

DATED 10 June 1999

THE COUNCIL OF THE CITY OF COVENTRY (1)

THE METROPOLITAN BOROUGH OF SOLIHULL (2)

and

THE COVENTRY AND SOLIHULL WASTE
DISPOSAL COMPANY LIMITED (3)

SUPPLEMENTAL SHAREHOLDERS
AGREEMENT

Wragge & Co

THIS AGREEMENT is dated 10 June 1999 and is made BETWEEN:

- (1) THE COUNCIL OF THE CITY OF COVENTRY of the Council House, Coventry CV1 5RR ("Coventry");
- (2) THE METROPOLITAN BOROUGH OF SOLIHULL of the Council House, Solihull B91 3QS ("Solihull"); and
- (3) THE COVENTRY AND SOLIHULL WASTE DISPOSAL COMPANY LIMITED (registered in England number. 2690488) having its registered office at Bar Road, Coventry, West Midlands CV3 4AN ("the Company");

WHEREAS:

- (1) On 15 March 1994 the parties entered into a Shareholders Agreement in relation to the Company and such agreement was amended by an agreement between the parties hereto dated 31 October 1995 (such amended agreement being referred to in this Agreement as "the Principal Agreement");
- (2) The parties have now agreed to vary further the provisions of the Principal Agreement; and
- (3) Coventry and Solihull have also agreed to provide certain consents and permissions to the Company required pursuant to the terms of the Principal Agreement.

NOW THIS AGREEMENT WITNESSES as follows:

1 Alteration of Rights Attaching to Preference Shares

- 1.1 The parties hereby agree that with effect from 1 April 1999, the cumulative redeemable preference shares of £1 each of the Company (whether designated "A", "B" or otherwise) will cease to carry any dividend rights (but without prejudice to any obligation of the Company arising prior to 1 April 1999 in relation to dividends on such Preference Shares) and the parties hereby further agree that with effect from 1 April 1999, the Principal Agreement shall be read and construed so as to give effect to the agreement stated above.
- 1.2 The parties further agree that with effect from 1 April 1999, any profits of the Company available for distribution by way of dividend shall be distributed by way of dividends on the Ordinary Shares of £1 each in the capital of the Company on an annual basis.
- 1.3 Each of Coventry and Solihull agrees to execute the form of written Special Resolution of the shareholders of the Company in the form set out in schedule 1 to this Agreement for the purpose of amending the Articles of Association of the Company to give effect to the agreement set out in this clause 1.
- 1.4 Each of Coventry and Solihull agrees to execute a form of class consent in the form set out in schedule 1 to this Agreement for the purpose of Article 6 of the Articles of Association of the Company.

1.5 The Principal Agreement shall be deemed to be amended with the consent of the parties with effect from 1 April 1999 so that:

(a) the first sentence of clause 12(2) of the Principal Agreement shall be deleted and replaced with the following sentences:

"Notwithstanding any provision in the Articles of Association to the contrary, Preference Dividends shall be paid annually in arrears in accordance with this Agreement in relation to each financial year of the Company ending on or before 31 March 1999 no later than three weeks following the end of each such financial year. Notwithstanding any provision in the Articles of Association to the contrary, interim dividends shall be paid annually in arrears in accordance with this Agreement no later than three weeks following the end of each financial year."; and

(b) the words "a completed Statement of Distributable Reserves in the form of the pro-forma in Schedule 7 and" shall be deleted from the thirteenth, fourteenth and fifteenth lines of clause 12(2) of the Principal Agreement and the words "the Preference Shares and on" shall be deleted from the sixteenth and seventeenth lines of clause 12(2) of the Principal Agreement; and

(c) the words "a completed Statement of Distributable Profits in the form of the pro-forma in Schedule 7 and" shall be deleted from the seventh, eighth and ninth lines of clause 12(4) of the Principal Agreement and the words "Preference Shares and on the" shall be deleted from the penultimate line of clause 12 (4) of the Principal Agreement.

2 Amendment of Definition

2.1 In clause 1 of the Principal Agreement the definition of "the Proper Officer" shall be deemed to be amended by deleting reference to the Town Clerk and Chief Executive Officer for the time being of Solihull and inserting in its place reference to the Chief Executive for the time being of Solihull and by the addition after the semi-colon in the fourth line of such definition of the words "and in either case shall include any person properly acting for or performing the functions of such officers for the time being;".

3 Consent of Shareholders

3.1 For the purposes of clause 18(2) of the Principal Agreement, each of Coventry and Solihull hereby consents to the execution by the Company in favour of Lloyds Bank plc of the Deed of Assignment of Power Purchase Agreement in the form set out in schedule 2 to this Agreement.

3.2 Each of Coventry and Solihull agrees to execute the form of Written Ordinary Resolution of the Shareholders of the Company in the form set out in schedule 1 of this Agreement for the purpose of approving the arrangements between the Company and Lloyds Bank plc as more particularly set out in such written Ordinary Resolution.

4 Consent of Shareholders Panel

4.1 Each of Coventry and Solihull hereby confirms that the Shareholders Panel (as defined in the Principal Agreement) has consented to the matters set out in this Agreement.

5 General

5.1 This Agreement may be executed in any number of counterparts by the different parties to it on separate counterparts, each of which when executed and delivered shall constitute an original, but all of which shall together constitute one and the same instrument.

5.2 Save to the extent expressly varied by the provisions of this Agreement, the Principal Agreement shall remain in full force and effect and shall not be affected by the execution and delivery of this Agreement.

IN WITNESS whereof the parties have respectively executed this deed the day and year first before written.