letter referred to in Rule 10.8 in respect of that Fee.

Final Application Date means 18 February 2014 (or such other date as may be determined by the Guarantor).

Funding Cost Reduction means the net reduction in funding costs (in or converted into sterling and determined by the Guarantor in accordance with the criteria set out in the relevant Bilateral Agreement) that the relevant Eligible Institution (or other members of its Group) is or are deemed to have obtained under the National Loan Guarantee Scheme (after taking account of the relevant Fee(s) payable by the Eligible Institution under Rule 10).

Funding Cost Reduction Pass Through means (subject to Rules 9.1, 9.2 and 9.3) the part of the Funding Cost Reduction that is determined by the Guarantor, in accordance with the criteria set out in the relevant Bilateral Agreement, to have been passed through (or to remain contracted to be passed through over the life of the relevant Eligible Business Loans pursuant to the terms thereof) to Eligible Businesses in respect of amounts drawn down under Eligible Business Loans entered into in connection with the National Loan Guarantee Scheme by a reduction in the Ordinary Business Interest Rate charged to the Eligible Businesses under those Eligible Business Loans or in such other manner as is agreed by the Guarantor.

Group means, in respect of an Eligible Institution, such Eligible Institution, each holding company of such Eligible Institution and each direct and indirect subsidiary of the Eligible Institution or of any such holding company.

Guarantee Certificate means the certificate in the form set out in Annex 6 that denotes Eligible Securities as Guaranteed Liabilities.

Guarantee Statement means the statement of outstanding issued Guaranteed Liabilities that is published on a website by the Guarantor from time to time in accordance with Rule 12.1.

Guaranteed Liabilities means Eligible Securities in respect of which a Guarantee Certificate has been issued to the relevant Eligible Institution.

Guaranteed Liabilities Eligibility Criteria means the criteria set out in Annex 4.

Guarantor means the Commissioners of Her Majesty's Treasury.

Initial Eligible Institution means an institution which as at 20 March 2012 is an Eligible Institution.

Intended Closing Date means the intended issue date of Guaranteed Liabilities as notified to the DMO in the relevant Application for a Guarantee Certificate.

Issuance Legal Opinion means, in respect of an issue of Eligible Securities, each legal opinion which is to be provided in respect of such issue of Eligible Securities, in each case to any of the issuer, the guarantor (if any), the trustee (if any) and the managers (however called) and concerning in any respect the due incorporation or capacity of the issuer or any guarantor of the Eligible Securities or the valid, binding and enforceable nature of the obligations comprised in the Eligible Securities.

LIBOR means the London inter-bank offer rate for pounds sterling (£) as shown on Reuters screen page LIBOR 01 and Bloomberg ticker BBAM01 or any successor page thereto.

National Loan Guarantee Scheme and **NLGS** mean the National Loan Guarantee Scheme described in the Market Notice entitled "Outline of the UK Government's National Loan Guarantee Scheme" issued by the Guarantor and the DMO on 20 March 2012.

NLGS Eligible Institution Criteria means the criteria set out in Annex 1.

NLGS Interim Guarantee Certificate means, in respect of an Application by an Eligible Institution under Rule 4.1, the certificate issued pursuant to Rule 5.1 by the Guarantor to that Eligible Institution confirming that, subject to compliance with these Rules and the relevant Bilateral Agreement, a Guarantee Certificate will be issued in respect of the Eligible Securities proposed to be issued and which are the subject of that Application.

NLGS Rules or **Rules** means these rules (including the Annexes) as varied, amended, supplemented and substituted and in force from time to time.

Ordinary Business Interest Rate means, in respect of an Eligible Business Loan, the ordinary rate of interest that would otherwise have been charged by the relevant Participating Group Member to the relevant Eligible Business under such Eligible Business Loan, as determined by such Participating Group Member (to the satisfaction of the Guarantor) in light of the then prevailing market conditions and the relevant loan interest calculation methodology and standard lending practice of such Participating Group Member.

Participating Group Member means, in respect of an Eligible Institution (and unless otherwise agreed in the relevant Bilateral Agreement), (i) the Eligible Institution, (ii) any holding company of the Eligible Institution, (iii) any member of the Eligible Institution's Group that has issued or guaranteed, or proposes to issue or to guarantee, Guaranteed Liabilities, and (iv) any member of the Eligible Institution's Group that has entered into, or proposes to enter into, an Eligible Business Loan in connection with the National Loan Guarantee Scheme, or has acquired directly or indirectly (including, without limitation, by assignment, novation, sub-participation or declaration of trust) the legal or beneficial right to repayment of, or to payment of interest on, any or all of such an Eligible Business Loan.

Programme Legal Opinion means, in respect of an issue of Eligible Securities under a securities issuance programme, each legal opinion which has been or is to be provided in respect of such securities issuance programme to any of the issuer, the guarantor (if any), the trustee (if any) and the managers (however called) and concerning in any respect the due incorporation or capacity of the issuer or any guarantor of the Eligible Securities or the valid, binding and enforceable nature of the obligations comprised in the Eligible Securities.

Relevant Transaction Legal Opinions means (i) in respect of an issue of Eligible Securities under a securities issuance programme, the Programme Legal Opinions and (if they are being provided to any of the transaction parties in respect of that issue of Eligible Securities or it is customary market practice to do so) the relevant Issuance Legal Opinions and (ii) in respect of a stand-alone issue of Eligible Securities, the Issuance Legal Opinions.

2.2 References to Annexes are to the Annexes to these Rules.

2.3 All determinations, decisions, exercises of discretion or opinions by or of the Guarantor or the DMO pursuant to these Rules or any Bilateral Agreement (including, without limitation, decisions as to whether any fact, matter or document is satisfactory to it or has been demonstrated to its satisfaction) shall (subject to compliance with any specific requirements under these Rules or the relevant Bilateral Agreement) be conclusive and binding for all purposes.

2.4 Any reference to any agreement or consent by the Guarantor or the DMO pursuant to these Rules is to an agreement or consent (as applicable) evidenced in writing by the Guarantor or the DMO (as applicable). For this purpose, writing shall include e-mail.

3. ELIGIBLE INSTITUTIONS

3.1 An institution which is not an Initial Eligible Institution may make a request to the Guarantor to become an Eligible Institution.

3.2 In order for an institution to be eligible to become an Eligible Institution, it must satisfy the NLGS Eligible Institution Criteria (to the satisfaction of the Guarantor).

3.3 Upon the entry into a Bilateral Agreement with the Guarantor, the relevant institution shall become an Eligible Institution.

4. APPLICATIONS

4.1 An Eligible Institution which has delivered to the DMO an executed Eligible Institution Counter-Indemnity and an Eligible Institution Legal Opinion in respect of the Bilateral Agreement and the Eligible Institution Counter-Indemnity, and to which an Allocation has been granted, shall be entitled, until the earlier to occur of (i) that Allocation having been utilised in full or having terminated and (ii) the Final Application Date, to apply for an NLGS Interim Guarantee Certificate in respect of Eligible Securities that are proposed to be issued.

- 4.2 An Application under Rule 4.1 shall be made in the form set out in Annex 2 and may only be made on a Business Day.
- 4.3 An Eligible Institution which holds an NLGS Interim Guarantee Certificate in respect of proposed Eligible Securities shall be entitled, until the relevant Allocation has been utilised in full or has terminated pursuant to Rule 8.3, Rule 8.6 or Rule 9.7, to apply for a Guarantee Certificate in respect of those Eligible Securities.
- 4.4 An Application under Rule 4.3 shall be made in the form set out in Annex 5 and may only be made on a Business Day.
- 4.5 Unless otherwise specified by the DMO, an Application under Rule 4.1 or Rule 4.3 shall be signed by a duly authorised officer of the Eligible Institution.
- 4.6 For the purposes of calculating (in connection with an Application under Rule 4.1 for an NLGS Interim Guarantee Certificate in respect of a proposed issue of Eligible Securities denominated in a currency other than sterling) the extent to which the then current Allocation has already been utilised, (i) the maximum nominal amount of such proposed issue of Eligible Securities, ~~the aggregate nominal amount of all Guaranteed Liabilities that have been issued under the then current Allocation denominated in a currency other than sterling,~~ and the aggregate maximum nominal amount of all ~~other~~ proposed Eligible Securities that are the subject of NLGS Interim Guarantee Certificates (and not yet issued) and denominated in a currency other than sterling, shall be converted into sterling at the spot exchange rate as shown at 9.00am (London time), on the date on which the Application for an NLGS Interim Guarantee Certificate is made, on the relevant Reuters screen page (or such replacement page as the Guarantor may determine from time to time), ~~and~~(ii) the aggregate nominal amount of all Guaranteed Liabilities that have been issued under the then current Allocation denominated in a currency other than sterling shall be converted into sterling at the spot exchange rate as was shown at 9:00am (London time), on the date of pricing of the relevant Guaranteed Liabilities, on the relevant Reuters screen page (or such replacement page as the Guarantor may determine from time to time), and (iii) such sterling equivalent amounts shall be specified in the Application.

5. ISSUE OF NLGS INTERIM GUARANTEE CERTIFICATES AND OF GUARANTEE CERTIFICATES, AND ISSUANCE OF GUARANTEED LIABILITIES

Issue of NLGS Interim Guarantee Certificates

- 5.1 The decision to issue an NLGS Interim Guarantee Certificate shall be at the discretion of the Guarantor, but shall be made in accordance with these Rules.
- 5.2 No NLGS Interim Guarantee Certificate will be issued unless the following conditions shall have been fulfilled:
- (a) the Applicant shall have delivered to the DMO an Application under Rule 4.1; and
 - (b) the Applicant shall have delivered to the DMO drafts of the Relevant Transaction Legal Opinions (except to the extent that such opinions comprise Programme Legal Opinions that have previously been approved by the DMO and delivered to the DMO in accordance with Rule 7.1(a)), such Relevant Transaction Legal Opinions to comply with the requirements set out in Annex 14 and to be in form and substance satisfactory to the DMO.
- 5.3 The Guarantor shall, as a condition to the issue of an NLGS Interim Guarantee Certificate, be entitled to require the making of any amendment or supplement to the Eligible Institution Counter-Indemnity which has previously been delivered to it (including, without limitation, the

addition of an additional counter-indemnitor under Rule 6.3), and the delivery to it of an Eligible Institution Legal Opinion in respect of such amendment or supplement.

- 5.4 By making an Application for an NLGS Interim Guarantee Certificate, the relevant Eligible Institution shall be deemed to represent and warrant to the Guarantor that the proposed Eligible Securities will satisfy the Guaranteed Liabilities Eligibility Criteria.
- 5.5 An NLGS Interim Guarantee Certificate shall be substantially in the form set out in Annex 3 and shall be valid for 30 days from (and including) its date of issue (unless the relevant Eligible Institution's Allocation is terminated prior to that date under Rule 8.3, Rule 8.6 or Rule 9.7).

Issue of Guarantee Certificates

- 5.6 The decision to issue a Guarantee Certificate shall be at the discretion of the Guarantor, but shall be made in accordance with these Rules.
- 5.7 No Guarantee Certificate in respect of Eligible Securities will be issued unless the following conditions shall have been fulfilled:
- (a) an NLGS Interim Guarantee Certificate shall have been issued under Rule 5.1 in respect of the Eligible Securities that are proposed to be issued and remains valid on the Intended Closing Date;
 - (b) no later than the date which is two Business Days prior to the Intended Closing Date, an Application for a Guarantee Certificate shall have been duly delivered to the DMO under Rule 4.3; and
 - (c) there shall have been delivered to the DMO such other relevant documents as the DMO shall have notified to the Eligible Institution on or before the Business Day immediately preceding the Intended Closing Date.
- 5.8 The time periods referred to in Rule 5.7(b) and Rule 5.7(c) may be amended at the discretion of the DMO (subject to prior notification thereof to the relevant Eligible Institution).
- 5.9 A Guarantee Certificate shall be substantially in the form of Annex 6 and shall be dated the Intended Closing Date.

Issuance of Guaranteed Liabilities

- 5.10 An Eligible Institution must ensure that each of the Eligible Securities in respect of which a Guarantee Certificate has been issued conforms in all respects with the particulars of the proposed Eligible Securities specified in the relevant NLGS Interim Guarantee Certificate and Guarantee Certificate.

6. ELIGIBLE INSTITUTION COUNTER-INDEMNITIES

- 6.1 Subject to Rule 6.3, each Eligible Institution Counter-Indemnity shall be substantially in the form of Annex 11 (and as approved by the Guarantor).
- 6.2 Each Eligible Institution Counter-Indemnity shall be executed as a deed by the relevant Eligible Institution and by any additional counter-indemnitor as may be required under Rule 6.3.
- 6.3 The Guarantor shall be entitled at any time, in its discretion, to require any Participating Group Member to become an additional counter-indemnitor under the Eligible Institution Counter-

Indemnity, in which event the liability of the Eligible Institution and the additional counter-indemnitor shall be expressed to be joint and several under the Eligible Institution Counter-Indemnity (including, if and to the extent so required by the Guarantor, in respect of any existing Guaranteed Liabilities) and the form of the Eligible Institution Counter-Indemnity in Annex 11 shall be modified accordingly, all as required by the Guarantor. The Eligible Institution shall deliver to the DMO an Eligible Institution Legal Opinion in respect of any such addition.

7. PROVISION OF TRANSACTION INFORMATION TO THE DMO

- 7.1 Each Eligible Institution shall, in respect of each issuance of Guaranteed Liabilities, deliver the following (unless and to the extent that it has previously done so) to the DMO promptly following the relevant Closing Date:
- (a) a signed original copy of each Relevant Transaction Legal Opinion (and, where a draft of such Relevant Transaction Legal Opinion was delivered to the DMO pursuant to Rule 5.2(b), the signed original must be in substantially the same form (to the satisfaction of the DMO) as that draft); and
 - (b) a complete copy of the executed transaction documentation in CD Rom form in respect of the transaction under which the Guaranteed Liabilities are issued.
- 7.2 An Eligible Institution shall, in respect of each issuance of Guaranteed Liabilities, procure that the following are provided to the DMO during the life of such Guaranteed Liabilities:
- (a) at the same time as they are provided to holders of such Guaranteed Liabilities, copies of all notices, reports and other information provided to such holders;
 - (b) as soon as reasonably practicable after it is provided to any credit rating agency in relation to such Guaranteed Liabilities, a copy of all information so provided;
 - (c) immediate notification in writing of any actual or potential event of default (however called) occurring, or likely to occur, under the Guaranteed Liabilities; and
 - (d) such other relevant information concerning the Guaranteed Liabilities as the DMO may reasonably request for the purposes of the administration of the National Loan Guarantee Scheme.
- 7.3 An Eligible Institution shall procure that, in relation to any Guaranteed Liability, no amendment, waiver, variation, release, supplement or novation (each, an **Amendment**) is made, after the relevant Closing Date, to or in respect of:
- (a) the terms of such Guaranteed Liability without the prior written consent of the Guarantor; or
 - (b) any other transaction documentation relating to such Guaranteed Liability unless (i) the Eligible Institution shall have given the Guarantor prior written notice of the proposed Amendment and (ii) at least five Business Days shall have elapsed after the date of receipt of such notice and the Guarantor shall not have given the Eligible Institution notice within that period that it objects to the Amendment or requires further details thereof (and, if the Guarantor does give such notice, the Amendment shall not be made without the prior written consent of the Guarantor).

8. ALLOCATIONS

- 8.1 Each Allocation made to an Eligible Institution shall be at the discretion of the Guarantor and as notified to the Eligible Institution by a certificate substantially in the form set out in Annex 9. The Guarantor in exercising such discretion may take into account (without limitation) the amount and maturities of Guaranteed Liabilities previously issued by the Eligible Institution and other Participating Group Members, the amount of Eligible Business Loans previously committed to and/or entered into by the Eligible Institution and other Participating Group Members in connection with the National Loan Guarantee Scheme (and related Funding Cost Reduction Pass Through), the amount of any previously utilised or unutilised Allocations and the Eligible Institution's compliance with these Rules and with the provisions of the relevant Bilateral Agreement.
- 8.2 Each Allocation shall be in sterling. Where the Eligible Institution or another Participating Group Member proposes to issue Eligible Securities in a currency other than sterling, the sterling equivalent of the maximum nominal amount of such Eligible Securities and the sterling equivalent amount of the Allocation that is deemed to be unutilised at that time shall be calculated as and when the Application for an NLGS Interim Guarantee Certificate in respect of such proposed issue of Eligible Securities is made under Rule 4.1 (such calculation being made in accordance with Rule 4.6).
- 8.3 Without prejudice to Rules 8.6 and 9.7, if, within three months of an Eligible Institution receiving an Allocation from the Guarantor, an Eligible Institution has not utilised all of that Allocation, then the remaining unutilised part of that Eligible Institution's Allocation may be terminated in whole or in part at the discretion of the Guarantor by delivery to the Eligible Institution of an Allocation Termination Notice. In that event, no further Guarantee Certificates will be issued in respect of that Allocation, irrespective of whether or not any NLGS Interim Guarantee Certificate remains outstanding. An Eligible Institution that has not utilised all of its Allocation within three months of having received such Allocation, or that at any time believes that it will not, or is unlikely to, utilise all of its Allocation within that three month period, shall as soon as reasonably practicable notify the DMO thereof, and consult with the DMO and the Guarantor in respect thereof.
- 8.4 Subject to any other agreement with the Guarantor, if an Eligible Institution that has received an Allocation from the Guarantor shall have demonstrated (to the satisfaction of the Guarantor) that:
- (a) it (or other members of its Group) has or have entered into, or committed to enter into, Eligible Business Loans in connection with the National Loan Guarantee Scheme;
 - (b) under such Eligible Business Loans, it (or other members of its Group) has or have passed through (or has or have committed to pass through over the life of such Eligible Business Loans pursuant to the terms thereof) to the relevant Eligible Businesses an aggregate amount of Funding Cost Reduction that is equal to or greater than the Funding Cost Reduction that is attributable to Guaranteed Liabilities of a principal amount equal to 70 per cent of the Eligible Institution's current Allocation (or, if the Eligible Institution no longer has an Allocation, its most recent Allocation) or would be so attributable had it (or other members of its Group) issued such Guaranteed Liabilities; and
 - (c) it (or other members of its Group) has or have passed through (or has or have committed to pass through over the life of the relevant Eligible Business Loans pursuant to the terms thereof) to Eligible Businesses under Eligible Business Loans all of the Funding Cost Reduction attributable to the Guaranteed Liabilities issued under all of the Eligible Institution's Allocations prior to its current Allocation (or, if the Eligible Institution no longer has an Allocation, all of its prior Allocations),

then the Eligible Institution may apply to the Guarantor for a new Allocation, provided that no such application may be made before 20 July 2012 (or such other date as the Guarantor may agree with the relevant Eligible Institution).

- 8.5 Any decision by the Guarantor as to whether to grant a new Allocation will not be made until at least 15 Business Days (or such other period as the Guarantor may decide) after the Eligible Institution shall have submitted to the Guarantor all relevant reports and information relating to the matters referred to in paragraphs (a), (b) and (c) of Rule 8.4 and shall be dependent on the Guarantor having obtained any appropriate State aid approval.
- 8.6 Without prejudice to Rules 8.1 and 9.7, each Allocation is made subject to continuing State aid approval of the National Loan Guarantee Scheme, which has been granted for an initial period to 30 June 2012 and thereafter is expected to be granted for a period of six months at a time (or, in the case of the final period, for a period which may be shorter than six months). If, at the end of any such period, State aid approval of the National Loan Guarantee Scheme shall not have been obtained for a further period then any existing unutilised Allocations will automatically be terminated and no further Guarantee Certificates will be issued, irrespective of whether or not any NLGS Interim Guarantee Certificate remains outstanding, until further State aid approval of the National Loan Guarantee Scheme shall have been obtained. For the avoidance of doubt, the Guarantee will continue (subject to its terms) to apply to any Guaranteed Liabilities in respect of which a Guarantee Certificate has been issued prior to such expiry of State aid approval.
- 8.7 If a new Allocation is granted to an Eligible Institution before that Eligible Institution's existing Allocation shall have been fully utilised, the unutilised amount of that Eligible Institution's then existing Allocation (other than any amount in respect of which an NLGS Interim Guarantee Certificate has been issued and remains outstanding) shall automatically be terminated and the new Allocation shall apply. Without prejudice to Rule 8.1, the Guarantor may, when calculating a new Allocation, at its discretion, take into account the unutilised amount of the then existing Allocation or (if an Eligible Institution no longer has an Allocation) its most recent Allocation. If the Guarantor permits such unutilised amount to be carried over to form part of the new Allocation, this will be on the basis that such unutilised amount may not be carried over to any further subsequent Allocation, unless the Guarantor so agrees.

9. PASS THROUGH LENDING AND COMPLIANCE WITH THESE RULES

- 9.1 Subject to any other agreement with the Guarantor, each Eligible Institution shall, and shall procure that each other relevant Participating Group Member shall, in relation to each issuance of Guaranteed Liabilities, by no later than three months after the Closing Date in respect of such Guaranteed Liabilities, enter into, or commit to enter into, Eligible Business Loans under which the Eligible Institution (or other Participating Group Member, as the case may be) passes through (or commits to pass through over the life of such Eligible Business Loans pursuant to the terms thereof) to the relevant Eligible Businesses all of the Funding Cost Reduction attributable to such Guaranteed Liabilities, by reducing the Ordinary Business Interest Rate applicable to each such Eligible Business Loan by a rate agreed with the Guarantor or in such other manner as is agreed with the Guarantor. Without prejudice to Rules 9.2 and 9.3 (and subject to any other agreement with the Guarantor), such pass-through of Funding Cost Reduction will only be treated as Funding Cost Reduction Pass Through for the purposes of these Rules at any particular time if and to the extent that (i) such Eligible Business Loans have been entered into and drawn down by no later than ~~six~~12 months after the Closing Date in respect of such Guaranteed Liabilities and (ii) such Eligible Institution (or other Participating Group Member, as the case may be) demonstrates to the satisfaction of the Guarantor that it has, at that time, passed through the Funding Cost Reduction that it had contracted to pass through up to and including that date under the Eligible Business Loans which it has entered into.

9.2 Subject to any other agreement with the Guarantor, in the event that an Eligible Institution (and/or other Participating Group Members):

- (a) is or are no longer entitled to receive, legally and beneficially, all or any part of the interest cashflows previously scheduled to be payable, and not yet paid, by the relevant Eligible Business under an Eligible Business Loan entered into in connection with the National Loan Guarantee Scheme (including, without limitation, as a result of early repayment (whether optional, as a result of a default or pursuant to Rule 9.6), amendment or cancellation of, or disposal (legally or beneficially) by such Eligible Institution and/or other Participating Group Members to an entity outside its Group of its rights under, such Eligible Business Loan); or
- (b) agrees or agree to, or is or are subject to, any amendment or restructuring of an Eligible Business Loan entered into in connection with the National Loan Guarantee Scheme that has the economic effect of increasing the weighted average life of the interest payments previously scheduled to be payable, and not yet paid, by the relevant Eligible Business under such Eligible Business Loan,

then the amount of Funding Cost Reduction Pass Through attributable to the interest cashflows to which the Eligible Institution and/or relevant other Participating Group Members is or are no longer entitled or (as the case may be) to the increased weighted average life (to the extent determined by the Guarantor in accordance with the criteria set out in the relevant Bilateral Agreement) shall no longer be treated as Funding Cost Reduction Pass Through for the purposes of these Rules unless (and then only to the extent that) the Eligible Institution or another Participating Group Member shall have passed it through (or committed to pass it through), and/or otherwise reallocated it in such manner as is agreed with the Guarantor, under Eligible Business Loans which are entered into within three months, and drawn down within ~~six~~12 months, of the relevant event occurring under (a) or (b) (as the case may be).

9.3 Subject to any other agreement with the Guarantor, each Eligible Institution shall, in relation to each issuance of Guaranteed Liabilities, demonstrate from time to time to the satisfaction of the Guarantor that (after taking account of any pass-throughs and/or reallocations under Rule 9.2) and any increases in Funding Cost Reduction under Rule 9.5(b) it and the other relevant Participating Group Members have (or, subject to the next sentence, will have over the life of the relevant Eligible Business Loans) passed through (by way of Funding Cost Reduction Pass Through) to Eligible Businesses under Eligible Business Loans entered into in connection with the National Loan Guarantee Scheme all of the Funding Cost Reduction attributable to such Guaranteed Liabilities at the times, and in the manner, required by Rules 9.1, 9.2 and 9.2.(if applicable) 9.5(b). No pass-through of Funding Cost Reduction shall be treated as Funding Cost Reduction Pass Through for the purposes of these Rules if and to the extent that such Funding Cost Reduction is passed through after the date which is 10 years after the last issuance of Guaranteed Liabilities by the Eligible Institution or the other Participating Group Members.

9.4 Any fee charged by a Participating Group Member to an Eligible Business for an Eligible Business Loan entered into in connection with the National Loan Guarantee Scheme shall be no higher than the fee that would have been charged for an Eligible Business Loan entered into with such Eligible Business outside the National Loan Guarantee Scheme, as based on the standard lending practice of such Participating Group Member.

9.5 If at any time an Eligible Institution shall have failed to demonstrate (to the satisfaction of the Guarantor) that it is in compliance with the requirements of Rule 9.1, Rule 9.2 and/or Rule 9.3, then such Eligible Institution shall ~~either~~:

- (a) unless and to the extent agreed otherwise with the Guarantor, within 10 years from the date of the last issuance of Guaranteed Liabilities by the Eligible Institution or the other Participating Group Members, pay to the Guarantor, ~~upon demand by the Guarantor,~~ an amount representing the relevant difference between the Funding Cost Reduction and the Funding Cost Reduction Pass Through (as determined by the Guarantor) (such difference, the **Undisbursed Reduction**), plus interest thereon (accruing daily from the Closing Date in respect of the ~~relevant~~ last issuance of Guaranteed Liabilities by the Eligible Institution or the other Participating Group Members (or, as the case may be, the date of occurrence of the relevant event under Rule 9.2(a) or (b)) to the date of such payment on an actual/actual basis) at a rate equal to three-month LIBOR recalculated daily and compounded on each anniversary of the Closing Date, or, as the case may be, the date of occurrence of the relevant event under Rule 9.2(a) or (b)-) **(the Undisbursed Reduction Interest); or**
- (b) add an amount equal to the Undisbursed Reduction Interest to the Funding Cost Reduction that remains to be passed through under Eligible Business Loans in such manner as is agreed with the Guarantor, and pass through such increased Funding Cost Reduction on or prior to the date which is 10 years after the date of the last issuance of Guaranteed Liabilities by the Eligible Institution or the other Participating Group Members.

Upon payment of the Undisbursed Reduction to the Guarantor, pursuant to Rule 9.5(a) or increase in the Funding Cost Reduction that remains to be passed through pursuant to Rule 9.5(b), a corresponding adjustment (as determined by the Guarantor) shall, for the purposes of any subsequent calculation relating to pass-through of Funding Cost Reduction in connection with these Rules, be made to the Funding Cost Reduction attributable to the Guaranteed Liabilities issued by the Eligible Institution or other Participating Group Members.

9.59.6 In the event that an Eligible Institution shall have become aware that an Eligible Business has breached any national or European laws in relation to the provision of State aid as a result of an Eligible Business Loan entered into with it, then the relevant Eligible Institution shall notify the Guarantor of the breach and take all reasonable steps to obtain repayment of the Funding Cost Reduction Pass Through attributable to the relevant Eligible Business Loan that caused the breach to the extent necessary to remedy the breach as soon as reasonably practicable and to the satisfaction of the Guarantor (such repaid amount to be passed through and/or otherwise reallocated in accordance with Rule 9.2).

9.69.7 Without prejudice to Rules 8.1 and 8.6, in the event that an Eligible Institution shall have failed to comply with any of these Rules or the provisions of the relevant Bilateral Agreement then the Eligible Institution's Allocation may be terminated in whole or in part at the discretion of the Guarantor by delivery to the Eligible Institution of an Allocation Termination Notice. In that event, no further Guarantee Certificates will be issued in respect of that Allocation, irrespective of whether or not any NLGS Interim Guarantee Certificate remains outstanding.

9.79.8 Each Eligible Institution shall procure that, when acting in connection with the National Loan Guarantee Scheme and throughout the process of originating, administering and managing an Eligible Business Loan, each relevant Participating Group Member shall act in accordance with the ordinary-course business and banking policies, practices and procedures of such Participating Group Member (including the policies, practices and procedures which it would apply in the ordinary course of business when originating, administering and managing any asset, exposure, right, interest, duty, liability, obligation or risk which is equivalent or similar to the relevant Eligible Business Loan or any other credit facility to an Eligible Business that is not entered into in connection with the National Loan Guarantee Scheme), to the extent consistent with (a) the business and banking policies, practices and procedures of a reasonable and prudent banking organisation and (b) good industry practice.

9.89.9 Each Eligible Institution shall procure that, when acting in connection with the National Loan Guarantee Scheme, each Participating Group Member shall act in a fair and equitable way and without distorting its normal distribution of lending to businesses, including Eligible Businesses.

10. FEES

- 10.1 The Guarantor shall be entitled to charge the Eligible Institution a Fee for the issue of a Guarantee Certificate.
- 10.2 The amount of the Fee shall be calculated by the Guarantor in accordance with the relevant Bilateral Agreement and in compliance with State aid rules.
- 10.3 The Fee shall be payable in sterling.
- 10.4 In the event that the relevant Guaranteed Liabilities are denominated in a currency other than sterling, the Fee, as calculated in accordance with Rule 10.2, shall include an uplift of 5 per cent. (to compensate the Guarantor for the additional cost that would be incurred by it in making payment, under the Deed of Guarantee in respect of the Guaranteed Liabilities, other than in sterling).
- 10.5 The Fee shall accrue on an actual/actual basis over the period commencing on (and including) the earlier of (i) the Closing Date in respect of the relevant Guaranteed Liabilities and (ii) the third Business Day after the date of the Guarantee Certificate and ending on (but excluding) the scheduled maturity date of the Guaranteed Liabilities.
- 10.6 The Fee shall be payable in arrear on the last day of each three month period falling after the date of the Guarantee Certificate prior to the scheduled maturity date of the Guaranteed Liabilities, and on the scheduled maturity date of the Guaranteed Liabilities (or, in each case, if such a due date is not a Business Day, on the next following Business Day, unless it would thereby fall into the next calendar month, in which event on the immediately preceding Business Day).
- 10.7 Notwithstanding the foregoing Rules, if the proposed Guaranteed Liabilities are not issued by the date which is 30 days after the date of the relevant NLGS Interim Guarantee Certificate (the “**Cessation Date**”), the Fee shall cease to accrue after the Cessation Date, and the amount of the Fee accrued on an actual/actual basis during the period commencing on (and including) the third Business Day after the date of the Guarantee Certificate and ending on (and including) the Cessation Date shall be payable on the Business Day falling immediately after the Cessation Date.
- 10.8 The amount, and other details in respect, of the Fee shall be recorded in a letter from the DMO to the Applicant substantially in the form set out in Annex 12, which shall be countersigned by the Applicant.
- 10.9 Any Fee that is not paid on the relevant due date may be subject to an additional late payment charge equal to interest thereon accruing daily for each day that the payment of the Fee is overdue on an actual/actual basis at a rate equal to three-month LIBOR recalculated daily and compounded on each anniversary of the date on which the Fee was due.

11. REIMBURSEMENT OF AN ELIGIBLE INSTITUTION'S EXPENSES

Expenses may be reimbursed by the Guarantor to each Eligible Institution that issues (or has Participating Group Members that issue) Guaranteed Liabilities based on the additional direct administrative costs incurred by such Eligible Institution or other Participating Group Members in participating in the National Loan Guarantee Scheme. Any such expense reimbursement will be calculated in accordance with the relevant Bilateral Agreement.

12. GUARANTEE STATEMENT AND WEBSITE

- 12.1 The Guarantor will establish and maintain a website on which may be published from time to time a statement of outstanding issued Guaranteed Liabilities. The current website is at www.dmo.gov.uk.
- 12.2 The Guarantee Statement published in accordance with Rule 12.1 shall have no legal status, shall not affect the status or effect of any Guarantee Certificate, and shall be for information purposes only.
- 12.3 The Guarantor shall be entitled to publish on the website referred to in Rule 12.1, in addition to the Guarantee Statement, the following information:
- (a) any extension of the Final Application Date;
 - (b) any amendment or supplement to these Rules;
 - (c) the identity of the Eligible Institutions;
 - (d) the date of expiry of the then current State aid approval of the National Loan Guarantee Scheme; and
 - (e) any other information that the Guarantor deems relevant to the National Loan Guarantee Scheme, subject to the provisions of each relevant Bilateral Agreement.

13. PUBLIC DESCRIPTIONS OF GUARANTOR AND GUARANTEE

- 13.1 The description of the Guarantor and the Guarantee in any offering document (including, without limitation, any prospectus, offering circular, listing particulars and information memorandum) or other document or announcement relating to Guaranteed Liabilities issued by or on behalf of the relevant Eligible Institution or any other issuer or guarantor of the Guaranteed Liabilities must include the text set out in Annex 13 (which the Guarantor retains the right to amend, from time to time, at its discretion) and such other text as may be required by the Guarantor.
- 13.2 Without prejudice to Rule 13.1, no Eligible Institution or other member of its Group shall otherwise explicitly promote itself on the basis of the National Loan Guarantee Scheme or the Deed of Guarantee, except for the purpose of soliciting interest from Eligible Businesses in relation to Eligible Business Loans.

14. DEMAND AND PAYMENT

- 14.1 A demand by or on behalf of a Beneficiary for payment under the Guarantee shall be in writing and made in the form set out in Annex 15 and delivered by hand to the addressees therein specified.
- 14.2 A demand by or on behalf of a Beneficiary for payment under the Guarantee which is not made in the form set out in Annex 15 shall be void.
- 14.3 The Guarantor may, in its discretion, waive the requirement for a Beneficiary to make a demand under Rule 14.1.
- 14.4 Without prejudice to the right of the Guarantor to pay the relevant Beneficiary direct, the Guarantor may make payment, in respect of a valid demand by or on behalf of a Beneficiary under the Guarantee or if the requirement for such a demand has been waived pursuant to Rule 14.3, to the principal paying agent or the registrar in respect of the Guaranteed Liabilities specified in the Application for the Interim Guarantee Certificate relating to those Guaranteed Liabilities.

14.5 Any such payment to the principal paying agent or registrar under Rule 14.4 shall, notwithstanding any contrary provision in the terms and conditions of the Guaranteed Liabilities or the related transaction documentation, be deemed for the purposes of the Guarantee to be payment to the Beneficiary, and such payment shall constitute a complete discharge by the Guarantor of its liability under the Deed of Guarantee in respect of the relevant demand by or on behalf of that Beneficiary.

15. REPORTING TO AND CONSULTATION WITH THE GUARANTOR

15.1 If required by the European Commission, each Eligible Institution shall within six months, or such other period as the European Commission may require, of such demand being made, deliver to the Guarantor a viability plan, or as the case may be, a restructuring plan, in form and substance satisfactory to the Guarantor and suitable for delivery to the European Commission.

15.2 Each Eligible Institution shall provide, or procure any relevant other member of its Group to provide, the Guarantor and/or the DMO with all information, documents and data (in the required format (as determined by the DMO)) as detailed in the relevant Bilateral Agreement, together with any other information, documents and data that the Guarantor (in consultation with the Eligible Institution) may from time to time consider necessary for the Guarantor to determine the Ordinary Business Interest Rate of, the Funding Cost Reduction Pass Through of, and the amount of lending to Eligible Businesses by, that Eligible Institution and the other Participating Group Members or for any other purpose in connection with assessing compliance with these Rules and/or the relevant Bilateral Agreement.

15.3 Without prejudice to Rule 16.2(f), each Eligible Institution covenants that all records and information relating to Eligible Business Loans entered into by it or any other Participating Group Member in connection with the National Loan Guarantee Scheme will be retained for a period of at least one year after the later of (i) the redemption of all Guaranteed Liabilities issued by it or other Participating Group Members and (ii) the repayment of all Eligible Business Loans entered into by it or other Participating Group Members in connection with the National Loan Guarantee Scheme (as such Eligible Business Loans may be amended, restructured or novated from time to time).

15.4 Each Eligible Institution shall be deemed to represent and warrant to the Guarantor, on a continuing basis, that all the information and reports provided by, or on behalf of, such Eligible Institution to the Guarantor and/or the DMO and/or any person acting on behalf of either of them in connection with these Rules and/or the relevant Bilateral Agreement are, at the date provided and to the best of the Eligible Institution's knowledge (after due enquiry), true, accurate and not misleading.

15.5 Each Eligible Institution shall, and shall procure that each other Participating Group Member shall, prepare and maintain (or procure the preparation and maintenance of) books and records that are in such form and detail as are required by good industry practice and as are necessary (i) to verify compliance with these Rules and the relevant Bilateral Agreement, (ii) to ensure that the Eligible Institution and each other Participating Group Member can provide the information required to be provided pursuant to these Rules and the relevant Bilateral Agreement and (iii) to enable accurate calculation of the payments to be made pursuant to these Rules and the relevant Bilateral Agreement and the information underlying any such calculations to be verified by the Guarantor.

15.6 The Guarantor shall at any time have the right to conduct or commission any audit, investigation or review of (i) any member of the Eligible Institution's Group in relation to compliance by the Eligible Institution with its obligations, (ii) any reports or other information provided or delivered by the Eligible Institution or any other member of its Group and (iii) any payments to be made by the Eligible Institution or any other member of its Group, in each case in connection with or under these Rules and/or the relevant Bilateral Agreement and as further detailed in the relevant Bilateral Agreement.

- 15.7 Each Eligible Institution shall, if and to the extent requested by the Guarantor (after consultation with the Eligible Institution), be required to publish information on the usage by it and other members of its Group of the National Loan Guarantee Scheme as further detailed in the relevant Bilateral Agreement.
- 15.8 The Guarantor, each Eligible Institution and each other member of the Eligible Institution's Group shall comply with all applicable data protection requirements as further detailed in the relevant Bilateral Agreement.

16. STATE AID

- 16.1 Each Eligible Institution shall comply with, and shall procure that each other Participating Group Member complies with, all national and European laws applicable to it, including in relation to the provision of State aid in connection with the National Loan Guarantee Scheme and as may be further detailed in the relevant Bilateral Agreement.
- 16.2 The Eligible Institution shall:
- (a) take all reasonable steps to procure that, where appropriate, the conditions for the grant of 'de minimis' aid prescribed in Commission Regulation (EC) No. 1998/2006 of 15 December 2006 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to 'de minimis' aid (as the same may be amended from time to time, the "**de minimis Regulation**") will be complied with in full;
 - (b) take all reasonable steps to procure that, in relation to the agricultural production sector, the conditions for the grant of *de minimis* aid prescribed in Commission Regulation (EC) No. 1535/2007 of 20 December 2007 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid in the sector of agricultural production (as the same may be amended from time to time, the "**Agricultural Production de minimis Regulation**") will be complied with in full;
 - (c) take all reasonable steps to procure that, in relation to the fisheries and aquaculture sectors, the conditions for the grant of *de minimis* aid prescribed in Commission Regulation (EC) No. 875/2007 of 24 July 2007 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid in the fisheries and aquaculture sectors and amending Regulation (EC) No 1860/2004 (as the same may be amended from time to time, the "**Fisheries and aquaculture de minimis Regulation**") will be complied with in full;
 - ~~(e)~~(d) procure that, where the relevant Participating Group Member intends to reduce the interest rate on an Eligible Business Loan entered into in connection with the National Loan Guarantee Scheme to below the Ordinary Business Interest Rate (or to pass through Funding Cost Reduction in some other manner as is agreed by the Guarantor) and where this involves 'de minimis' aid to an Eligible Business, it shall inform that Eligible Business in writing of the prospective amount of the aid (expressed as a fixed sum corresponding to the maximum aid amount to be granted under the National Loan Guarantee Scheme) and of its 'de minimis' character, making express reference to the *de minimis* Regulation or, if relevant, the Agricultural Production *de minimis* Regulation or the Fisheries and aquaculture de minimis Regulation, and citing the title and publication reference of the *de minimis* Regulation or, if relevant, the Agricultural Production *de minimis* Regulation or the Fisheries and aquaculture de minimis Regulation in the Official Journal of the European Union;
 - ~~(d)~~(e) procure that, prior to granting such a reduction or pass-through, the relevant Participating Group Member shall issue a statement (in the form set out in Annex 16) and obtain a written

declaration (in the form set out in Annex 16) from each Eligible Business with which it proposes to enter into an Eligible Business Loan in connection with the National Loan Guarantee Scheme and, if the relevant Eligible Business indicates that it has received any '*de minimis*' aid during the previous two fiscal years and the current fiscal year, obtain details from the relevant Eligible Business, in written or electronic form, of such other '*de minimis*' aid;

~~(e)~~(f) procure that a reduction in the interest rate on an Eligible Business Loan entered into in connection with the National Loan Guarantee Scheme (or, if applicable, other pass-through of Funding Cost Reduction) will be granted only after the relevant Participating Group Member has checked that this reduction or pass-through will not raise the total amount of '*de minimis*' aid received by the relevant Eligible Business during the period covering the fiscal year concerned, as well as the previous two fiscal years in the United Kingdom, to a level above the relevant '*de minimis*' ceiling; and

~~(f)~~(g) record and compile, and procure that the other Participating Group Members record and compile, all the information regarding the application of the *de minimis* Regulation or, if relevant, the Agricultural Production *de minimis* Regulation or the Fisheries and aquaculture *de minimis* Regulation including all information necessary to demonstrate that the conditions of the *de minimis* Regulation or, if relevant, the Agricultural Production *de minimis* Regulation or the Fisheries and aquaculture *de minimis* Regulation have been complied with. Any such records regarding individual reductions to Eligible Businesses shall be maintained for 10 years from the date on which the relevant reduction was granted (or for such other period as may for the time being be required under the *de minimis* Regulation, the Agricultural Production *de minimis* Regulation, the Fisheries and aquaculture *de minimis* Regulation or any other applicable European Commission Regulation or requirements). On written request by the Guarantor, the Eligible Institution shall provide the Guarantor, within a period of 20 Business Days, or such longer period as may be specified in the request, with all the information that the Guarantor considers necessary for assessing whether the conditions of the *de minimis* Regulation or, if relevant, the Agricultural Production *de minimis* Regulation or the Fisheries and aquaculture *de minimis* Regulation have been complied with, and in particular the total amount of '*de minimis*' aid received by any undertaking.

16.3 The following Eligible Business Loans are not entitled to benefit from '*de minimis*' aid:

~~(a)~~ ~~credit facilities to businesses active in the fishery and aquaculture sectors, as covered by Council Regulation (EC) No. 104/2000;~~

~~(b)~~(a) credit facilities for export related activities towards third countries or Member States, namely aid directly linked to the quantities exported, to the establishment and operation of a distribution network or to other current expenditure linked to the export activity;

~~(e)~~(b) credit facilities contingent upon the use of domestic over imported goods;

~~(d)~~(c) credit facilities to businesses active in the coal sector; ~~and~~

(d) credit facilities serving to increase fishing capacity, expressed in terms of tonnage or power, as defined in Article 3(n) of Regulation (EC) No. 2371/2002, unless it concerns aid for modernisation over the main deck as referred to in Article 11(5) of that Regulation;

(e) aid for the purchase or construction of fishing vessels; and

~~(e)~~(f) credit facilities for the acquisition of road freight transport vehicles granted to businesses performing road freight transport for hire or reward.

16.4 As part of an Eligible Institution's compliance with this Rule 16, before each Eligible Business Loan in connection with the National Loan Guarantee Scheme is entered into, each Eligible Institution shall ensure that the relevant Eligible Business shall have received from the relevant Participating Group Member a letter or other document containing a statement on State aid requirements, substantially in the form set out in Annex 16, which details the amount of State aid that the relevant Eligible Business will receive under such Eligible Business Loan and requires the Eligible Business to inform the relevant Participating Group Member of the amount of State aid that the Eligible Business has already received. Each Eligible Institution shall procure that no Participating Group Member enters into an Eligible Business Loan in connection with the National Loan Guarantee Scheme if to do so would result in the combined amount of State aid that the relevant Eligible Business would receive under such Eligible Business Loan and from any other State aid received by the Eligible Business breaching the State aid requirements (including under the *de minimis* Regulation~~-or~~, the Agricultural Production de minimis Regulation or the Fisheries and aquaculture *de minimis* Regulation).

16.5 As a further part of an Eligible Institution's compliance with this Rule 16, if an Eligible Business Loan entered into in connection with the National Loan Guarantee Scheme is of a term greater than three years and the State aid to be received by the relevant Eligible Business in connection with that Eligible Business Loan would (if it were not adjusted as described below) exceed the relevant '*de minimis*' ceiling over the whole term of the Eligible Business Loan (a **Relevant Eligible Business Loan**), the Eligible Institution shall ensure that the relevant Eligible Business shall have received from the relevant Participating Group Member, before the third anniversary of the date on which the Relevant Eligible Business Loan was entered into, a letter or other document containing a statement on State aid requirements, substantially in the form set out in Annex 16, which details the amount of State aid that the relevant Eligible Business will receive under such Relevant Eligible Business Loan over the following three years (or, if shorter, the remaining term of the Relevant Eligible Business Loan) and requires the Eligible Business to inform the relevant Participating Group Member of the amount of State aid that the Eligible Business has already received. If the combined amount of State aid that the relevant Eligible Business would receive under such Relevant Eligible Business Loan and from any other State aid received by the Eligible Business would breach the State aid requirements (including under the *de minimis* Regulation~~-or~~, the Agricultural Production de minimis Regulation or the Fisheries and aquaculture *de minimis* Regulation), the Eligible Institution shall procure that the Participating Group Member adjusts the terms of the Relevant Eligible Business Loan so that such breach does not occur. Accordingly, the Eligible Institution shall procure that each Participating Group Member takes these requirements into account in agreeing the terms of any Relevant Eligible Business Loan that it proposes to enter into.

17. NOTICES

17.1 Any notice or other communication under or in connection with these Rules or the Guarantee (other than a demand made under Rule 14.1) shall be in writing and delivered by hand or (in the case of a notice or communication to the DMO or an Eligible Institution) sent by email (except that, if the email has attached to it a scanned copy of any application, certificate, notice or letter of a type set out in the Annexes or any Schedule to a Bilateral Agreement, the original thereof shall be delivered by hand as soon as reasonably practicable thereafter):

(a) if to the Guarantor, to:

The Commissioners of Her Majesty's Treasury
1 Horse Guards Road
London SW1A 2HQ

marked for the attention of: Deputy Director; Intervention, Strategy and Markets;

(b) if to the DMO, to:

The United Kingdom Debt Management Office
Eastcheap Court
11 Philpot Lane
London EC3M 8UD

or email address 'NLGSOoperations@dmo.gsi.gov.uk'

marked for the attention of: Head of Finance; and

(c) if to an Eligible Institution, to it at its registered office or such other address and/or email address as the Guarantor may agree with the Eligible Institution in writing and marked for the attention of such person as the Guarantor may agree with the Eligible Institution in writing.

17.2 Any communication under or in connection with these Rules or the Guarantee to be made by the Guarantor to a Beneficiary shall be made in such manner as the Guarantor, in its exclusive and absolute discretion, decides is the most appropriate manner in the circumstances at the time.

17.3 Notices or communications under Rule 17.1 shall be deemed to take effect (in the case of delivery by hand) at the time of actual delivery or, (in the case of communication by email) at the time at which the email is received.

18. CHANGES TO THESE RULES

18.1 Subject (where considered practicable by the Guarantor) to prior consultation with the Eligible Institutions affected thereby, the Guarantor may amend or supplement these Rules at any time at its discretion. For the avoidance of doubt, the Deed of Guarantee will continue (subject to its terms) to apply to any Guaranteed Liabilities in issue prior to such amendment or supplement.

18.2 The Guarantor shall publish details of any such amendment or supplement in accordance with Rule 12.3(b).

ANNEX 1

NATIONAL LOAN GUARANTEE SCHEME

NLGS ELIGIBLE INSTITUTION CRITERIA

1. Unless the Guarantor decides otherwise, to be an Eligible Institution the institution shall (to the satisfaction of the Guarantor):
 - (a) be incorporated in the United Kingdom or be a subsidiary of a foreign company incorporated in the United Kingdom;
 - (b) have a significant role in the UK banking system and in the overall economy¹;
 - (c) be regulated by the Financial Services Authority or equivalent financial regulator (and regarded as financially viable); and
 - (d) have a track record of at least six months of lending to Eligible Businesses.

¹ An institution is likely to have a significant role in the UK banking system and in the overall economy if it is a deposit taking institution with eligible liabilities of £500m (or an equivalent amount in a currency other than sterling).

Interbank transactions (excluding cash ratio and special deposits with the Bank of England) will be taken into the calculation of an individual institution's eligible liabilities on a net basis, irrespective of term, except for unsubordinated capital market instruments with a maturity of five years or (from 1992) more than five years, which will not be taken into account. Adjustments may be made in respect of transit items and liabilities and claims under sale and repurchase agreements.

ANNEX 2

FORM OF APPLICATION FOR NLGS INTERIM GUARANTEE CERTIFICATE

THE COMMISSIONERS OF HER MAJESTY'S TREASURY

NATIONAL LOAN GUARANTEE SCHEME

APPLICATION FOR NLGS INTERIM GUARANTEE CERTIFICATE

1. Application number
2. Date of Application
3. Name of Applicant¹
4. Applicant contact details²
5. Transaction³ under which the proposed Eligible Securities will be issued.
6. Indicative particulars of the Eligible Securities in respect of which a Guarantee Certificate will be applied for (so far as known at the time of this Application) as referred to in the table below.

Description	Product type	Currency	Maximum nominal amount	Proposed date of application for Guarantee Certificate	Maximum maturity
[]	[]	[]	[]	[]	[]

7. If the proposed Eligible Securities will be denominated in a currency other than sterling, the sterling equivalent of the maximum nominal amount of the proposed Eligible Securities (calculated in accordance with Rule 4.6) is: [].
8. The sterling equivalent (calculated in accordance with Rule 4.6) of the nominal amount of all existing Guaranteed Liabilities issued under our current Allocation, and of the maximum nominal amount of all other proposed Eligible Securities that are the subject of outstanding NLGS Interim Guarantee Certificates, in each case that are denominated in a currency other than sterling, is: [].

¹ Full legal name of Eligible Institution which is the Applicant.

² Formal contact details for the Applicant and for officer(s) of the Applicant responsible for this Application.

³ Details and name of the proposed transaction.
The details must demonstrate that the Eligible Securities fulfil the Guaranteed Liabilities Eligibility Criteria and also include:

- details of the debt issuance structure;
- the full legal name of the issuer of the Eligible Securities;
- the full legal name of the paying agents, registrar and trustee (as applicable); and
- the full legal name of any guarantor of the Eligible Securities.

9. The remaining unutilised amount of our current Allocation (after taking account of the nominal amount of all existing Guaranteed Liabilities issued under our current Allocation and the maximum nominal amount of all other proposed Eligible Securities that are the subject of outstanding NLGS Interim Guarantee Certificates (converted if applicable into sterling), but before taking account of the proposed Eligible Securities the subject of this Application) is: [].
10. We warrant and represent to you that the information contained in and attached to this Application is accurate, complete and not misleading (including by omission) in any respect and, in particular, that the Eligible Securities the subject of this Application satisfy the Guaranteed Liabilities Eligibility Criteria.
11. Words and expressions defined in the Rules of the National Loan Guarantee Scheme shall have the same meanings where used in this Application.

Signed by:⁴

Duly authorised

Duly authorised

⁴ The Application must be accompanied by evidence, satisfactory to the DMO, of the authority of the signatories to the Application.

ANNEX 3

**FORM OF NLGS INTERIM GUARANTEE CERTIFICATE
THE COMMISSIONERS OF HER MAJESTY'S TREASURY
NATIONAL LOAN GUARANTEE SCHEME
NLGS INTERIM GUARANTEE CERTIFICATE**

[*Applicant*]

[*Date*]

**THE COMMISSIONERS OF HER MAJESTY'S TREASURY
NATIONAL LOAN GUARANTEE SCHEME (the "Scheme")
NLGS INTERIM GUARANTEE CERTIFICATE**

NLGS Interim Guarantee Certificate No. []

APPLICATION No. [] DATED []

The Commissioners of Her Majesty's Treasury hereby notify you that you will be issued with a Guarantee Certificate or Certificates for the debt instruments proposed to be issued and which are the subject of the above Application, on the Intended Closing Date (as notified by you to us) and subject to compliance with the Rules of the Scheme.

This NLGS Interim Guarantee Certificate shall be valid for 30 days from (and including) the date hereof, unless your current Allocation is terminated prior to that date under Rule 8.3, 8.6 or 9.7 of the Scheme.

Words and expressions defined in the Rules of the Scheme shall have the same meanings where used in this certificate.

Signed

**The Commissioners of Her Majesty's Treasury
acting through
the United Kingdom Debt Management Office**

ANNEX 4

NATIONAL LOAN GUARANTEE SCHEME

GUARANTEED LIABILITIES ELIGIBILITY CRITERIA

The proposed Eligible Securities shall fulfil each of the following conditions:

1. Senior unsecured debt instruments with standard market terms, and not being complex instruments, and falling within one of the following categories:
 - certificates of deposit; or
 - bonds or notes.
2. Have a minimum final maturity of one year and a maximum final maturity of five years (or such other maximum final maturity as may be specified by the Guarantor).
3. The issue of the Eligible Securities to occur within 30 days of the date of the NLGS Interim Guarantee Certificate.
4. To be single currency denominated in sterling, euro, US dollars or Japanese yen or such other currency as permitted by the Guarantor from time to time.
5. Each payment date to be a day (other than a Saturday or Sunday) on which banks are generally open for business in London and (if different) the principal financial centre of the relevant currency (or, in the case of euro, a day (other than a Saturday or Sunday) on which banks are generally open for business in London and which is a TARGET2 settlement day).
6. Not to contain an event of default constituted by cross-default or cross-acceleration.
7. Unless otherwise agreed by the Guarantor, the governing law of the Eligible Securities to be English law.
8. The issuer of the Eligible Securities to be the Eligible Institution or another member of the Eligible Institution's Group.
9. The terms of the transaction documentation under which the Eligible Securities are issued to provide for delivery of customary transaction legal opinions as a condition precedent to the issue of the Guaranteed Liabilities.
10. Any costs or fees which are to be paid in priority to the claims of the holders of the Eligible Securities to be on market standard terms.

The interpretation and application of each of the conditions set out above shall be as determined by the DMO from time to time.

ANNEX 5

FORM OF APPLICATION FOR GUARANTEE CERTIFICATE

THE COMMISSIONERS OF HER MAJESTY'S TREASURY

NATIONAL LOAN GUARANTEE SCHEME

APPLICATION FOR GUARANTEE CERTIFICATE

1. Application number
2. Date of Application
3. NLGS Interim Guarantee Certificate number¹
4. Name of Applicant²
5. Applicant contact details³
6. Name of issuer⁴
7. Issuer contact details⁵
8. Proposed Guaranteed Liabilities which are the subject of this Application are referred to in the schedule below.
9. [Save as set out below, we] [We] confirm that there are no Eligible Securities proposed to be issued by Participating Group Members, but not yet so issued, in respect of which a Guarantee Certificate has been issued[.][:]

¹ The number of the NLGS Interim Guarantee Certificate pursuant to which this Application is made.

² Full legal name of Eligible Institution which is the Applicant.

³ Formal contact details for the Applicant and for officer(s) of the Applicant responsible for this Application.

⁴ Full legal name of the issuer of the proposed Eligible Securities and the full legal name of any guarantor of the Eligible Securities.

⁵ Formal contact details for the issuer and for officer(s) of the issuer, if different from note 3 above.

10. We represent and warrant to you that the information contained in and attached to this Application is accurate, complete and not misleading (including by omission) in any respect and, in particular, that the Eligible Securities the subject of this Application will, on issue, satisfy the Guaranteed Liabilities Eligibility Criteria.
11. Words and expressions defined in the Rules of the National Loan Guarantee Scheme shall have the same meanings where used in this Application.

Signed by:⁶

Duly authorised

Duly authorised

⁶ The Application must be accompanied by evidence, satisfactory to the DMO, of the authority of the signatories to the Application.

Schedule to Application for Guarantee Certificate – Application Number []

Proposed Guaranteed Liabilities – particulars¹

Description	ISIN	Product type	Public /private issue	Currency	Nominal	Trade date ²	Intended issue date ³	Maturity date	Coupon rate (for fixed rate instruments)	Reference rate (for floating rate instruments)	Spread (for floating rates)	Date and timing of rate fix (for floating rates)	Dates of payments	Business days (for payments)	Paying agent	Trustee

Description	ISIN	Price upon issue ⁴	Yield upon issue ⁵	Yield expressed as mid-swap <u>three month LIBOR</u> ⁶ + spread ⁷	Yield expressed as sovereign yield ⁸ + spread ⁹	<u>CDS Spread</u> ¹⁰	<u>FX Basis Swap Spread</u> ¹¹	<u>3/6 Basis</u> ¹²

¹ In addition to the below, such other information shall be provided as the Guarantor may require, depending on the nature of the proposed Guaranteed Liabilities.

² Trade date is the day, month and year that the issuance of the Eligible Securities is agreed.

³ Intended issue date is the day, month and year that the Eligible Securities are due to be delivered and paid for.

⁴ As calculated under the relevant Bilateral Agreement.

⁵ As calculated under the relevant Bilateral Agreement.

⁶ Mid-swap for fixed rate instruments, three month LIBOR for floating rate instruments.

⁷ As calculated under the relevant Bilateral Agreement.

⁸ GBP issuance: gilt yield. USD issuance: Treasuries yield. EUR issuance: bund yield. YEN issuance: Japanese Government Bond yield. Maturity as determined under the relevant Bilateral Agreement.

⁹ As calculated under the relevant Bilateral Agreement.

¹⁰ As calculated under the relevant Bilateral Agreement.

¹¹ As calculated under the relevant Bilateral Agreement. To include relevant FX bases and FX Adjustments.

¹² As calculated under the relevant Bilateral Agreement.

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ANNEX 6

FORM OF GUARANTEE CERTIFICATE

THE COMMISSIONERS OF HER MAJESTY'S TREASURY

NATIONAL LOAN GUARANTEE SCHEME

GUARANTEE CERTIFICATE

To: [Applicant]

Date: []

**THE COMMISSIONERS OF HER MAJESTY'S TREASURY
NATIONAL LOAN GUARANTEE SCHEME (the "Scheme")
GUARANTEE CERTIFICATE**

Guarantee Certificate no. []

The Commissioners of Her Majesty's Treasury hereby certify that the liabilities in respect of the Eligible Securities, the details of which are specified in the schedule below, are, upon their issue (subject to such issue occurring no later than [30 days after date of NLGS Interim Guarantee Certificate]), Guaranteed Liabilities for the purposes of the Deed of Guarantee dated 20 March 2012 and executed by the Commissioners of Her Majesty's Treasury.

Words and expressions defined in the Rules of the Scheme shall have the same meanings where used in this certificate.

Signed

**The Commissioners of Her Majesty's Treasury
acting through the United Kingdom Debt
Management Office**

Schedule to Guarantee Certificate – Number []

Guaranteed Liabilities

Description	Currency	ISIN	Nominal	Guarantee expiry date

ANNEX 7

NATIONAL LOAN GUARANTEE SCHEME

ELIGIBLE BUSINESS CRITERIA

1. A business (whether a company, partnership or sole trader) or Charity will be classified as an Eligible Business by the Guarantor if, at the time when the application for an Eligible Business Loan is made, it has an annual ~~Group~~group turnover not exceeding £~~50~~250 million (as at the date of the business's last financial accounts or management accounts) and makes a material contribution¹ to economic activity in the United Kingdom (including branches of foreign incorporated parents with genuine businesses in the United Kingdom).

¹ 'Material contribution to economic activity in the United Kingdom' means that a material element of the business's economic activities are in the UK- or a material element of the Charity's economic activities are in the UK.

ANNEX 8

NATIONAL LOAN GUARANTEE SCHEME

ELIGIBLE BUSINESS LOAN CRITERIA

1. A credit facility (including, without limitation, a loan, conditional sale, lease purchase, hire purchase or leasing and rental arrangement) to an Eligible Business by a Participating Group Member will be classified as an Eligible Business Loan by the Guarantor if the credit facility:
 - (a) is entered into with an Eligible Business that would qualify for a credit facility from the Participating Group Member if the credit facility was entered into in the ordinary course of dealings and not in connection with the National Loan Guarantee Scheme;
 - (b) has a minimum term of one year ~~and a maximum term of 10 years~~;
 - (c) is denominated in sterling;
 - (d) is a new credit facility or a refinancing of an existing credit facility involving an increase in the size of the credit facility or a delay in the repayment date; and
 - (e) is to an Eligible Business that is not a business in difficulty,

provided that any such credit facility is not characterised as an overdraft or invoice financing and is not a revolving facility or a credit facility specified in Rule 16.3.

ANNEX 9

FORM OF ALLOCATION CERTIFICATE

THE COMMISSIONERS OF HER MAJESTY'S TREASURY

NATIONAL LOAN GUARANTEE SCHEME

ALLOCATION CERTIFICATE

To: [Applicant]

Allocation Certificate no. []

Date:[]

**THE COMMISSIONERS OF HER MAJESTY'S TREASURY
NATIONAL LOAN GUARANTEE SCHEME (the "Scheme")
ALLOCATION CERTIFICATE**

The Commissioners of Her Majesty's Treasury hereby notify you that you are awarded an Allocation of [] pounds sterling.

The Allocation made under this Allocation Certificate is subject to the conditions set out in the Rules of the Scheme.

This Allocation replaces any previous Allocations, which (save as provided in Rule 8.7 of the Scheme) are hereby terminated.

Words and expressions defined in the Rules of the Scheme shall have the same meanings where used in this certificate.

Signed

**The Commissioners of Her Majesty's Treasury
acting through
the United Kingdom Debt Management Office**

ANNEX 10

FORM OF ALLOCATION TERMINATION NOTICE
THE COMMISSIONERS OF HER MAJESTY'S TREASURY
NATIONAL LOAN GUARANTEE SCHEME
ALLOCATION TERMINATION NOTICE

To: [Applicant]

Allocation Certificate no. []

Date: []

THE ~~COMMISSIONERS~~COMMISSIONERS OF HER MAJESTY'S TREASURY
NATIONAL LOAN GUARANTEE SCHEME (the "Scheme")
ALLOCATION TERMINATION NOTICE

The Commissioners of Her Majesty's Treasury hereby notify you that your existing Allocation, as set out in the Allocation Certificate referred to above, is terminated with effect from the date hereof and no further Guarantee Certificates will be issued in respect of that Allocation, irrespective of whether or not any NLGS Interim Guarantee Certificate remains outstanding.

Words and expressions defined in the Rules of the Scheme shall have the same meanings where used in this notice.

Signed

The Commissioners of Her Majesty's Treasury
acting through
the United Kingdom Debt Management Office

ANNEX 11

FORM OF ELIGIBLE INSTITUTION COUNTER-INDEMNITY

To: The Commissioners of Her Majesty's Treasury

We refer to the Deed of Guarantee dated 20 March 2012 executed on behalf of yourselves in respect of the National Loan Guarantee Scheme (the "**Guarantee**"). Words and expressions defined in the Guarantee have the same meanings where used in this deed, save that references in this deed to "the **Guarantee**" shall be construed as references to the Guarantee insofar (and only insofar) as it applies to the Guaranteed Liabilities issued by us or by other Participating Group Members (as defined in the NLGS Rules) to the intent and effect that this deed shall have no application to the Guarantee insofar as it applies to the Guaranteed Liabilities of other persons.

In consideration of your agreeing at our request to issue one or more Guarantee Certificates, we hereby:

1. agree to keep you indemnified to the extent hereinafter provided from and against all actions, proceedings, liabilities, claims, damages, costs and expenses in relation to or arising out of the Guarantee and this deed, and to pay to you on demand an amount equal to all payments, claims, losses, costs, charges, damages, taxes, duties and expenses suffered or incurred by you in consequence thereof or arising therefrom, whether directly or indirectly; and
2. agree to pay to you upon demand interest on all amounts demanded by you from us under this deed calculated at the aggregate of the Official Bank Rate (for the time being and from time to time) and one per cent. (1%) during the period from (and including) the date of such demand to (but excluding) the date of payment by us to you of all such amounts; and for this purpose "**Official Bank Rate**" means the official Bank Rate as determined by the Monetary Policy Committee of the Bank of England and published by the Bank of England from time to time; and
3. irrevocably authorise and direct you to make any payments forthwith and comply with any demands which may be claimed or made under the Guarantee without any reference to or further authority, confirmation or verification from us, and agree that any payment which you shall make in accordance with the Guarantee shall be binding upon us and shall be accepted by us as conclusive evidence that you were liable to make such payment or comply with such demand notwithstanding any dispute that may exist between us and the Beneficiary as to the validity of any such demand; and
4. without prejudice to any other provision of this deed, agree that any demand made upon you for payment of sums specified in the Guarantee shall, for all purposes relating to this deed, be deemed to be a valid and effective demand, and you shall be entitled to treat it as such notwithstanding any actual lack of authority on the part of the person making the demand if the demand appears on its face to be in order; and
5. without prejudice to any other provision of this deed, agree that, provided that any certificate or document delivered in accordance with the provisions of the Guarantee appears on its face to be in accordance with the terms of the Guarantee, such certificate or document shall for all purposes relating to this deed be deemed to be genuine and in accordance with the terms of the Guarantee; and
6. agree that all sums payable hereunder shall be paid free and clear of and without deduction for or on account of any set-off or counterclaim or any present or future taxes of any nature. Should any such payment be subject to deduction in respect of any such matter, we shall pay to you such additional amount as may be necessary to enable you to receive a net amount equal to the full amount payable hereunder. As used herein, the term "taxes" includes all levies, imposts, duties, charges, fees,

deductions, withholdings, turnover taxes and stamp duties, and any obligations or conditions resulting in a charge; and

7. agree that all payments under this deed shall be made in the currency in which payments made or liabilities incurred by you under the Guarantee are denominated; and
8. agree that our liability hereunder shall also apply to any increase or decrease in the amount of or extension or renewal of the Guarantee from time to time (whether in the same terms or otherwise and whether arising with our agreement or by operation of law or otherwise) to the intent that all agreements, undertakings and authorities herein shall continue to be binding on us in relation to the Guarantee as so increased, decreased, extended or renewed; and
9. agree that, without prejudice to any other rights, powers or remedies (whether provided by contract, law or otherwise) which you may have, you may set off any moneys due and payable (but not paid) by us under this deed against any obligation whatsoever owed by you to us, regardless of the place of payment or currency of either obligation, and, if the obligations are in different currencies, you may convert either obligation at a market rate of exchange selected by you for this purpose; and
10. agree that, if, under any applicable law and whether pursuant to a judgment being made or registered against us or for any other reason, any payment under or in connection with this deed is made or falls to be satisfied by us or on our behalf in a currency (the “**other currency**”) other than that in which the relevant payment is expressed to be due (the “**required currency**”), then to the extent that the payment actually received by you (when converted into the required currency at the market rate of exchange selected by you for this purpose on the date of payment or, if it is not practicable for you to purchase the required currency with the other currency on the date of payment, at the market rate of exchange selected by you for this purpose as soon thereafter as it is practicable for you to do so) falls short of the amount due under the terms of this deed, we shall, as a separate and independent obligation, indemnify and hold you harmless against the amount of such shortfall; and
11. agree to observe, and perform our obligations under, the NLGS Rules in force from time to time, and to comply with any undertaking given by us to the Guarantor in connection with the issue of any Guarantee Certificate.

We hereby warrant and represent that we have power to enter into and have duly authorised the execution and delivery of this deed and that our obligations hereunder constitute our legal, valid, binding and enforceable obligations (subject to the principle that equitable remedies are subject to the discretion of the court).

Our obligations hereunder shall not be in any way discharged or impaired by reason of any time or other indulgence granted to you by any Beneficiary or by any amendment or variation of the Guarantee or any related agreement, and shall exist irrespective of any present or future total or partial invalidity, illegality or unenforceability of the Guarantee.

We shall not, and we shall procure that no guarantor of any Guaranteed Liabilities shall, without your prior written consent, enforce or seek to enforce in competition with you, any right (including, without limitation, any right of contribution, subrogation, indemnity or set-off) from or against any other person to which we or such guarantor may be entitled by reason of the performance of our obligations hereunder or the guarantor’s performance of its obligations or by reason of any amount being payable, or liability arising, hereunder or under such guarantor's obligations, in each case in respect of the Guaranteed Liabilities.

A certificate submitted by you to us as to the amount due from us to you hereunder at the date of such certificate shall be conclusive and binding on us for all purposes.

We understand and agree that our liability hereunder will continue until you have notified us in writing that you have released us from it.

This deed, and any non-contractual obligations or matters arising out of or in connection with it, shall be governed by and construed in accordance with English law and shall be additional to any other indemnity which you now or hereafter may hold. We submit to the jurisdiction of the English courts in connection with any dispute arising in connection with this deed (including any dispute relating to any non-contractual obligations or matters arising out of or in connection with this deed).

[EXECUTED AND DELIVERED as a deed

By

[Eligible Institution/additional counter-indemnitor]

In the presence of:]

[or other appropriate attestation clause]

ANNEX 12

FORM OF FEE LETTER

[On letterhead of the DMO]

**THE COMMISSIONERS OF HER MAJESTY'S TREASURY
NATIONAL LOAN GUARANTEE SCHEME**

To: *[Applicant]*

Date: []

Dear Sirs,

National Loan Guarantee Scheme (the "Scheme")

We refer to the Applicant's Guarantee Certificate number [] under the Scheme in respect of the Eligible Securities referred to in the schedule to this Fee Letter. Words and expressions defined in the Rules of the Scheme have the same meanings where used in this letter.

This is the Fee Letter recording the Fee applicable to the Guarantee Certificate no. [] issued in respect of the relevant Guaranteed Liabilities.

The Fee rate is [].

The Fee payments are to be paid to the account of Her Majesty's Treasury the details of which are:

Sort Code 10-18-00 (BIC BKENGB2L); and

Account Number 20000847.

The amounts and date of the Fee payments are set out in the schedule below.

Kindly confirm your agreement to the foregoing by countersigning and returning to us the enclosed copy of this letter.

Signed

**The Commissioners of Her Majesty's Treasury
acting through the United Kingdom Debt
Management Office**

Fee Schedule in relation to Guarantee Certificate Number []

ISIN: []

Payment date	Payment amount (GBP)

We confirm our agreement to the foregoing.

[Applicant]
Duly authorised

[Applicant]
Duly authorised

ANNEX 13

NATIONAL LOAN GUARANTEE SCHEME

FORM OF OFFERING DOCUMENT DISCLOSURE

The Commissioners of Her Majesty's Treasury (H.M. Treasury) have unconditionally and irrevocably guaranteed the due payment of all sums due and payable by [the issuer] under the [trust deed] [and] [debt instruments].

H.M. Treasury's obligations in that respect are contained in a deed of guarantee dated 20 March 2012, the form of which is available at www.dmo.gov.uk.

H.M. Treasury has neither reviewed this [offering document] nor verified the information contained in it, and H.M. Treasury makes no representation with respect to, and does not accept any responsibility for, the contents of this [offering document] or any other statement made or purported to be made on its behalf in connection with [the issuer], [the guarantor(s)] or the issue and offering of the [notes]. H.M. Treasury accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this [offering document] or any such statement.

And, if relevant:

The net proceeds from the issue of the [notes] will be applied by [the issuer] [or other members of its group] in making credit facilities available to eligible businesses pursuant to the National Loan Guarantee Scheme described in the Market Notice entitled "Outline of the UK Government's National Loan Guarantee Scheme" issued by H.M. Treasury and the United Kingdom Debt Management Office on 20 March 2012.

ANNEX 14

NATIONAL LOAN GUARANTEE SCHEME

RELEVANT TRANSACTION LEGAL OPINIONS

1. Each Relevant Transaction Legal Opinion shall:
 - (a) be authored by an appropriately qualified external law firm advising one or more of the parties to the relevant transaction;
 - (b) in the case of an Issuance Legal Opinion, be dated the relevant Closing Date;
 - (c) not contain any limitation of financial liability on the part of the law firm providing the opinion;
 - (d) confirm that the author of the opinion has examined all the transaction documentation;
 - (e) contain only those assumptions, qualifications and reservations which are customary for transactions in respect of securities of the relevant kind; and
 - (f) include the Guarantor as one of its addressees.

ANNEX 15

FORM OF DEMAND

THE COMMISSIONERS OF HER MAJESTY'S TREASURY

NATIONAL LOAN GUARANTEE SCHEME

NOTICE OF DEMAND

To: The Commissioners of Her Majesty's Treasury
1 Horse Guards Road
London SW1A 2HQ

Attention: Deputy Director; Intervention, Strategy and Markets

cc: The United Kingdom Debt Management Office,
Eastcheap Court, 11 Philpot Lane, London EC3M 8UD

Attention: Head of Finance

Date: []

[Title, ISIN and CUSIP (as applicable) of Guaranteed Liability]

1. We, [], are the [trustee for the holders of][the holder of [amount] of] the above-mentioned Guaranteed Liability.
2. We refer to the Deed of Guarantee applicable to the above-mentioned Guaranteed Liability dated 20 March 2012 and executed by the Commissioners of Her Majesty's Treasury. Words and expressions defined in the Deed of Guarantee have the same meanings where used in this notice.
3. We demand payment, in accordance with the Guarantee and the NLGS Rules, of the sum of [] being due and payable, but unpaid, to us under or in respect of the Guaranteed Liability (the **Claimed Sum**).
4. [The due date for the payment of interest to us under or in respect of the Guaranteed Liability was [] and such payment has not been made to us.]
5. [The redemption date of the Guaranteed Liability was [] and the amount due and payable to us in respect of the Guaranteed Liability on such date has not been made to us.]
6. We certify that we have validly demanded payment of the Claimed Sum from the issuer of the Guaranteed Liability and that the issuer has failed to pay the Claimed Sum to us in accordance with our valid demand.
7. We certify that the matters set out in this notice are all true and accurate and not misleading. This notice shall be deemed to be a demand for the purpose of the Guarantee.

Signed by:

Duly authorised

ANNEX 16

NATIONAL LOAN GUARANTEE SCHEME

FORM OF STATEMENT IN RELATION TO AN ELIGIBLE BUSINESS LOAN

Statement to be included in an offer letter or other document sent to an Eligible Business in respect of a proposed Eligible Business Loan in connection with the National Loan Guarantee Scheme:

1. A [reduction of [] per cent. on the interest rate that you would otherwise pay] on [the proposed credit facility] is being made available for three years under the National Loan Guarantee Scheme.
2. £ [] of reduction is being granted as '*de minimis*' State aid as defined under [EITHER: Commission Regulation (EC) No. 1998/2006 of 15 December 2006 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union¹ /OR: Commission Regulation (EC) No. 1535/2007 of 20 December 2007 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid in the sector of agricultural production²]- ~~Subject to the requirements of paragraphs~~ /OR: Commission Regulation (EC) No. 875/2007 of 24 July 2007 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid in the fisheries and aquaculture sectors and amending Regulation (EC) No. 860/2004³. Subject to the requirements of paragraphs 7 and 8 below, if you accept the offer contained in this letter, you will receive up to £[] in '*de minimis*' aid over three years. [We may extend this reduction at the expiry of the first three years of the credit facility.]
3. [EITHER: European Commission rules prohibit any undertaking from receiving more than €200,000 '*de minimis*' aid over any period of three fiscal years. Any '*de minimis*' aid granted over the €200,000 limit may be subject to repayment with interest/OR for businesses active in the road transport sector: European Commission rules prohibit any undertaking active in the road transport sector from receiving more than €100,000 '*de minimis*' aid over any period of three fiscal years. Any '*de minimis*' aid granted over the €100,000 limit may be subject to repayment with interest/OR for businesses active in the agricultural production sector: European Commission rules prohibit any undertaking active in the agricultural production sector from receiving more than €7,500 '*de minimis*' aid over any period of three fiscal years. ~~Any '*de minimis*' aid granted over the €7,500~~Any '*de minimis*' aid granted over the €7,500 limit may be subject to repayment with interest/OR for businesses active in the fisheries and aquaculture sectors: European Commission rules prohibit any undertaking active in the fisheries and aquaculture sectors from receiving more than €30,000 '*de minimis*' aid over any period of three fiscal years. Any '*de minimis*' aid granted over the €30,000 limit may be subject to repayment with interest].
4. If you [or any other company in your group of companies] have received any '*de minimis*' aid over the last three years (from any source) or any other State aid in respect of the same costs for which you intend to apply this [proposed credit facility] you should inform us immediately with details of the dates and amounts of aid received. Furthermore, information on this aid must be supplied to any other public authority or agency asking for information on '*de minimis*' aid for the next three years.
5. Potentially any assistance you may have received from a public body might be a '*de minimis*' aid. This could be from central, regional, devolved governments or agencies or a local council. You should have received a letter informing you if you were given assistance under the above-mentioned

¹ Official Journal of the European Union citation OJ L/379, 28.12.2006, p.5.

² Official Journal of the European Union citation OJ L/337, 21.12.2007, p35.

³ Official Journal of the European Union citation OJ L/193, 25.7.2007, p6.

de minimis Regulation. If you are not sure whether or not any public assistance you have received is 'de minimis' aid, please contact the body which granted the assistance to clarify this and provide information about all forms of public assistance under €[200,000/100,000/7,500/30,000] you have received in the last three years.

6. For the purposes of the above-mentioned de minimis Regulation, you must retain this letter for three years from the date on this letter and produce it on any request by the UK public authorities or the European Commission. (You may need to keep this letter longer than three years for other purposes.)

[Forms of possible aid (Optional)]

- State grants;
- interest rate relief;
- national insurance contribution relief;
- tax relief;
- tax credits;
- State guarantees or holdings;
- State provision of goods or services on preferential terms;
- direct subsidies;
- tax exemptions;
- preferential interest rates;
- guarantees of loans on especially favourable terms;
- acquisition of land or buildings either gratuitously or on favourable terms;
- provision of goods and services on preferential terms;
- indemnities against operating losses;
- reimbursement of costs in the event of success;
- State guarantees, whether direct or indirect, to credit operations preferential re-discount rates;
- dividend guarantees;
- preferential public ordering;
- reduction of, or exemption from, charges or taxes, including acceleration depreciation and the reduction of social contributions;
- deferred collection of fiscal or social contributions;

- assistance financed by special levies;
- capital transfers;
- certain State holdings in the capital of undertakings].

7. In the event that the amount of any '*de minimis*' aid over the last three years (from any source) or any other State aid in respect of the same expenditure for which you intend to apply this [proposed credit facility] (such amount to be provided pursuant to paragraph 4 above), together with the amount of '*de minimis*' aid that you will receive pursuant to [the proposed credit facility] (as detailed in paragraph 2 above), exceeds the [€200,000/€100,000/€7,500/~~€30,000~~] '*de minimis*' limit above then you must notify us immediately and this offer will no longer apply.

8. In such an event we may make a new offer under which the amount of '*de minimis*' aid you will receive under [the proposed credit facility] will be reduced so that, when combined with the amount of any '*de minimis*' aid over the last three years (from any source) or any other State aid in respect of the same expenditure for which you intend to apply this [proposed credit facility], it will not exceed the [€200,000/€100,000/€7,500/~~€30,000~~] '*de minimis*' limit.

[Form of declaration to be signed by the borrower: After taking account of the reduction in relation to our credit facility specified in paragraph 1 above the amount of '*de minimis*' aid that we [and any other companies in our corporate group] have received over the last three years does not exceed [€200,000/€100,000/€7,500/~~€30,000~~]. We [and the other companies in our corporate group] have received no other State aid in respect of the same expenditure for which we intend to apply this credit facility. In addition, we warrant that we have an annual [~~Group~~group] turnover not exceeding ~~£50250~~ million (as at the date of our last financial accounts or management accounts).]