

Schedule 18: Financial Distress**1 Background**

This Schedule provides for the assessment of the financial standing of the Contractor, the Guarantor and Key Subcontractors and the establishment of trigger events relating to changes in such financial standing which if breached will have specified consequences.

2 Credit Ratings/Accounting Ratios and Duty to Notify

2.1 The Contractor warrants and represents to the BBC, for the benefit of the BBC, that:

2.1.1 as at the Effective Date the Guarantor's Net Total Interest Cover Ratio is greater than 3.5 and the Guarantor's Total Net Debt to EBITDA ratio is below 4.5;

2.1.2 as at the Effective Date iQor's Net Total Interest Cover Ratio is greater than 3.5 and iQor's Total Net Debt to EBITDA ratio is below 4.5; and

2.1.3 as at the Effective Date CSC's Credit Rating with the Rating Agency is A.

2.2 The Contractor shall procure that the Guarantor and/or Key Subcontractors shall maintain each of their own Credit Ratings and/or accounting ratios (as applicable).

2.3 The Contractor shall promptly notify the BBC in writing if CSC ceases to have its Credit Rating (and in any event within ten (10) Working Days of it becoming aware of CSC ceasing to have such Credit Rating), whereupon the Contractor shall ensure that CSC's auditors calculate the Accounting Ratios to measure CSC's financial standing at the end of each of CSC's (as appropriate) financial years.

2.4 The Contractor shall:

2.4.1 regularly monitor the Guarantor's and the Key Subcontractors' Credit Ratings with the Rating Agency or Accounting Ratios (as applicable); and

2.4.2 promptly notify (or shall procure that its auditors promptly notify) the BBC in writing following the occurrence of a Financial Distress Event, or any occurrence that makes a Financial Distress Event inevitable and immediate (and in any event, ensure that such notification is made within ten (10) Working Days of the date on which the Contractor first becomes aware of the Financial Distress Event or the fact, circumstance or matter which could cause a Financial Distress Event.

3 Level 1 - Consequences of a Financial Distress Event**3.1** If the Financial Distress Event consists of:

- 3.1.1 the Guarantor's or the Key Subcontractor's Accounting Ratios or Credit Ratings (as applicable) dropping below the applicable Level 1 Credit Rating/Accounting Ratio Threshold;
- 3.1.2 the Guarantor or any Key Subcontractors issuing a profits warning to a stock exchange or making any other public announcement about a material deterioration in its financial position or prospects;
- 3.1.3 there being a public investigation into improper financial accounting and reporting, suspected fraud or any other impropriety of the Contractor or the Guarantor or the Key Subcontractors; or
- 3.1.4 the Contractor, the Guarantor or the Key Subcontractors committing a material breach of covenants to its lenders and/or defaulting in their payment terms with lenders,

then, immediately upon notification of the Financial Distress Event (or if the BBC becomes aware of the Financial Distress Event without notification and brings the event to the attention of the Contractor), the Contractor shall have the obligations and the BBC shall have the rights and remedies as set out in paragraphs 3.2 to 3.5.

3.2 The Contractor shall (and where applicable, shall procure that the Guarantor and/or the Key Subcontractors shall) without cost to the BBC:

- 3.2.1 at the request of the BBC, meet with the BBC as soon as reasonably practicable (and in any event within three (3) Working Days of the initial notification (or awareness) of the Financial Distress Event or such other period as the BBC may permit and notify to the Contractor in writing) to review the effect of the Financial Distress Event on the continued performance and delivery of the Services in accordance with this Agreement; and
- 3.2.2 where the BBC reasonably believes (taking into account the discussions and any representations made under paragraph 3.2.1) that the Financial Distress Event could impact on the continued performance and delivery of the Services in accordance with this Agreement, submit to the BBC for its approval, a draft Financial Distress Service Continuity Plan as soon as reasonably practicable (and in any event, within ten (10) Working Days of the initial notification (or awareness) of the Financial Distress Event or such other period as the BBC may permit and notify to the Contractor in writing).

3.3 The BBC shall not withhold its approval of a draft Financial Distress Service Continuity Plan unreasonably. If the BBC does not approve the draft Financial Distress Service Continuity Plan it shall inform the Contractor of its reasons and the Contractor shall take those reasons into account in the preparation of a further draft Financial Distress Service Continuity Plan, which shall be resubmitted to the BBC within five (5) Working Days of the rejection of the first draft.

- 3.4 If the BBC considers that the draft Financial Distress Service Continuity Plan is insufficiently detailed to be properly evaluated, will take too long to complete or will not remedy the relevant Financial Distress Event, then it may either agree a further time period for the development and agreement of the Financial Distress Service Continuity Plan or it may exercise its rights under paragraph 6.1 of this Schedule 18.
- 3.5 Following approval of the Financial Distress Service Continuity Plan by the BBC, the Contractor shall:
- 3.5.1 on a regular basis (which shall not be less than monthly), review the Financial Distress Service Continuity Plan and assess whether it remains adequate and up to date to ensure the continued performance and delivery of the Services in accordance with this Agreement;
 - 3.5.2 where the Financial Distress Service Continuity Plan is not adequate or up to date in accordance with paragraph 3.5.1, submit an updated Financial Distress Service Continuity Plan to the BBC for its approval, and the provisions of paragraphs 3.3 and 3.4 shall apply to the review and approval process for the updated Financial Distress Service Continuity Plan; and
 - 3.5.3 comply with the Financial Distress Service Continuity Plan (including any updated Financial Distress Service Continuity Plan).
- 3.6 Where the Contractor reasonably believes that the relevant Financial Distress Event under paragraph 3.1 (or the circumstance or matter which has caused or otherwise led to it) no longer exists, it shall notify the BBC and the Parties may agree that the Contractor shall be relieved of its obligations under paragraph 3.5.

4 Level 2 - Consequences of a Financial Distress Event

- 4.1 If the Financial Distress Event consists of:
- 4.1.1 the Guarantor's or the Key Subcontractor's Accounting Ratios or Credit Rating (as applicable) dropping below the applicable Level 2 Credit Rating/Accounting Ratio Threshold;
 - 4.1.2 a Key Subcontractor notifying the BBC that the Contractor has not satisfied any material sums properly due under a specified invoice and not subject to a genuine dispute; or
 - 4.1.3 the Contractor failing to notify the BBC of a Financial Distress Event that falls within paragraph 3,

then, subject to paragraph 4.2, immediately upon notification of the Financial Distress Event (or if the BBC becomes aware of the Financial Distress Event without notification and brings the Financial Distress Event to the attention of the Contractor), the provisions of paragraphs 3.2 to 3.6 shall have effect (so that such provisions shall be applicable to a Financial Distress Event under this paragraph 4.1 and shall be interpreted as such), and the Contractor shall have the obligations and the BBC shall have the rights and remedies as set out in paragraphs 4.3 to 4.6.

- 4.2 In the event of a late or non-payment of a Key Subcontractor pursuant to paragraph 4.1.2, the BBC shall not exercise any of its rights or remedies under paragraph 4.3 without first giving the Contractor ten (10) Working Days to:
- 4.2.1 rectify such late or non-payment; or
 - 4.2.2 demonstrate to the BBC's reasonable satisfaction that there is a valid reason for late or non-payment.
- 4.3 The BBC may:
- 4.3.1 require the Contractor to establish a Financial Distress Escrow Account, whereupon the Contractor shall (without cost to the BBC):
 - (a) establish a Financial Distress Escrow Account on such terms as the BBC may reasonably require; and
 - (b) consent to such actions as may be required to give effect to the provisions of this paragraph 4;
 - 4.3.2 pay any undisputed Charges (less any deductions made in accordance with this Agreement) which are due to the Contractor in respect of each month during which Services have been received after notification (or awareness) of the relevant Financial Distress Event into the Financial Distress Escrow Account;
 - 4.3.3 require the Contractor to provide such financial information relating to it or the Guarantor or the Key Subcontractor as the BBC may reasonably require, whereupon the Contractor shall provide (and shall procure the provision of) such financial information; and
 - 4.3.4 require any sums properly due to the Key Subcontractors to be paid (without set-off or deduction) directly from the Financial Distress Escrow Account to the relevant Key Subcontractors in accordance with paragraph 4.4, whereupon the Contractor shall provide its consent to, and carry out such other actions as may be necessary to enable such payments.
- 4.4 Monies paid into the Financial Distress Escrow Account by the BBC shall be held on trust by the approved bank and shall be paid out on the instructions of the BBC in the following order:
- 4.4.1 the payment in full of any Key Subcontractors;
 - 4.4.2 the payment in full of any other Subcontractors;
 - 4.4.3 the payment of any other liabilities of the Contractor that have a direct impact on the performance of this Agreement; and
 - 4.4.4 subject to paragraphs 4.5 and 4.6, repayment of the balance to the Contractor.
- 4.5 The Contractor shall demonstrate its compliance with paragraphs 4.4.1, 4.4.2 and 4.4.3:
- 4.5.1 by the production of valid invoices against which payments from the Financial Distress Escrow Account have been made to the relevant Key Subcontractors; or

- 4.5.2 at the BBC's sole discretion and notified in writing to the Contractor, by the certification by the Contractor Representative that the Key Subcontractors have been paid from the Contractor's general account.
- 4.6 The Parties shall instruct the bank to withhold an amount in the Financial Distress Escrow Account in respect of:
 - 4.6.1 any amount invoiced by a Key Subcontractor under its Key Subcontract that is subject to a dispute between the Key Subcontractor and the Contractor until the resolution of that dispute; and
 - 4.6.2 which the BBC requires further details of the satisfaction of any relevant Key Subcontractor's invoice and/or any other liability.

5 Level 3 - Consequences of a Financial Distress Event

- 5.1 If the Financial Distress Event consists of:
 - 5.1.1 the Guarantor's or the Key Subcontractor's Accounting Ratios or Credit Rating (as applicable) dropping below the applicable Level 3 Credit Rating/Accounting Threshold;
 - 5.1.2 any of the following:
 - (a) commencement of any litigation against the Contractor, the Guarantor or the Key Subcontractor's with respect to financial indebtedness or obligation under a service contract; or
 - (b) non payment by the Contractor, the Guarantor or the Key Subcontractor of any financial indebtedness; or
 - (c) any financial indebtedness of the Contractor, the Guarantor or the Key Subcontractor becoming due as a result of an event of default; or
 - (d) the cancellation or suspension of any financial indebtedness in respect of the Contractor, the Guarantor or the Key Subcontractor,which the BBC reasonably believes could directly and adversely impact on the continued performance and delivery of the Services in accordance with this Agreement; or
 - 5.1.3 the Contractor failing to notify the BBC of a Financial Distress Event that falls within paragraph 4,

then, subject to paragraph 5.4, immediately upon notification of the Financial Distress Event (or if the BBC becomes aware of the Financial Distress Event without notification and brings the event to the attention of the Contractor), the provisions of paragraphs 3.2 to 3.6 and 4.3 to 4.6 shall have effect (so that such provisions shall be applicable to a Financial Distress Event under this paragraph 5.1 and shall be interpreted as such), and the Contractor shall have the obligations and the BBC shall also have the rights and remedies as set out in paragraph 5.2.

5.2 The BBC may:

- 5.2.1 require the Contractor to update the BBC as to the Guarantor's or the Key Subcontractor's financial standing, whereupon the Contractor shall procure such information as the BBC may reasonably require and ensure that its chief financial officer provides an update on a monthly basis; and
- 5.2.2 retain such part of the Charges as the BBC shall determine for up to six (6) consecutive months after notification (or awareness) of the relevant Financial Distress Event, which the Contractor acknowledges shall:
 - (a) be a substantial part of the Charges after allowing for payment and other liabilities to Key Subcontractors; and
 - (b) not constitute a breach of this Agreement under Clause 33.3).

5.3 At the BBC's option, where the Level 3 Financial Distress Event relates to the Guarantor the BBC reasonably believes that Financial Distress Event (or the circumstances or matter which has caused or otherwise led to it) are unlikely to be rectified by the Guarantor within a reasonable period, the Contractor shall, as part of the relevant Financial Distress Service Continuity Plan, use all commercially reasonable efforts to obtain a bank guarantee (or other surety) with an equivalent degree of protection for the BBC as provided for by the Parent Company Guarantee.

5.4 The BBC shall not exercise its right under paragraph 5.2.2 without first:

- 5.4.1 notifying the Contractor in writing of its intention to do so; and
- 5.4.2 where requested by the Contractor within three (3) Working Days of the date of the BBC's notification under paragraph 5.4.1, meeting with and considering any representations made by the Contractor.

6 Termination Rights

6.1 The BBC shall be entitled to terminate this Agreement under Clause 33.1.3 if:

- 6.1.1 the Contractor fails to notify the BBC of a Financial Distress Event under paragraphs 4 and/or 5 in accordance with paragraph 2.4; and/or
- 6.1.2 the Parties fail to agree a Financial Distress Service Continuity Plan (or any updated Financial Distress Service Continuity Plan) in accordance with paragraphs 3.2 to 3.4 and;
- 6.1.3 the Contractor fails to comply with the terms of the Financial Distress Service Continuity Plan (or any updated Financial Distress Service Continuity Plan) in accordance with paragraph 3.5.3 and/or
- 6.1.4 the Contractor fails to establish the Financial Distress Escrow Account and/or otherwise comply in all material respects with its obligations in accordance with paragraph 4 or 5.

7 Primacy of Credit Ratings/Accounting Ratios

7.1 Without prejudice to the Contractor's obligations and the BBC's rights and remedies under paragraphs 3, 4, or 5, if, following the occurrence of a Financial Distress Event pursuant to paragraphs 3.1.2 to 3.1.4, 4.1.2, 4.1.3, 5.1.2 or 5.1.3 the relevant Accounting Ratios or Credit Rating (as applicable) remain, or return to levels, which would not trigger the applicable Level 1 Credit Rating/Accounting Ratio Threshold:

7.1.1 the Contractor shall be relieved automatically of its obligations under paragraphs 3.2 to 3.5 and;

7.1.2 the Contractor may:

(a) request that the BBC pay the Charges direct to the Contractor and give its consent to the closure of the Financial Distress Escrow Account; and

(b) withdraw any sums standing to the credit of the Financial Distress Escrow Account;

7.1.3 the BBC shall not be entitled to require the Contractor to provide financial information in accordance with paragraphs 4.3.3, or 5.2.1;

7.1.4 the BBC shall not be entitled to require the payment of Key Subcontractors in accordance with paragraphs 4.3.4 and 4.4; and/or

7.1.5 the Contractor may request that the BBC pay the Charges direct to the Contractor and release any monies retained under paragraph 5.2.2 to the Contractor.

8 Consequences of an Improvement in Financial Distress

Following the occurrence of a Financial Distress Event pursuant to paragraph 4.1.1 or 4.1.2, then as applicable:

8.1 if the Guarantor's or the Key Subcontractor's (as appropriate) Accounting Ratios or Credit Rating (as applicable) subsequently return to levels which would not trigger the Level 2 Credit Rating/Accounting Ratio Threshold; or

8.2 the relevant Key Subcontractor withdraws its claim that the Contractor has not satisfied any material sums properly due and invoiced, or the Contractor demonstrates to the BBC's reasonable satisfaction that there is a valid reason for non-payment,

then, subject to any subsequent Financial Distress Event, the Contractor may:

8.2.1 request that the BBC pay the Charges direct to the Contractor and give its consent to the closure of the Financial Distress Escrow Account; and

8.2.2 withdraw any sums standing to the credit of the Financial Distress Escrow Account.

8.3 Following the occurrence of a Key Subcontractor Financial Distress Event, where the Contractor reasonably believes that the relevant Key Subcontractor Financial Distress Event (or the circumstance or matter which has caused or otherwise led to it) no longer exists, it shall notify the BBC and the Parties may agree that the Contractor shall be relieved of those of its

obligations under this Schedule 18 which arose as a result of the relevant Key Subcontractor Financial Distress Event.

Appendix 1: Not Used

Appendix 2: Credit Rating/Accounting Ratio Thresholds**Guarantor/Key Subcontractor (as appropriate)****Accounting Ratio Thresholds****Guarantor****Level 1 Accounting Ratio Threshold:**

The Guarantor having an adverse decline in its:

- (a) Net Total Interest Cover Ratio to below three point five (3.5) and more than or equal to three (3), or
- (b) its Total Net Debt to EBITDA Ratio to more than four point five (4.5) but less than or equal to five (5).

Level 2 Accounting Ratio Threshold:

The Guarantor having an adverse decline in its:

- (a) Net Total Interest Cover Ratio to below three (3) and more than or equal to two point five (2.5), or
- (b) its Total Net Debt to EBITDA Ratio to more than five (5) but less than or equal to six (6).

Level 3 Accounting Ratio Threshold:

The Guarantor having an adverse decline in its:

- (a) Net Total Interest Cover Ratio to below two point five (2.5), or
- (b) its Total Net Debt to EBITDA Ratio to more than six (6).

iQor**Level 1 Accounting Ratio Threshold:**

iQor having an adverse decline in its:

- (a) Net Total Interest Cover Ratio to below three point five (3.5) and more than or equal to three (3), or
- (b) its Total Net Debt to EBITDA Ratio to more than four point five (4.5) but less than or equal to five (5).

Level 2 Accounting Ratio Threshold:

iQor having an adverse decline in its:

- (a) Net Total Interest Cover Ratio to below three (3) and more than or equal to two point five (2.5), or
- (b) its Total Net Debt to EBITDA Ratio to more than five (5) but less than or equal to six (6).

Level 3 Accounting Ratio Threshold:

iQor having an adverse decline in its:

- (a) Net Total Interest Cover Ratio to below two point five (2.5), or
- (b) its Total Net Debt to EBITDA Ratio to more than six (6).

Credit Rating Thresholds**CSC****Level 1 Credit Rating Threshold:**

CSC having an adverse decline in its Credit Rating with the Rating Agency to BB or below.

Level 2 Credit Rating Threshold:

CSC having an adverse decline in its Credit Rating with the Rating Agency to B or below.

Level 3 Credit Rating Threshold:

CSC having an adverse decline in its Credit Rating with the Rating Agency to CC or below.

Appendix 3: Rating Agency

Standard and Poor's