

[letterhead of the Public Sector Finance Provider¹]

[] 2004

Dear Sirs,

HM Treasury's Credit Guarantee Facility Programme

HM Treasury intends that certain PFI/PPP Projects, to be identified by HM Treasury, should be funded through public sector funding provided by means of a credit guarantee facility programme (the "**CGF Programme**"). Pursuant to the CGF Programme, [*HM Treasury/the relevant sponsoring Government department of the identified PFI/PPP Project*] (the "**Public Sector Finance Provider**") will provide funding to [*the project company vehicle*] (the "**project company**") by means of a loan agreement (the "**Public Sector Loan Facility Agreement**") to be entered into between the project company as borrower and the Public Sector Finance Provider in respect of [*describe project*] (the "**Project**"). The Public Sector Finance Provider will receive the benefit of financial guarantees (each a "**Finance Guarantee**") from [*banks and/or financial institutions and/or insurance/assurance companies acceptable to HM Treasury*] (each a "**Finance Guarantor**") in respect of the project company's [*payment obligations/obligation to make scheduled payments of interest and principal*]² under the Public Sector Loan Facility Agreement.

This letter is addressed to (a) the project company, (b) the [*shareholders/sponsors*] of the project company and (c) each Finance Guarantor, any other provider of senior facilities to the Project and any security trustee holding security for and on behalf of any of the foregoing (together, the "**Senior Finance Parties**") (the parties referred to under paragraphs (a)-(c) above, together the "**project participants**").

In addition to entering into the Public Sector Loan Facility Agreement as lender and receiving the benefit of the Finance Guarantees, the Public Sector Finance Provider intends, in respect of the Project, to enter into (i) an intercreditor agreement (the "**Intercreditor Agreement**") with, inter alia, the project company, its [*shareholders/sponsors*] and the relevant Senior Finance Parties and (ii) a co-financiers' agreement with, inter alia, the Senior Finance Parties (the "**Co-financiers' Agreement**").

In this letter, the Public Sector Loan Facility Agreement, each Finance Guarantee, the Intercreditor Agreement, the Co-financiers' Agreement and any associated documents and agreements to which the Public Sector Finance Provider is a party (in its capacity as provider of finance under the Public Sector Loan Facility Agreement and/or beneficiary under the Finance Guarantees), in each case, relating to the Project are together referred to as the "**Public Sector Finance Documents**".

The Public Sector Finance Provider acknowledges that it may have interests in respect of the Project other than under the Public Sector Finance Documents (i.e. under the concession agreement) and may also have general public sector interests (its "**wider public sector interests**"). The purpose of this letter is to clarify the manner in which the Public Sector Finance

¹ A letter will be issued by the relevant Public Sector Finance Provider in respect of each CGF-funded PFI/PPP Project.

² Include the former wording if a bank or financial institutions is providing the Finance Guarantee; include the latter wording if a monoline insurance/assurance company is providing the Finance Guarantee.

DRAFT

Provider may exercise its rights from time to time under the Public Sector Finance Documents (generally, its “**public sector finance rights**”).

The Public Sector Finance Provider wishes to clarify, for the benefit of project participants, that the exercise by the Public Sector Finance Provider of any public sector finance right (including, in particular, enforcement of any right against the project company under the Public Sector Loan Facility Agreement or enforcement of any right against a Finance Guarantor under the relevant Finance Guarantee) may be taken in priority to any consideration of its wider public sector interests. Furthermore, the Public Sector Finance Provider, in its capacity as lender under the Public Sector Loan Facility Agreement, shall take such steps as it considers necessary to maintain in full force and effect, and exercise and enforce, its public sector finance rights.

This letter does not create binding obligations or confer any rights and must not be relied upon as doing so. In particular, nothing in this letter should be construed as any undertaking as to the way in which the Public Sector Finance Provider would consider any public sector interests or exercise any public sector rights in any particular case.

Each project participant is reminded that it must make its own investigations and appraisal of the Project, the associated project and finance documentation and the operation, financial condition, prospects, status, affairs and creditworthiness of each project participant, sub-contractor or other participant in the Project; the Public Sector Finance Provider makes no representation or warranty, express or implied, in respect of any of the foregoing or otherwise in connection with the Project or any other matter referred to in this letter.

Yours faithfully

on behalf of

*[The Public Sector Finance Provider]*³

³ See footnote 1 above.