

Appendix

1. *Why have changes been made to the leveraged documentation?*

The LMA has made changes to the leveraged facility documentation following a review of the LMA Leveraged Document and the LMA Intercreditor Agreement to take account of changes in regulation as well as feedback and comment from the market practitioners on the LMA leveraged working party, based on their on-going experience of using the document on transactions. Comprehensive updates have also been made to the Users Guide to the Leveraged Document to provide guidance and commentary on the key changes.

2. *What is meant by the term 'Incremental Facilities'?*

This is a new optional mechanic that allows for the establishment of additional term facilities under the framework of the LMA Leveraged Document. In broad terms, those additional term facilities are subject to the same terms as the initial facilities with certain specific terms (such as margin and repayment profile) agreed at the time of establishment between the parent company and the lenders which agree to provide the incremental facility. Those specific terms may be agreed only within specified parameters, which protect the position of the existing lenders.

3. *How does the optional free transferability language work?*

This allows lenders to make transfers to specified entities on an agreed list without the requirement for parent company consent or consultation. The option envisages that this list is agreed between the parent company and the arranger of the loan prior to signing and that it is provided to the agent as a condition precedent. The agent is required to supply a copy of the list to any party that reasonably requests one.

4. *What benefits will the changes to the leveraged documentation have?*

Firstly, the addition of a new optional mechanic for the establishment of incremental facilities will increase the adaptability of the leveraged document and provide a standardised basis for parties to negotiate the inclusion of additional term facilities under the leveraged document framework.

Secondly, the inclusion of a new undertaking and condition precedent relating to the risk of shares subject to the Transaction Security being restricted pursuant to the UK 'Persons with Significant Control' regime will bring the document in line with current legislation.

Thirdly, amendments to a number of other clauses will provide clarity to parties involved in negotiating leveraged documentation, particularly where these reflect changes in market practice and regulatory issues.

5. *What is the aim of the REF Security Document*

The REF Security Document has been designed for use with, and uses the same basic structure and 'boilerplate' as, the REF Investment Facility Agreement. It seeks to be a starting point for drafting a security agreement by providing a common framework and language, even though it is recognised that the draftsman will need to tailor the security agreement to reflect the particular transaction structure and commercial requirements of the parties involved.

The security structure assumed under the REF Investment Facility Agreement is that security is to be held by a security trustee on behalf of the lenders and any hedge counterparties, and is to be documented in the form of a debenture from each obligor, security over the shares in the Company

and security over any subordinated debt. The REF Security Agreement only documents the debenture to be entered into by each obligor. It does not document the security over the shares in the Company, or the security over any subordinated debt.

6. *What benefits will the REF Security Document bring to the market?*

The REF Security Document will bring increased efficiency of negotiation of documentation through the standardisation of boilerplate terms and provision of a common and recognisable legal framework.

7. *Why do you expect the REF Security Document to be adopted by market participants?*

LMA documentation is widely recognised within the real estate finance market. It is therefore anticipated that the additional REF Security Document will be embraced in the same way as the LMA real estate finance facility agreements and intercreditor agreements.

The REF Security Document was put together and agreed by an experienced working party, consisting of real estate finance representatives from lenders (including in-house lawyers) and major City law firms. This process should mean that the document is widely acceptable as a starting point within these institutions for those deals where security documentation is required.