

10.11.2015

PRIVATE AND CONFIDENTIAL

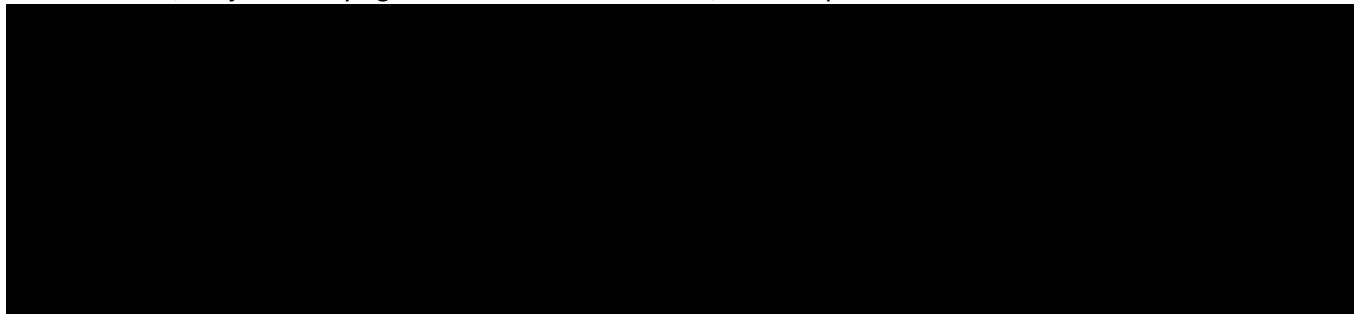
Rhodri Talfan Davies
Director
BBC Cymru Wales
Broadcasting House
Llandaff
Cardiff
CF5 2YQ

**Letter of Intent re BBC's New Broadcasting House, Cardiff
BBC Cymru Wales and S4C Co-Location and Supply of Technology Services Project**

Dear Rhodri

I write for and on behalf of S4C in respect of the proposed BBC and S4C co-location at BBC's new headquarters at Central Square in Cardiff ("WBH") and the proposed arrangements for the supply of playout, transmission and office technology services by BBC to S4C (the "Project").

As you know, the parties have agreed in principle for S4C to take a licence to occupy space (the "S4C Areas") in WBH which, subject to any agreed reduction or variation, will comprise of:



To that end, on or around the date of this letter, BBC and S4C propose to enter into an agreement for licence (the "Agreement for Licence") which will commit both sides to entering into a licence agreement permitting S4C rights to occupy the S4C Areas (the "Licence"). The terms of the Licence will be set out in the Agreement for Licence.

In addition, we have agreed in principle that S4C playout should be undertaken by BBC in Cardiff WBH for the foreseeable future and that BBC will supply and procure the supply of office technology services to S4C. To that end, as we know, both parties are committed to using all reasonable endeavours to enter into an agreement for BBC to provide S4C with playout, transmission and office technology services (the "TSA").

Ideally, the parties would be entering into the TSA at the same time as the Agreement for Licence. However, for reasons that I shall not set out here, it is not practical for us to do so. In the meantime, each of us requires certain binding commitments from the other in relation to that agreement with further provisions being declarations of intent which, although the parties consider them binding in honour, are not legally binding at this stage, as particularised in clause 61) of this letter.

In addition, we feel that there are additional matters (the "Additional Matters") which are important to S4C on which we need binding commitments from BBC in order to give us the comfort we need when entering

into the Agreement for Licence. These are matters which may naturally fit in the TSA or the Overarching Agreement (as described below). However, as those agreements will not be executed for some time and as we require your commitment in relation to them before we enter into the Agreement for Licence, it is appropriate to incorporate those matters in this letter.

Therefore, in consideration of the mutual obligations and benefits set out below, BBC and S4C (each a “party” and collectively, “the parties”) agree as follows:

Contractual Deliverables

The parties intend to enter into:

- (A) the Agreement for Licence, which, as you know will prescribe the terms of the Licence and the parties’ obligation to enter into it;
- (B) the TSA; and
- (C) the Overarching Agreement as described below.

Agreement for Licence

- 1) The parties’ rights and obligations set out in this letter, other than those set out in this clause 1) and clauses 63), and 66), whether legally binding or not, shall only take effect if the Agreement for Licence has been exchanged. If the Agreement for Licence is not exchanged on or before 31 December 2015, either party may terminate this letter by giving to the other not less than 14 days’ notice, provided that the notice strictly complies with the notice requirements set out in Clause 13 of the Collaboration Agreement which is incorporated into the this letter under clause 66) below and that the Agreement for Licence has yet to be exchanged as at the expiry of the 14 days’ notice.
- 2) If the Agreement for Licence has not been exchanged as at 1 April 2016, this letter shall terminate automatically unless the parties agree otherwise in writing before 1 April 2016.



Technology Services Agreement

- 4) As preparation for the TSA, the parties have been working on an outline of the services which BBC will supply to S4C and the essential charging principles.
- 5) Attached at Schedules 1 and 2 respectively are working documents setting out the currently agreed service outline (“Service Outline”) and the currently agreed charging principles (the “Charging Principles”). Except as willingly agreed to by both parties, the parties intend that there shall be no deviation from the principles set out in these documents. It is recognised that the terms proposed are in outline form and that detailed provisions will be set out in the TSA. Accordingly, for this agreement, “Service Outline” and “Charging Principles” shall be taken to refer to the matters agreed as updated by such mutual agreement from time to time, whether as reflected in any update of any document or as

set out in any provisionally agreed parts of any draft of the TSA, (the "Provisionally Agreed Terms"). The parties acknowledge that the TSA will have a minimum term of 7 years.

- 6) Each of the parties undertakes to negotiate in good faith and to use all reasonable endeavours to agree the TSA with a view to executing it on or before 30 June 2016.
- 7) Each of the parties intends to enter into the TSA unless, and despite that party having used all reasonable endeavours to overcome the relevant impediment;
 - a) the parties cannot reach agreement on any material term not being a Provisionally Agreed Term;
 - b) any of its terms are materially less advantageous to that party when compared to any Provisionally Agreed Terms;
 - c) any material provision or detail in the TSA is not a Provisionally Agreed Term or part of a Provisionally Agreed Term, and are objectively unreasonable, or subjectively unacceptable to the relevant party acting reasonably, in each case having regard to all the circumstances including the terms of the Collaboration Agreement or the Operating Agreement; or
 - d) there is another substantial reason recognised by the Collaboration Agreement why the relevant party cannot enter into the TSA.

8)



Overarching Agreement

- 9) Except as the parties mutually agree otherwise, each of the parties shall negotiate in good faith and use all reasonable endeavours to agree an overarching agreement which will define the overall governance of the arrangement and how any combined charging mechanism will work ("Overarching Agreement") with a view to executing it on or before 30 June, 2016.
- 10) The parties intend that the following shall be incorporated into the Overarching Agreement to the extent that they are not incorporated in the Agreement for Licence, Licence and the TSA, or, if the parties agree, in order to consolidate what is in those agreements, namely terms to the effect that:
 - a) there are to be meetings every quarter, or at such lengthier interval agreed to by S4C in its absolute discretion (the "Regular Meetings") relating to the Licence during its term.
 - b) from the date of this letter onwards and also at the Regular Meetings, or in between such meetings where the nature or materiality of the information means that it ought to be provided without waiting for the following Regular Meeting:
 - i) BBC shall keep S4C regularly informed on the progress of the Project and on matters connected with the Project in connection with which S4C has a material interest to include (without limitation) providing information on rate reviews and material matters relating to Service Costs (as defined in the proposed Licence); and

- ii) S4C shall keep BBC informed on matters connected with the Project in connection with which BBC has a material interest to include (without limitation) service changes, funding changes, and reorganisation plans.
- c) in relation to any other information or documentation relating to the Project, whether in relation to preparation for the Project or relating to its implementation, delivery or operation over the life of the Project, the parties agree to maintain a collaborative approach, based on the principles of openness and transparency. Therefore, the general rule is that the parties shall not charge for the provision of key information or documentation to which the other may be entitled (for example, to support any charge); and

[REDACTED]

11) To the extent that obligations to the effect of what is set out in clause 10), have not been incorporated in the Agreement for Licence, or pending the effective date of such terms in the Licence, the TSA, or the Overarching Agreement as the case may be, clauses 10)b), 10)c) and 10)d) shall be effective pursuant to this letter except that, prior to the Licence being entered into, "Regular Meetings" means such routine meetings as are convened between the parties at the relevant time.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

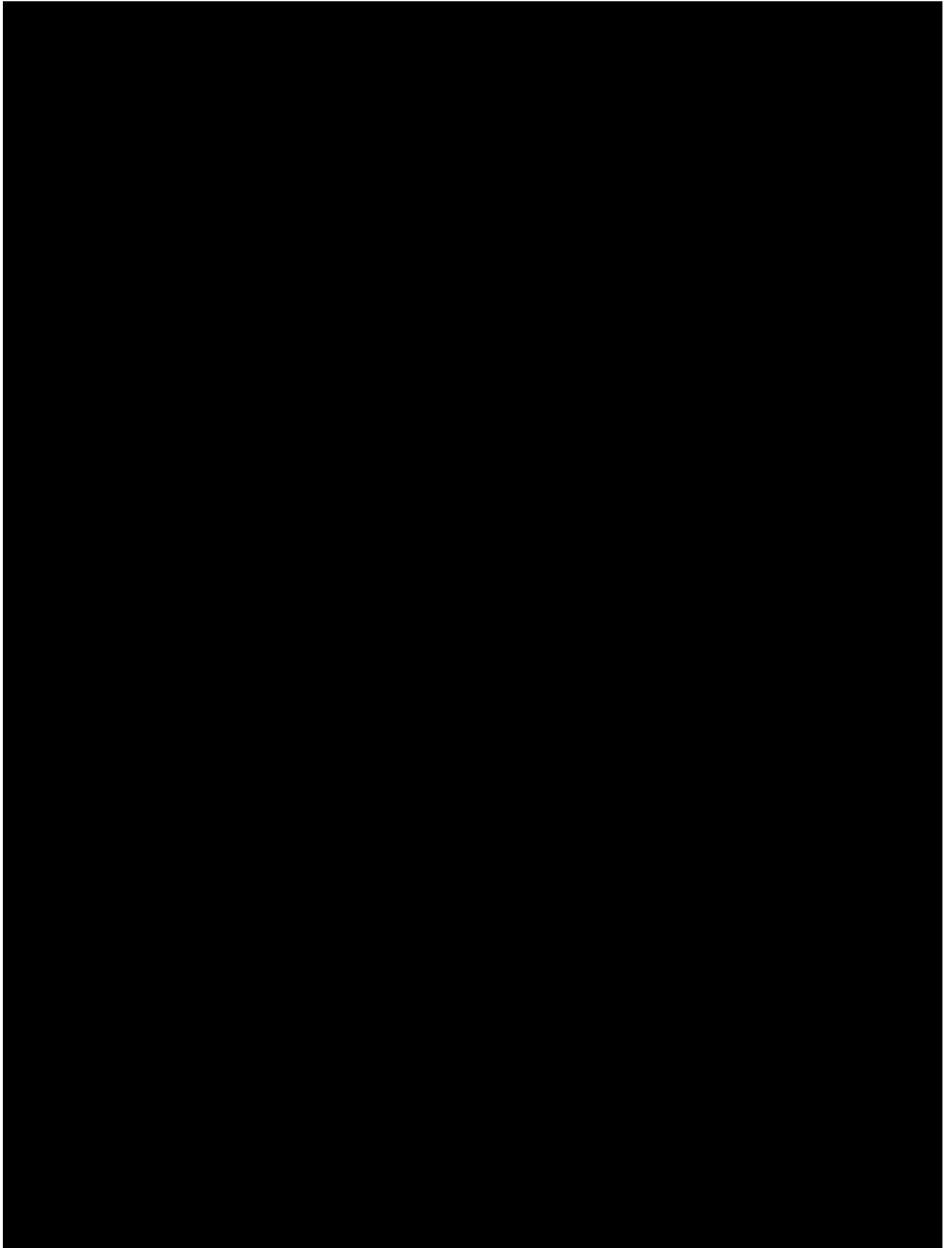
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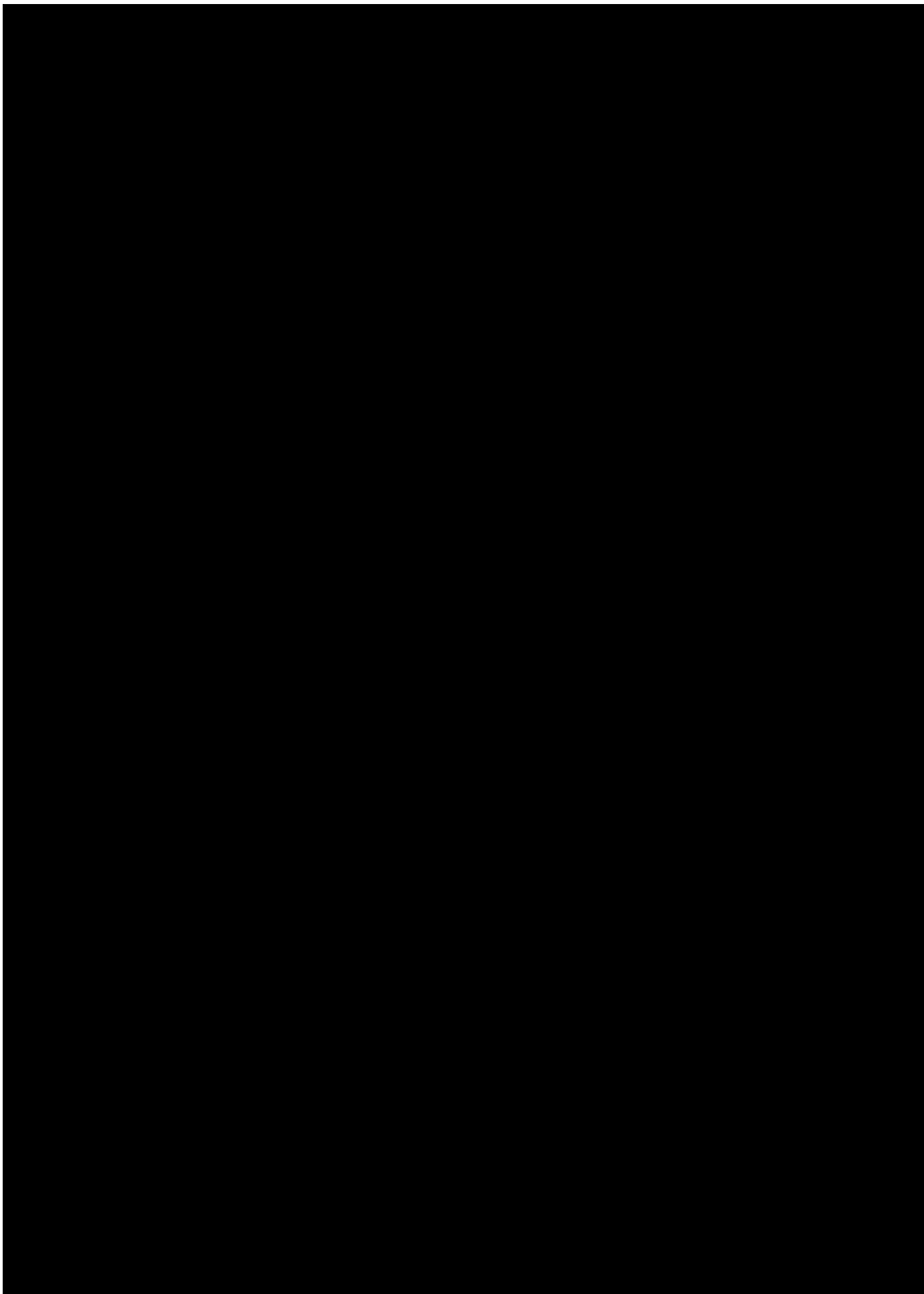
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[REDACTED]

[REDACTED]

[REDACTED]







Interim playout solution

37) The parties shall work together on a feasibility exercise for the extension to S4C of an interim playout solution under which BBC assumes responsibility for S4C's playout and transmission before co-location with a view to enabling S4C to effect an earlier exit from Llanishen. Both parties shall use reasonable endeavours to complete the exercise by no later than close of business on 29 February 2016.

38) The parties have provisionally agreed that, if an interim playout solution would be offered under the TSA:

a) The S4C service requirements would be the same;

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

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[REDACTED]

[REDACTED]

[REDACTED]

49) Where notwithstanding clause 48) any changes to the elements set out in clause 48) are required, the parties shall, subject to the TSA being entered into, work together with a view to preserving or enhancing the anticipated savings.

The Management of WBH and the Technology Services

50) In return for S4C's commitment to contribute to BBC's service costs as set out in the Licence, BBC undertakes that WBH will be managed based on principles of reasonableness, efficiency and value for money. In addition, these principles shall be extended to the management of the Technology Services, provided the TSA is entered into.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Office Technology Support for Carmarthen and Caernarfon in run up to co-location in WBH

55) The current assumption is that the responsibility shall remain with S4C up until co-location and that it shall become the responsibility of BBC post co-location at a date agreed between the parties which shall be inserted in the TSA. Any agreed changes to this position will be set out in the TSA or in a supplemental agreement. BBC will advise S4C and provide input into S4C's procurement of office technology and telephony equipment and systems in order to ensure compatibility with the BBC's equipment and systems and as efficient a transition as possible to the BBC's systems on co-location.

Further Matters

- 56) Before the TSA or the Overarching Agreement is signed, S4C may have reasonable information requirements to enable it to plan ahead and prepare in any material way including financially. Accordingly, the outline provisions in clause 10) intended for incorporation in the Overarching Agreement shall apply to such information unless covered by another agreement between the parties.
- 57) Whilst the details of these matters will be left for the TSA, the parties shall work together to ensure that the TSA shall include provisions ensuring in broad terms:
- a) S4C's independence in choosing its own development projects;
 - b) fair treatment for S4C in the prioritisation of development team work;
 - c) reasonable control for S4C of projects when outsourced ; and
 - d) that S4C may own the rights in any resultant work where reasonably practicable and appropriate, whether as owner or licensee, it being understood that ownership of the intellectual property may not be offered by the relevant party and that the arrangements must not adversely affect delivery of the relevant services.
- 58) The parties have already progressed and documented their mutual understanding on how technology development effort would be resourced, which will be reflected in the TSA.
- 59) The parties will work together to ensure, through the TSA, that:
- a) the office technology and telephony for the S4C Areas are fully installed and operational by the time S4C occupies the S4C Areas; and
 - b) the go-live date for S4C's playout and transmission at WBH occurs within three months after S4C occupies the S4C Areas.

Communications

60) After the signing of this letter, the parties may restate publicly their commitment to the Project via a communication to interested parties in line with the protocol agreed for communications relating to the project.

General

61) The parties intend to be legally bound by clauses 1) to 66) of this letter, except for clauses 6), 7), 9), 10), 42), and 53).

[REDACTED]

[REDACTED]

- 63) This letter constitutes the entire agreement between the parties and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between them, whether written or oral, relating to its subject matter without affecting the liability of either party in respect of any fraudulent misrepresentation
- 64) Capitalised terms used in this letter which are not defined here shall have the same meaning as under the Agreement for Licence or Licence as the case may be.
- 65) By signing below, each party represents and warrants that:
 - c) it has the power and authority to enter into this agreement and to fully perform its obligations as set out in this agreement; and
 - d) if it becomes aware after the date of signature of this agreement that any approval contemplated by clause 4.2 of the Collaboration Agreement dated 29 April 2014 (the "Collaboration Agreement") that will be required to enable it to enter into the Agreement for Licence, the TSA, or the Overarching Agreement will not be forthcoming or is unlikely to be forthcoming, it shall inform the other party promptly by notice complying with clause 13 of the Collaboration Agreement.
- 66) Clauses 5, 8, 13, 15, 16, and 17 of the Collaboration Agreement are incorporated into this letter. In addition, notwithstanding whether they would have otherwise been so deemed, the terms of this agreement shall be deemed confidential for the purposes of the non-disclosure agreements referred to in clause 8 of the Collaboration Agreement.

I trust this letter accurately reflects what has been agreed and understood between us and I would be grateful if you were to sign below for and on behalf of BBC on both copies of this letter and return one to me by way of exchange.

Yours sincerely,

.....
Ian Jones
Chief Executive, S4C

I confirm that the above letter accurately reflects what has been agreed and understood between us.

.....
Rhodri Talfan Davies
Director, BBC Cymru Wales

..... November, 2015

Schedule 1

Technology Services Outline

Schedule 2
Charging Principles