

## LETTER OF VARIATION

Barclays Bank PLC  
As Agent under the Facility Agreement  
(as defined below)  
One Churchill Place  
London  
E14 5HP

The Directors  
NNT Lift Company (Fundco 1) Limited  
(previously NNT Lift Company (Tranche 1) Limited)  
West Tower  
Baltic Place  
South Shore Road  
Gateshead  
NE8 3AE

NNT Lift Company Limited  
West Tower  
Baltic Place  
South Shore Road  
Gateshead  
NE8 3AE

[DATE] August 2015

Dear Sirs

### LETTER OF VARIATION

We refer to the credit agreement (the **Credit Agreement**) dated 11 May 2004 (as amended, varied or restated from time to time) pursuant to which Barclays Bank PLC has offered NNT Lift Company (Fundco 1) Limited (previously NNT Lift Company (Tranche 1) Limited) (the **Borrower**) a £16,625,000 term facility (the **Facility**) on the terms and conditions set out in the Credit Agreement.

Unless otherwise stated, terms and expressions defined in the Credit Agreement have the same meanings in this Letter of Variation.

1. The terms of the Credit Agreement shall be varied as set out in the Schedule to this Letter of Variation (the **Amendments**).
2. All other terms and conditions of the Facility and the Credit Agreement will remain unchanged.
3. This letter is supplemental to the Credit Agreement and is a Senior Finance Document.
4. Each Obligor makes the Repeating Representations to the Agent on the date of this letter and on the date this letter is accepted by each Obligor, by reference to the facts and circumstances then existing on the basis that each reference to "*Senior Finance Documents*" or "*Transaction Documents*" shall be construed so as to include (a) this letter and (b) the Credit Agreement as amended by this letter.
5. Each Obligor agrees that, following amendment of the Credit Agreement in accordance with this letter, any guarantees and security given by it in connection with the Credit Agreement will continue in full force and effect with respect to the Credit Agreement as so amended.
6. The Agent is entering into this letter on behalf of the Senior Finance Parties and with the consent of the Majority Lenders.
7. By counter-signing this letter the Obligors confirm their agreement to the Amendments.
8. This deed and any non-contractual obligations arising out of or in connection with it are governed by the law of England and Wales.
9. The Amendments will take effect from the date on which this Letter of Variation is accepted in accordance with paragraph 10 below.
10. Acceptance of the Amendments shall be signified by each of you providing the following, in form and substance satisfactory to us, along with the accepted Letter of Variation:
  - a) a certified true copy of a resolution of each of your Board of Directors or members (as the case may be):
    - i) accepting the Amendments; and
    - ii) authorising a specified person, or persons, to sign and return to the Bank the duplicate of this Letter of Variation.

Yours faithfully  
for and on behalf of  
Barclays Bank PLC

.....  
Stephen Beere  
Assistant Vice President

DATE: [DATE]

Asset Management – Project Finance  
Telephone: 0207 116 8335  
E-mail: stephen.beere@barclays.com

Accepted for and behalf of each Obligor on the terms contained in this Letter of Variation.

**NNT Lift Company (Fundco 1) Limited**

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_ Date

*(Each authorised signatory to sign and print name underneath)*

**NNT Lift Company Limited**

\_\_\_\_\_

Director

\_\_\_\_\_

Director

\_\_\_\_\_ Date

*(Each authorised signatory to sign and print name underneath)*

## SCHEDULE

The Credit Agreement shall be amended as follows:

1. Clause 22.2.1(e) shall be deleted in its entirety and replaced with the following:

(e) to the extent that, following payment of the same, the ratio of Senior Debt to the sum of Subordinated Debt and Equity will not be greater than 90.2:9.8 until 31 March 2010, 90:10 from 1 April 2010 until the Amendment Date and 92:8 from the day after the Amendment Date and thereafter, and provided further that, any amount which Fundco would otherwise have been permitted to pay as a Distribution shall be reduced by the amount of any shortfall described in Clause 18.8 (*Preparation of Lifecycle Forecasts*) except to the extent that the Agent determines, in its absolute discretion, that, having regard to the identity and standing of the Estates Management Contractor, or to the extent that it has sub-contracted all or any of its obligations under the Estate Management Contract, such person will, nevertheless, be able to fulfil its obligations under the Estates Management Contract; and"

2. Clause 23.1.22 (**Ratios**) shall be deleted in its entirety and replaced with the following:

"**Ratios:** On the basis of the most recent Project Forecast, either the Debt Service Cover Ratio shall be less than 1.05:1.00, or the Projected Debt Service Cover Ratio shall be less than 1.05:1.00 or the Loan Life Cover Ratio shall be less than 1.10:1.00 or the Loan Life Cover Ratio including Residual Debt shall be less than 1.15:1.00 or the Debt to Subordinated Debt/Equity Ratio shall be more than 90.2:9.8 until 31 March 2010, 90:10 from 1 April 2010 until the Amendment Date and 92:8 from the day after the Amendment Date and thereafter."

3. New clause 19.7 shall be inserted as follows:

**"19.7 Provision of Condition Survey**

Fundco will deliver to the Agent, as soon as possible following production and no later than within 30 days of the date of production, a copy of each condition survey undertaken pursuant to clause 16.3 of the Estate Management Contract."

4. A new definition shall be inserted in the clause 1.1 (**Definitions**), as follows:

"**Amendment Date** means the date on which the letter of variation dated [DATE] 2014 the Agent, Fundco and Liftco, is accepted by Fundco and Liftco."

Meeting of the Board of Directors of **NNT Lift Company (Fundco 1) Limited** (the **Company**) held:

On \_\_\_\_\_

There was produced to the meeting a letter of variation (the **Letter of Variation**) from Barclays Bank PLC as Agent (the **Bank**) to, amongst other, the Company setting out the amendments to a credit agreement dated 11 May 2004 pursuant to which the Bank has offered the Borrower (as defined in the Letter of Variation), the Facility (as defined in the Letter of Variation).

IT WAS RESOLVED

1. That the amendments set out in the Letter of Variation are in the interests of and for the benefit of the Company and are most likely to promote the success of the Company for the benefit of the members as a whole and that such terms and conditions of the Letter of Variation be and are approved and accepted.
2. That \_\_\_\_\_ and \_\_\_\_\_ are authorised to sign the Letter of Variation on behalf of the Company to indicate acceptance of the terms and conditions.
3. That the Bank is authorised to act in all matters concerning the Facility as amended by the Letter of Variation upon instruction from the Company, in its capacity as Borrower of the Facility, signed in accordance with the Bank's mandate for any of the accounts of the Company held with the Bank current from time to time.

Certified to be a true extract from the minutes of a duly convened meeting of the Board of Directors validly held on the date shown above.

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Chairman

Meeting of the Board of Directors of **NNT Lift Company Limited** (the **Company**) held:

On \_\_\_\_\_

There was produced to the meeting a letter of variation (the **Letter of Variation**) from Barclays Bank PLC as Agent (the **Bank**) to, amongst other, the Company setting out the amendments to a credit agreement dated 11 May 2004 pursuant to which the Bank has offered the Borrower (as defined in the Letter of Variation), the Facility (as defined in the Letter of Variation).

IT WAS RESOLVED

4. That the amendments set out in the Letter of Variation are in the interests of and for the benefit of the Company and are most likely to promote the success of the Company for the benefit of the members as a whole and that such terms and conditions of the Letter of Variation be and are approved and accepted.
5. That \_\_\_\_\_ and \_\_\_\_\_ are authorised to sign the Letter of Variation on behalf of the Company to indicate acceptance of the terms and conditions.
6. That the Bank is authorised to act in all matters concerning the Facility as amended by the Letter of Variation upon instruction from the Company, signed in accordance with the Bank's mandate for any of the accounts of the Company held with the Bank current from time to time.

Certified to be a true extract from the minutes of a duly convened meeting of the Board of Directors validly held on the date shown above.

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Chairman

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## **NNT Lift Tranche 1 – Sub debt repayment proposal to Barclays**

### **Background**

Tranche 1 reached Financial Close (FC) in May 2004. Construction completion was achieved in August 2005.

The accounting treatment adopted in Lift projects is different than other PFI projects whereby Fixed Assets are recognised and are depreciated over the term of the project. This has a negative impact on distributable reserves and restricts the company's ability to pay dividends.

There have been significant savings achieved to date therefore a large cash balance has built up since FC. This cash has been generated through a mixture of savings on development costs, operational admin costs and also because inflation has consistently outperformed the 2.5% assumption in the FC model over the last 8 years.

<u>Per March 2015 model</u>	<b>£</b>
Cash balance at 31 March 2015	2,083,973
Less Creditors	(122,624)
Add Debtors	-
	<b>1,961,349</b>
<u>Per Financial Close model</u>	<b>£</b>
Cash balance at 31 March 2015	395,889
Less Creditors	(56,269)
Add Debtors	-
	<b>339,620</b>
Cash upside	<b>1,621,729</b>

### **Distribution of available cash**

Due to insufficient distributable reserves the dividend method of distribution cannot be progressed. Unless an IFRS conversion generated distributable reserves.

The Credit Agreement allows repayment of sub debt under the following two conditions:

1. Written consent from the Lender
2. The Debt/Equity ratio must always be equal to or less than 90:10

Accelerated sub debt repayments are also allowable under the Loan Stock Agreement and Shareholders Agreement.

### **Sub debt repayment**

<b>O/s at 31 March 2015</b>	<b>Sub Debt (£)</b>	<b>Senior Debt (£)</b>	<b>Ratio</b>
Current Forecast	1,872,153	13,415,605	88%
With £400K repayment	1,472,153	13,415,605	90%
With £700K repayment	1,172,153	13,415,605	92%

The highest amount of sub debt which can be paid after March 2015 without breaching the Debt/Equity condition is £400K.

The Debt/Equity ratio required per the Credit Agreement for the other three NNT Lift Tranches (2A, 2B & 2C) is 92:8. These are more recent projects and reflected prevailing market conditions.

If the 92:8 ratio was applied to Tranche 1 then £700K could be paid to the sub debt holders in May 2015.

#### Impact on Ratios and Cash Balances

	Average DSCR	Average LLCR	Minimum DSCR	Minimum LLCR	Average Cash balance from Sep 15 to Sep 30
March 2015 model	1.535	1.822	1.190	1.576	£1.034 Million
March 2015 with £400K	1.524	1.798	1.189	1.549	£0.838 Million
March 2015 with £700K	1.516	1.782	1.181	1.518	£0.703 Million

The lock up ratios per the Credit Agreement are 1.125 for the DSCR and 1.15 for the LLCR. As can be seen from the above table the Average and Minimum ratios post repayment of sub debt are comfortably above these.

Also, the average cash balance held from now until the end of the project is £703K after the proposed £700K sub debt repayment.

#### Proposal

The above analysis and accompanying model demonstrate that following a £700K sub debt repayment the project has high cash reserves and high cover ratios. NNT Lift Company (Fundco1) Ltd therefore requests that Barclays approve:

- (a) A change in the required Debt/Equity ratio from 90:10 to 92:8
- (b) a £700K capital repayment of sub debt