



Local Authority Loan Agreement

TERMS AND CONDITIONS

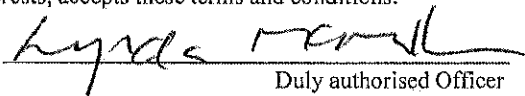
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THIS IS AN IMPORTANT DOCUMENT. YOU SHOULD TAKE INDEPENDENT LEGAL ADVICE BEFORE SIGNING AND SIGN ONLY IF YOU WANT TO BE LEGALLY BOUND. YOU MAY HAVE TO PAY THE BANK FOR BREAKAGE LOSS IF YOU REPAY EARLY – SEE CLAUSE 10.

BUT YOU ARE NOT OBLIGED TO BORROW AND WILL HAVE NO LIABILITY UNLESS THE TERMS OF A LOAN ARE AGREED ON THE TELEPHONE WITH THE BANK.

Kent County Council having decided that the Loan arrangements set out in these terms and conditions are in its best interests, accepts these terms and conditions.

Signed:



Duly authorised Officer

Office held

DIRECTOR OF FINANCE

These terms and conditions govern the arrangements for a loan or a series of loans by The Royal Bank of Scotland plc to the local authority.

1 DEFINITIONS

1.1 Definitions

"Act" means the Local Government Act 2003;

"Agreement" means these terms and conditions;

"Anticipated Interest Rate" means the "anticipated interest rate" applicable to each Loan Amount for the purposes of clause 6.1 as agreed in a Telephone Election;

"Authorised Persons" means the person(s) referred to in clause 4.1 who is/are authorised to act on behalf of the Borrower in connection with this Agreement;

"Bank" means The Royal Bank of Scotland plc and its successors and assigns;

"Bank Office" means the office of the Bank at 9th Floor, 280 Bishopsgate, London, EC2M 4RB or such other office/address as the Bank may notify to the Borrower from time to time;

"Base Accounts" means the audited financial statements of the Borrower for the period ended 31 March 2007;

"Base Rate" means the base rate of the Bank as that rate fluctuates from time to time;

"Borrower" means Kent County Council;

"Breakage Loss" means the amount the Bank reasonably determines in good faith to be its total loss, cost, liability and expense directly or indirectly resulting from or attributable to any failure to draw a Loan on the applicable Drawdown Date or any early repayment or recovery of a Loan in whole or in part (other than as permitted by Clauses 9.1 or 9.2) including:

(i) the loss of the right to receive interest at the applicable interest rate (but excluding the Margin) for the period from the Drawdown Date or the date of actual repayment or recovery (as appropriate) to the next date on which repayment would have been permitted by Clause 9.2, on a Loan or the amount so repaid or recovered (as appropriate) but allowing for the opportunity to relend the relevant amount (excluding the margin on any such relending);

(ii) (without duplication) any loss or expense in connection with the funding of the relevant Loan (or any part of it); and

(iii) (without duplication) any loss, cost, liability and expense incurred as a result of the Bank terminating, liquidating, re-establishing or replacing any agreements or arrangements (whether entered into actually with third parties or established internally as between different divisions of

the Bank) entered into, recorded or booked in order to manage or protect the Bank in respect of the risk of movements in interest rates in relation to the relevant Loan either by itself or as a part of a portfolio of loans or trades;

"Business Day" means a day (other than a Saturday or Sunday) on which banks are open for general business in London;

"Drawdown Date" means the "drawdown date" applicable to each Loan Amount for the purpose of Clause 5.1 as agreed in a Telephone Election;

"Event of Default" means:-

- (a) any of the events described in Clause 13; or
- (b) an event which would be (with the expiry of a grace period, the giving of notice or the making of any determination under this Agreement) an event described in Clause 13;

"Financial Markets" means the Bank's Financial Markets Department at such address as the Bank may notify to the Borrower from time to time;

"Fixed Rate" shall have the meaning ascribed to it in Clause 6.2;

"Initial Fixed Rate" means the "initial fixed rate" applicable to each Loan Amount for the purpose of Clause 6.1 as agreed in a Telephone Election;

"Initial Period" means the "initial period" applicable to each Loan Amount for the purpose of Clause 5.2 as agreed in a Telephone Election;

"Interest Period" means each period for the calculation of interest for the purpose of Clause 7;

"LIBOR" means the rate at which Sterling deposits of comparable amount to a Loan and for the relevant Interest Period are quoted by the Bank to leading banks in the London interbank market at or about 11 a.m. on the first day of such Interest Period;

"LIBOR Related Rate" shall have the meaning ascribed to it in Clause 6.2;

"Loan" means, subject to cancellation, each loan of a Loan Amount agreed between the Bank and the Borrower in a Telephone Election subject to the terms of this Agreement or (as the context may require) the principal amount owing to the Bank under this Agreement at any relevant time;

"Loan Amount" means each "loan amount" as agreed in a Telephone Election being an amount not less than £1,000,000, unless otherwise agreed by the Bank in a Telephone Election;

"Loan Confirmation" means the loan confirmation substantially in the form set out in the Schedule to the Agreement;

"Loan Details" means each Loan Amount and the Term, Drawdown Date, Initial Fixed Rate, Initial Period, Anticipated Interest Rate, and Option Period applicable to each Loan Amount;

"Mandatory Costs" means such costs (in relation to a Loan) as the Bank determines are necessary to compensate the Bank for complying with any reserve asset and/or special deposit or liquidity requirements (or other requirements having the same or similar purpose) of the Bank of England, the Financial Services Authority (or any successor or other similar regulatory authority) including a requirement for the payment of any fees to the Financial Services Authority (whether or not any such requirements have the force of law);

"Margin" means 0.5%;

"Option" means the option available to the Bank on each Option Date to charge a revised rate of interest on a Loan in accordance with the provisions of Clause 6.3;

"Option Date" means (a) the date falling on the expiry of an Initial Period or, if such date is not a Business Day, the immediately preceding Business Day, and thereafter (b) each date falling on the expiry of each Option Period or, if such date is not a Business Day, the immediately preceding Business Day;

"Option Period" means the "option period" applicable to each Loan Amount as agreed in a Telephone Election;

"Telephone Election" means a telephone call between to an Authorised Person and the Bank Office (which telephone call may be recorded by the Bank) in which either (i) the Borrower and the Bank agree the Loan Details or (ii) following the exercise by the Bank of an Option, the Borrower selects a Fixed Rate or a LIBOR Related Rate offered by the Bank;

"Telephone Notice" shall have the meaning ascribed to it in clause 6.2;

"Term" means (i) the "term" applicable to each Loan Amount as agreed in a Telephone Election, or (ii) at any time when a LIBOR Related Rate is payable by the Borrower on a Loan, the period of twelve months from the Option Date applicable to that Loan on which such LIBOR Related Rate took effect.

2 THE LOAN AND CURRENCY

2.1 This Agreement sets out the terms and conditions upon and subject to which the Bank agrees on an uncommitted basis to make available to the Borrower each Loan.

2.2 A Loan shall only be made available to the Borrower in Pounds Sterling.

2.3 (a) If the Borrower wishes the Bank to provide a loan, the Borrower shall inform the Bank Office by telephone. The Bank and the Borrower may then in that or a subsequent telephone call agree the Loan Details and the Borrower shall immediately inform the Bank of its acceptance of the Loan Details which shall constitute a Telephone Election and such acceptance shall be irrevocable. A Telephone Election agreeing the Loan Details by reference to this Agreement is binding whether or not this Agreement is signed by the Borrower. The Bank will record each Telephone Election.

(b) The Telephone Election shall create an agreement in respect of the terms of a Loan on the basis of this Agreement. The Bank will normally send a Loan Confirmation to the Borrower for the Borrower's records. If the Bank fails to send or the Borrower does not receive the Loan Confirmation the enforceability of such terms and this Agreement shall not be affected.

(c) The Borrower shall ensure that telephone calls under Clauses 2.3(a) and 6.2 are made only by Authorised Persons. Provided the Bank reasonably believes it is dealing with an Authorised Person, the Borrower authorises the Bank to act upon what appears to the Bank to be a valid Telephone Election without taking any steps to ensure the authenticity, or the authority of the person making the agreement.

2.4 Where the Loan Details provide for more than one Loan Amount, each will constitute a separate Loan under this Agreement.

3 PURPOSE

3.1 Each Loan may only be utilised by the Borrower for a purpose relevant to its functions under any statute or for the purposes of the prudent management of the Borrower's financial affairs.

3.2 The Bank need not monitor, ascertain or verify whether a Loan is applied for the purpose detailed in Clause 3.1.

4 CONDITIONS PRECEDENT

4.1 The Bank shall be under no obligation to make a Loan available unless the following conditions are satisfied on the date on which the Loan is drawn:-

(a) the Bank has received confirmation that:-

(i) the Borrower has delegated its powers to enter into the arrangements constituted by this Agreement to a specified officer(s);

(ii) the officer(s) specified under Clause 4.1(a)(i) is/are authorised to act on behalf of the Borrower with respect to entering into, extending or furthering the

investments, loans, borrowing commitments or credit arrangements of the Borrower and agreeing any Telephone Election; and

- (iii) no applicable limits (including any limits under or pursuant to Sections 3 and 4 of the Act) and/or regulations, whether financial or otherwise, will be exceeded and/or breached by the Borrower as a result of the Bank providing each Loan;
 - (iv) the Borrower has had explained to it and accepts the provisions of Clause 10 and understands that if it fails to draw a Loan agreed in a Telephone Election or it wishes to repay a Loan early (other than on an Option Date where the Bank is exercising an Option) it will have to pay the amount of Breakage Loss, which could be substantial.
- (b) the Bank has received the duplicate of this Agreement signed on behalf of the Borrower.
 - (c) the Bank has received from the Borrower a copy of the Loan Confirmation, signed to acknowledge receipt
 - (d) no Event of Default has occurred and is continuing or might result from the drawdown of the Loan; and
 - (e) the warranties in Clause 12 are true.

5. DRAWING OF THE LOAN

- 5.1 Each Loan must be drawn down in one amount on the Drawdown Date.
- 5.2 As interest on each Loan will be charged at a fixed rate for not less than the Initial Period in accordance with the provisions of Clause 6.1, formal arrangements are required to be made by the Bank with Financial Markets to establish the fixed rate of interest and to book each Loan. In the event that a Loan is not drawn down on the Drawdown Date, the Borrower shall pay to the Bank the Breakage Loss in accordance with Clause 10.

6. INTEREST

- 6.1 During the Initial Period interest on a Loan shall be charged at the Initial Fixed Rate. Subject to Clause 6.2, on the expiry of the Initial Period, interest on the Loan shall be charged at the Anticipated Interest Rate.
- 6.2 The Bank shall provide the Borrower with 5 Business Days notice by telephone ("Telephone Notice") prior to each Option Date if the Bank elects to revise the rate of interest applicable to a Loan. A Telephone Notice shall provide the Borrower with the following options:
 - (a) the Borrower may elect to pay interest on the Loan from the relevant Option Date at the fixed rate specified by the Bank in the relevant Telephone Notice or, if the Borrower does not immediately accept the rate specified by the Bank in such Telephone Notice, the fixed rate specified by the Bank in any subsequent telephone call between the Borrower and the Bank prior to the relevant Option Date ("Fixed Rate") subject always to this Clause 6.2 and Clause 6.3; or
 - (b) the Borrower may elect to pay interest on the Loan from the relevant Option Date at the rate of the Margin above LIBOR plus Mandatory Costs ("LIBOR Related Rate"), which rate may vary from time to time; or
 - (c) the Borrower may elect to repay the Loan on the Option Date in accordance with the provisions of Clause 9, without being liable for any Breakage Loss, provided that the Bank (at the Bank Office) has received written notification from the Borrower to this effect at least 3 Business Days prior to the Option Date.
- 6.3 (a) If in response to receiving a Telephone Notice the Borrower wishes to select the fixed rate of interest specified by the Bank in such Telephone Notice, the Borrower must immediately accept the rate specified by the Bank in such Telephone Notice which shall constitute a Telephone Election and the Borrower and the Bank shall be bound by such agreement. If the Borrower does not immediately accept such rate, it will be deemed to be withdrawn but

the Borrower may in a subsequent telephone call prior to the relevant Option Date request the Bank to specify a fixed rate and the Borrower may immediately agree such rate in a Telephone Election and the Borrower and the Bank shall be bound by such agreement. If such rate is not immediately agreed, it will be deemed to be withdrawn and the process may be repeated in further telephone calls by the Borrower prior to the relevant Option Date.

- (b) If in response to receiving a Telephone Notice the Borrower does not provide the Bank with (i) agreement as to the option it wishes to accept in a Telephone Election; (ii) a notice pursuant to Clause 6.2(c); or (iii) agree with the Bank a fixed rate in a subsequent telephone call, in each case prior to the relevant Option Date, this Agreement shall continue to have effect and the Borrower shall be treated as having elected that interest on the relevant Loan will be charged at the LIBOR Related Rate with effect from the relevant Option Date.

6.4 The Bank will normally send the Borrower written confirmation of the terms agreed in a Telephone Election for the Borrower's records. If the Bank fails to send or the Borrower does not receive such written confirmation, the Borrower's obligations under this Agreement shall not be affected in any way.

6.5 Interest on each Loan shall be calculated on a daily basis and assuming a year of 365 days and shall be paid on the last day of an Interest Period and if appropriate on final repayment of the Loan. However if the Bank exercises the Option the interest outstanding on the relevant Loan shall be paid on the relevant Option Date. Any interest unpaid when payable shall be compounded.

6.6 The Initial Fixed Rate, Anticipated Interest Rate or any subsequent Fixed Rate may be agreed in a Telephone Election as alternative rates applicable where LIBOR is within or outside a specified range.

6.7 (a) If at any time a LIBOR Related Rate applies and the Bank is unable (whether due to any change in operation or structure of the London interbank market or any other reason) to quote a LIBOR rate, the Borrower shall, in respect of each Interest Period, pay to the Bank interest at a percentage rate equal to the aggregate of:-

- (i) the Margin per annum above the rate representing the cost to the Bank of funding the Loan from whatever source it may reasonably select; and
- (ii) Mandatory Costs

The Bank shall promptly notify the Borrower of any such circumstances and the rate to apply.

(b) The Bank and the Borrower may upon receipt by the Borrower of any notification issued in terms of this Clause, enter into negotiations for a period of not more than 30 days with a view to agreeing an alternative basis for determining the rate of interest and/or funding for the Loan. Any alternative basis agreed shall be effective from the first day following the expiry of the current Interest Period.

(c) If the Bank and the Borrower are unable to agree an alternative basis for determining the rate of interest and/or funding for the Loan, the Bank may either (i) continue to charge interest on the Loan at the rate detailed in Clause 6.6(a) or (ii) by written notice to the Borrower declare the Loan, all interest accrued and all sums payable by the Borrower under this Agreement to be immediately due and payable and/or terminate the obligations of the Bank under this Agreement.

7 INTEREST PERIODS

7.1 The first Interest Period for each Loan shall begin on the Drawdown Date and each subsequent Interest Period shall begin on the expiry of the preceding Interest Period. Subject to Clause 7.2 and so long as an Option is not exercised, each Interest Period shall be for 6 months. Subject to Clause 7.2, if an Option is exercised, the current Interest Period for the relevant Loan will end on the Option Date applicable to that Option. If a Loan is repaid in full the current Interest Period will end on the date of such repayment.

7.2 If an Interest Period should end on a day which is not a Business Day such Interest Period shall be extended to the next Business Day unless the next Business Day is in the following calendar month in which case the Interest Period shall end on the preceding Business Day.

8 INCREASED COSTS

8.1 If by reason of (i) the introduction of or any change in law or its interpretation or administration and/or (ii) compliance with any request or requirement of any central bank or other fiscal, monetary or other authority (including without limitation, a request or requirement which affects the manner in which the Bank allocates capital resources to its obligations hereunder):-

- (a) the Bank incurs a cost as a result of entering into this Agreement, performing its obligations and/or assuming or maintaining its commitment hereunder and/or making a Loan available; or
- (b) the Bank is unable to obtain the rate of return on its overall capital which it would have been able to achieve but for its entering into this Agreement, performing its obligations and/or assuming or maintaining its commitment hereunder and/or making a Loan available; or
- (c) there is any increase in the cost to the Bank of funding or maintaining all or any of the advances comprised in a class of advances formed by or including a Loan; or
- (d) the Bank incurs a cost as a result of its having made a Loan available or the Bank becomes liable to make any payment on account of tax or otherwise (other than a tax imposed on its overall net income) on or calculated by reference to the amount of the Loan and/or any sum received or receivable by it hereunder, or any liability in respect of any such payment is imposed, levied or assessed against the Bank

then the Borrower shall from time to time within three Business Days of a demand by the Bank, pay to the Bank amounts sufficient to indemnify the Bank against, as the case may be, (i) such costs, (ii) such reduction in the rate of return (or such proportion of such reduction as is in the opinion of the Bank attributable to its obligations hereunder), (iii) such increased costs (or such proportion of such increased costs as is in the opinion of the Bank attributable to its funding the relevant Loan), or (iv) such cost or liability (or such proportion thereof as is in the opinion of the Bank attributable to making the Loan available).

8.2 If the Bank makes a claim pursuant to Clause 8.1 it shall promptly after it becomes aware of the circumstances giving rise to such claim deliver to the Borrower a certificate to that effect setting out in reasonable detail the basis of such claim. This certificate shall be conclusive in the absence of manifest error.

9 REPAYMENT

9.1 The Borrower shall repay each Loan in full on expiry of the Term.

9.2 The Borrower may repay a Loan (a) on the last day of any Interest Period (if the repayment is made during a period in which the Borrower is paying interest at a LIBOR Related Rate) or (b) on an Option Date in relation to which the Bank has exercised its Option at such date and subject to notice from the Borrower being received by the Bank at the Bank Office no later than 11 a.m. 3 Business Days before such repayment.

9.3 Each of the following provisions shall apply to this Clause and to this Agreement generally:-

- (a) any notice of repayment and/or cancellation under this Agreement is irrevocable;
- (b) no amount repaid may be redrawn under this Agreement;
- (c) all repayments under this Agreement must be made with accrued interest on the amount repaid;
- (d) no repayment or cancellation is allowed except in accordance with the express terms of this Agreement.

10 BREAKAGE LOSS FROM FAILURE TO DRAWDOWN OR EARLY REPAYMENT

10.1 The Borrower acknowledges that the Bank may enter into, record or book agreements or arrangements on the assumption that its sources of funds will include payments of interest at the Initial Fixed Rate, the Anticipated Interest Rate, any subsequently agreed Fixed Rate during the

Term or the LIBOR Related Rate (as appropriate). Those agreements or arrangements may be made with third parties or may be internal agreements or arrangements made between different divisions of the Bank, in reliance on which the Bank may then enter into other agreements or arrangements with third parties.

Accordingly, the Borrower acknowledges that if the Borrower fails to draw a Loan on the Drawdown Date or makes any early repayment of a Loan (other than as permitted by Clauses 9.1 or 9.2), the Bank may suffer Breakage Loss which the Borrower will be required to pay.

- 10.2 The Borrower acknowledges:
- (a) that prior to signing this Agreement the Bank explained the risks described in Clause 10.1 to the Borrower and supplied examples of the possible calculations that may arise in such event;
 - (b) that such examples were calculated on the basis of assumptions as to movements in interest rates as explained to the Borrower, but that the actual Breakage Loss may be greater, depending on financial market conditions; and
 - (c) that it is possible in some financial market conditions for the amount of the Breakage Loss for a Loan to equal or exceed the Loan Amount.
- 10.3 In the event of a Loan not being drawn on the Drawdown Date or being repaid in whole or in part other than as stated in Clauses 9.1 or 9.2 (either being "early repayment") (including any repayment following the occurrence of an Event of Default) the Borrower shall pay to the Bank within 3 days of demand, a sum of money representing the Breakage Loss in respect of the early repayment.
- 10.4 The Bank and the Borrower agree that the Bank will calculate the Breakage Loss by utilising information consisting of relevant market data in the relevant market which may be obtained from a source within the Bank or any third party including, without limitation, relevant rates, prices, yields, yield curves, volatilities, spreads and correlations and where available the systems and internal models used generally by the Bank for that purpose.
- 10.5 If the Borrower wishes to make an early repayment, it may request a statement from the Bank setting out an estimate (which estimate shall not be binding on the Bank) of the amount of the Breakage Loss in respect of the proposed early repayment and showing in reasonable detail how such amount was calculated. The Bank shall provide such a statement within 3 Business Days of the Borrower's request provided that the Bank shall not be obliged to provide such a statement if the proposed date of early repayment is more than one month after the date of the Borrower's request.
- 10.6 A notice signed by the Bank certifying the amount of Breakage Loss due shall, in the absence of manifest error, be conclusive and binding on the Borrower.

11. PAYMENTS

- 11.1 All payments to be made by the Borrower under this Agreement shall be made to the Bank on the due date.
- 11.2 If any payment should become due on a day, which is not a Business Day, the due date for such payment shall be extended to the next Business Day.
- 11.3 The Borrower shall make such arrangements as the Bank may require in respect of payments required under the Agreement. The Bank may debit interest and any other amounts payable by the Borrower under this Agreement including any unpaid fees and expenses to an account of the Borrower with the Bank whether or not this results in an overdrawn balance. Interest on any overdrawn balances (unless otherwise agreed) shall be charged at a rate of one percent above the Bank's Base Rate.
- 11.4 All payments to be made by the Borrower under this Agreement shall be made without any deduction or withholding (whether in respect of set-off, counterclaim, duties, taxes, charges or otherwise) unless the Borrower is required by law to make any such deduction or withholding in which case the Borrower will pay to the Bank such additional sums to the extent necessary to ensure that the Bank receives on the due date a sum equal to the sum which it would have received had there been no such deduction or withholding.

12. WARRANTIES AND UNDERTAKINGS

12.1 The Borrower warrants and undertakes that:-

Powers and Authority

- (a) it has power to execute, deliver and perform its obligations under this Agreement and all necessary action has been taken to authorise the execution, delivery and performance of this Agreement and no limitation on its powers or the powers of the person(s) executing this Agreement on behalf of the Borrower or agreeing any Telephone Election shall be exceeded as a result of the drawdown of any Loan;

Legal Validity

- (b) this Agreement constitutes legal, valid and binding obligations on it and each Loan will only be used for a purpose authorised by Section 1 of the Act;

Financial Information

- (c) the Borrower shall supply to the Bank:-
 - (i) as soon as they become available but in any event within 270 days after the end of its financial year the audited financial statements of the Borrower for that year;
 - (ii) promptly such further information in the possession of the Borrower regarding the financial condition and operations of the Borrower as the Bank may reasonably request.

Accounts

- (d) the Base Accounts as provided to the Bank have been and all statements and other financial information submitted to the Bank in the future will be prepared in accordance with current law, regulation and practice as applicable to local authorities;

Limits

- (e) no financial limits will be exceeded and/or breached as a result of the Bank providing each Loan set out in this Agreement; and

Notification of Default

- (f) the Borrower shall notify the Bank of any Event of Default immediately upon becoming aware of its occurrence.

Pari passu ranking

- (g) its payment obligations under this Agreement rank at least pari passu with all its other present and future unsecured payment obligations, except for obligations mandatorily preferred by law applying to local authorities generally;

Information

- (h) the information provided by it to the Bank prior to the date of this Agreement was true, complete and accurate in all material respects;

Negative Pledge

- (i) the Borrower shall not create nor permit to subsist any charge, lien or other encumbrance in the nature of a security interest on the whole or any part of its present or future assets except with the prior written consent of the Bank;

Repetition

- 12.2 The representations, warranties and undertakings contained in Clause 12.1 shall survive the signing of this Agreement and shall be deemed repeated on the date on which each Loan is drawn and on each date on which interest is payable.

13. EVENTS OF DEFAULT

13.1 In the event that:-

Non Payment

- (a) the Borrower fails to pay on the due date any amount payable under this Agreement (other than where the Borrower demonstrates to the satisfaction of the Bank that such failure is

due to an administrative or technical payment error, in which case the Borrower shall have 3 Business Days from the due date to make such payment); or

Misrepresentation

- (b) any representation or warranty made or repeated by the Borrower in this Agreement is or proves to have been incorrect in any material respect when made or repeated; or

Breach of Other Obligations

- (c) the Borrower fails to comply with any provision of this Agreement and, where capable of remedy, such failure is not remedied to the reasonable satisfaction of the Bank within 7 Business Days of the Bank giving notice to the Borrower requiring the Borrower to remedy the same; or

Cross Default

- (d) the Borrower defaults in the performance of any other agreement for borrowed monies so as to accelerate or render capable of acceleration the due date of repayment thereunder or such borrowed monies are not repaid in full on the due date or repayment of any such borrowed monies is due on demand and is not paid in full forthwith on such demand being made; or

Insolvency and Analogous Proceedings

- (e) the Borrower is unable to pay its debts as they fall due or the Borrower otherwise becomes insolvent or suspends making payments to all or any class of its creditors or announces an intention to do so; or

- (f) any distress, diligence, execution, attachment or other legal process affects the whole or a material part of the assets of the Borrower and is not discharged within 21 days; or

- (g) a receiver or similar officer is appointed of the whole or any part of the assets of the Borrower or the Borrower requests any person to appoint such a receiver or similar officer or any other steps are taken to enforce any charge or other security over any of the property of the Borrower or any analogous event takes place under another jurisdiction; or

- (h) an application is made in writing to the High Court to appoint a receiver to the Borrower pursuant to Section 13 of the Act.

Material Adverse Change

- (i) any event occurs which in the opinion of the Bank is likely to have a material adverse effect on the ability of the Borrower to comply with its obligations under this Agreement;

then in any such case and at any time while such event is continuing the Bank will not be obliged to make a Loan and/or the Bank may by written notice to the Borrower declare each Loan, all interest accrued and all other sums payable by the Borrower under this Agreement to be immediately due and payable and/or terminate the obligations of the Bank under this Agreement.

14 ILLEGALITY

The Bank will not be obliged to make a Loan and/or the Borrower shall on receiving notice from the Bank repay a Loan either forthwith or on a future specified date together with interest accrued to the date of repayment and all other amounts payable under this Agreement by the Borrower if any change in or the introduction of any law, regulation, treaty, official directive, governing provision or rule of any regulatory authority or organisation having jurisdiction or any change in the interpretation or application thereof should render it unlawful or a breach thereof for the Bank to make available, fund or maintain the Loan or to give effect to its obligations and exercise its rights contemplated by this Agreement.

15 FEES CHARGES AND EXPENSES

15.1 The Borrower shall meet all costs, charges and expenses incurred (including the fees and expenses of any legal advisers whether directly employed by the Bank or who provide other services to the Bank) in connection with:-

- (a) the occurrence of any Event of Default; and

- (b) the enforcement or preservation of the Bank's rights under this Agreement. For the avoidance of doubt, such costs charges and expenses shall include any internal management and administrative costs incurred by the Bank.

15.2 The Borrower shall remain liable for any outstanding charges detailed in Clause 15.1 if this Agreement is cancelled by the Bank.

16. BROKERAGE FEES

16.1 The Bank may pay a fee to one or more brokers in consideration for services provided by such broker to the Bank and the Borrower with respect to the pricing of a Loan. The fee shall be calculated by reference to the "value of a basis point" with respect to the applicable Loan. Further details of the amount of the fee paid to the broker by the Bank will be made available upon request to the Bank by the Borrower. The Bank shall have no responsibility for any advice or recommendations made by the Broker to the Borrower in respect of the Loan.

17. NOTICES

17.1 Every notice or other communication made under this Agreement shall unless otherwise stated be in writing (by way of letter, telex or facsimile transmission) and shall be given:-

- (a) in the case of the Borrower to its principal office; and
- (b) in the case of the Bank to the Bank Office.

17.2 Every notice or other communication shall be deemed to have been received:-

- (a) in the case of a letter when delivered personally or two days after its posting by first class post; and
- (b) in the case of a telex or facsimile transmission when despatched.

18. MISCELLANEOUS

18.1 The Borrower may not assign or transfer any of its rights or obligations under this Agreement.

18.2 The Bank may assign all or any part of its rights or benefits under this Agreement without the consent of the Borrower. The Bank may disclose to a prospective assignee or to any other person who may propose entering into contractual relations with the Bank in relation to this Agreement such information about the Borrower as the Bank shall consider appropriate.

18.3 No delay or omission on the part of the Bank in exercising any of its rights powers or privileges under this Agreement shall operate as a waiver thereof nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

18.4 In addition to any other rights to which it may be entitled, including rights under any security, the Bank may retain, set off or appropriate any credit balances in the name of the Borrower (whether current or not yet due) against the Borrower's obligations to the Bank under this Agreement. The Bank may exercise any of these rights without prior notice both before and after demand and in so doing may convert to Sterling at the prevailing market rate of exchange any balance which is in a currency other than Sterling.

18.5 If at any time any one or more of the provisions of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired.

18.6 This Agreement supersedes all prior agreements, arrangements or correspondence between the Bank and the Borrower in relation to any Loan.

18.7 This Agreement may be executed in any number of counterparts. This has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

19 **LAW**

This Agreement shall be governed by and construed in accordance with English law and the Borrower hereby submits to the exclusive jurisdiction of the English courts.



Schedule

Loan Confirmation

Schedule to the Agreement between The Royal Bank of Scotland plc and Kent County Council

To: Nick Vicars
Finance Department
Kent County Council
Sessions House
County Hall
Maidstone ME14 1XQ

Dear Nick,

Local Authority Loan Telephone Agreement dated 19th March 2008

Expressions defined in the Loan Agreement Terms and Conditions, a copy of which was previously supplied to you, shall have the same meaning in this letter unless otherwise defined.

This letter is a written confirmation of the £10m, 60year LOBO Loan, at 3.95% agreed in the telephone call between Icap and Jon Miles on 19th March 2008.

It was specifically agreed on the telephone that the agreed Loan and Loan Details incorporated the Loan Agreement Terms and Conditions, copies of which are enclosed for execution (whether or not the Loan Agreement Terms and Conditions had been signed and returned to the Bank at the time of the telephone call).

Please note that the Borrower is now committed to draw the Loan. Return of this Loan Confirmation and the signed Loan Agreement Terms and Conditions to the Bank is a pre-condition to drawdown, and failure to do so will be a breach of the Loan Agreement Terms and Conditions as agreed on the telephone, which can give rise to a liability for Breakage Loss under clause 10.

Loan details:

- | | |
|-------------------------------|---|
| 1. Loan Amount | £10m |
| 2. Term: | the period of 60 years commencing on the Drawdown Date. |
| 3. Drawdown Date: | 30 th January 2009 |
| 4. Initial Fixed Rate: | 3.95% |
| 5. Initial Period: | 3 years |
| 6. Anticipated Interest Rate: | 3.95% |
| 7. Option Period: | Every 2 years after Initial Period |

The terms contained in this Loan Confirmation form part of the Loan Agreement.

Your attention is drawn to the provisions of Clause 10 of the Loan Agreement Terms and Conditions which apply if the Borrower fails to draw a Loan on the Drawdown Date or makes any early repayment of a Loan.

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Signed for and on behalf of The Royal Bank of Scotland plc

Signature.....

Date.....29-04-2008

The Loan and Loan Details contained in this Loan Confirmation are agreed

Signed for and on behalf of the Borrower

Position held:.....DIRECTOR OF FINANCE

Signature.....

Date.....12/5/08

24034



Local Authority Loan Agreement

Kent County Council

THIS AGREEMENT is made between:-

(1) Kent County Council; and

(2) The Royal Bank of Scotland plc

It is agreed as follows:-

1 DEFINITIONS

1.1 Definitions

"Backstop Drawdown Date" means the backstop drawdown date specified in Schedule 1;

"Bank" means The Royal Bank of Scotland plc and its successors and assigns;

"Borrower" means Kent County Council;

"Breakage Loss" means the amount the Bank reasonably determines in good faith to be its total loss, cost, liability or expense resulting from or attributable to any early repayment or recovery of a Loan in whole or in part (other than as permitted by Clause 7.1) or the Bank declaring the Loan repayable following an Event of Default and calculated by reference to the loss of the right to receive interest for the balance of the Term and/or any agreements or arrangements (whether entered into actually with third parties or established internally as between different divisions of the Bank) entered into, recorded or booked in order to manage or protect the Bank in respect of the risk of movements in interest rates.

"Business Day" means a day (other than a Saturday or Sunday) on which banks are open for general business in London;

"Event of Default" means the event specified in Clause 11;

"Interest Period" means each period for the calculation of interest for the purpose of Clause 6;

"LIBOR" and "LIBOR Related Rate" have the meaning ascribed to them in Schedule 2

"Loan" means the loan specified in the Schedule 1 or, where applicable, any tranche of it;

"Option Date" means the applicable date specified in the Schedule 1;

"Replacement Rate" means each rate of interest agreed between the Bank and the Borrower to apply with effect from an Option Date in place of any previous rate of interest.

"Term" means the term specified in Schedule 1.

2 THE LOAN

This Agreement records the terms on which the Bank agreed, on the date set out in the Schedule, to make a Loan available to the Borrower.

3 CONDITIONS PRECEDENT

The Loan may not be drawn until the Bank has received the duplicate of this Agreement signed on behalf of the Borrower.

4 DRAWING OF THE LOAN

- 4.1 The Loan must be drawn down in full on or by the Backstop Drawdown Date. The Borrower shall give the Bank 3 Business Days notice if it wishes to drawdown prior to the Backstop Drawdown Date. Prior to the Backstop Drawdown Date the Loan may be drawn in tranches and each tranche must be for an amount of not less than £5,000,000. Tranches, when drawn, will be consolidated

with previous tranches in one Loan account.

- 4.2 As interest on the Loan will be charged during the Term at the rates specified in Schedule 1 or any agreed Replacement Rates, formal arrangements have been made by the Bank with its Global Banking and Markets Department to book the Loan.

Accordingly, if the Borrower does not draw (or if the Borrower gives the Bank notice that it does not intend to draw) the Loan in full on or by the Backstop Drawdown Date, it will be an Event of Default and the Borrower shall pay to the Bank the Breakage Loss in accordance with Clause 8

5 INTEREST

- 5.1 During the First Period specified in Schedule 1 interest on the Loan shall be charged at the rate(s) stated in Schedule 1. For the balance of the Term interest will be charged at the rate(s) stated in Schedule 1 or any agreed Replacement Rates.
- 5.2 The Bank may give the Borrower 2 Business Days notice prior to each Option Date if the Bank elects to change the rate of interest. At any time before 3pm on the relevant Option Date the Bank and the Borrower may agree a Replacement Rate. The Replacement Rate so agreed will be payable by the Borrower from the Option Date. The Bank will notify the Borrower of the Replacement Rate so agreed.
- 5.3 If a Replacement Rate is not agreed the Borrower must repay the Loan with accrued interest on the relevant Option Date but without being liable for any Breakage Loss.
- 5.4 Interest on the Loan shall be calculated on a daily basis and assuming a year of 365 days and shall be paid on the last day of each Interest Period and on final repayment of the Loan. Any interest unpaid when payable shall be compounded.

6 INTEREST PERIODS

The first Interest Period for the Loan shall begin on the Backstop Drawdown Date (or if the Loan or any part is drawn, the date the Loan or the first tranche is drawn) and each subsequent Interest Period shall begin on the expiry of the preceding Interest Period provided that if a tranche is drawn during an Interest Period the first Interest Period in respect of that tranche shall end on the last day of the current Interest Period. Subject to Clause 14.1 each Interest Period shall be for 3 months (or such shorter period to ensure that the expiry of an Interest Period coincides with the Backstop Drawdown Date). If the Loan is repaid in full the current Interest Period will end on the date of such repayment.

7 REPAYMENT

- 7.1 The Borrower shall repay the Loan in full with accrued interest on the expiry of the Term or on any Option Date where the Bank has served notice on the Borrower to change the interest rate and no Replacement Rate has been agreed.
- 7.2 The Borrower shall give the Bank 3 Business Days notice if it wishes to make a repayment at any other time. Any amount repaid may not be redrawn.

8 BREAKAGE LOSS

- 8.1 The Borrower acknowledges that the Bank will enter into, record or book agreements or arrangements on the assumption that its sources of funds will include payments of interest under this Agreement. Those agreements or arrangements may be made with third parties or may be internal agreements or arrangements made between different divisions of the Bank, in reliance on which the Bank may then enter into other agreements or arrangements with third parties.

Accordingly, the Borrower acknowledges that if the Borrower makes any early repayment of the Loan (whether as required by Clause 9.2 or as permitted by Clause 7.2 or otherwise) or the Borrower commits an Event of Default by failing to draw or by giving notice that it does not intend to draw the Loan in full on or by the Backstop Drawdown Date or the Bank declares the Loan repayable following an Event of Default, the Borrower will be required to pay any Breakage Loss

the Bank suffers. Breakage Loss is not payable if repayment is made under Clause 7.1.

8.2 The Borrower acknowledges:

- (a) that, prior to agreeing with the Bank (on the date set out in the Schedule) to draw the Loan, the Bank explained the risks described in Clause 8.1 to the Borrower and supplied examples of the possible calculations that may arise in such event;
- (b) that such examples were calculated on the basis of assumptions as to movements in interest rates as explained to the Borrower, but that the actual Breakage Loss may be greater, depending on financial market conditions; and
- (c) that it is possible in some financial market conditions for the amount of the Breakage Loss to equal or exceed the Loan.

8.3 If the Loan is not drawn in full on or by the Backstop Drawdown Date is repaid in whole or in part (other than as stated in Clause 7.1) (either being "early repayment") (including any repayment following the occurrence of an Event of Default) the Borrower shall pay to the Bank within 7 days of demand, a sum of money representing the Breakage Loss in respect of the failure to draw or the early repayment.

8.4 The Bank and the Borrower agree that the Bank will calculate the Breakage Loss by utilising information consisting of relevant market data in the relevant market which may be obtained from a source within the Bank or any third party including, without limitation, relevant rates, prices, yields, yield curves, volatilities, spreads and correlations and where available the systems and internal models used generally by the Bank for that purpose.

8.5 If the Borrower wishes to make an early repayment, it may request a statement from the Bank setting out an estimate (which estimate shall not be binding on the Bank) of the amount of the Breakage Loss in respect of the proposed early repayment and showing in reasonable detail how such amount was calculated.

8.6 A notice signed by the Bank certifying the amount of Breakage Loss due shall, in the absence of manifest error, be conclusive and binding on the Borrower.

9 PAYMENTS

9.1 All payments to be made by the Borrower under this Agreement shall be made to the Bank on the due date.

9.2 All payments to the Bank must be made without set-off and without any deduction on account of any tax, duty or other charge. If the Borrower is required by law to make any such deduction or withholding the Borrower shall immediately repay the Loan in full with accrued interest. In that event the Bank may suffer Breakage Loss which the Borrower will be required to pay.

10 UNDERTAKINGS

The Borrower undertakes that:-

Financial Information

- (a) it shall place its audited financial statements on its website as soon as they become available but in any event no later than 270 days after the end of the accounting period to which they relate.

Limits

- (b) no financial limits will be exceeded and/or breached as a result of the Bank providing the Loan.

11 EVENT OF DEFAULT

If:-

Failure to drawdown

- (a) the Borrower gives the Bank notice that it does not intend to draw or fails to draw the Loan in full on or by the Backstop Drawdown Date; or

Non Payment

- (b) the Borrower fails to pay any amount payable under this Agreement on the due date (other than where the Borrower demonstrates to the reasonable satisfaction of the Bank that such failure is due to an administrative or technical payment error, in which case the Borrower shall have 3 Business Days from the due date to make such payment); or

Breach of Other Obligations and Cross Default

- (c) there is a default or a failure to pay on demand under any liability of the Borrower to the Bank or any other creditor;

then the Bank may by written notice to the Borrower declare the Loan, all interest accrued and all other sums (including Breakage Loss) payable by the Borrower under this Agreement to be immediately due and payable.

12 BROKERAGE FEES

The Bank may pay a fee to one or more brokers in consideration for services provided by such broker to the Bank and the Borrower with respect to the pricing of a Loan. The fee shall be calculated by reference to the "value of a basis point" with respect to the applicable Loan. Further details of the amount of the fee paid to the broker by the Bank will be made available upon request to the Bank by the Borrower. The Bank shall have no responsibility for any advice or recommendations made by the broker to the Borrower in respect of the Loan.

13 NOTICES

- 13.1 Every notice or other communication made under this Agreement shall be in writing (by way of letter, e-mail or facsimile transmission) and shall be given:-

- (a) in the case of the Borrower to Nick Vickers at Kent County Council, Sessions House, County Hall, Maidstone ME14 1XQ Tel 01622 694603, Fax 01622 696129; and
- (b) in the case of the Bank to its office at 9th Floor, 280 Bishopsgate, London EC2M 4RB or such other office/address as the Bank may notify to the Borrower from time to time

- 13.2 Every notice or other communication shall be deemed to have been received:-

- (a) in the case of a letter when delivered personally or two days after its posting by first class post; and
- (b) in the case of a facsimile transmission when despatched.

14 MISCELLANEOUS

- 14.1 If an Option Date, the last day of an Interest Period or any due date for payment is not a Business Day, it will be extended to the next Business Day unless the next Business Day is in the following calendar month in which case the relevant date will be the immediately preceding Business Day.
- 14.2 The Borrower may not assign or transfer any of its rights or obligations under this Agreement.
- 14.3 The Bank may assign all or any part of its rights or benefits under this Agreement without the consent of the Borrower. The Bank may disclose to a prospective assignee or to any other person who may propose entering into contractual relations with the Bank in relation to this Agreement such information about the Borrower as the Bank shall consider appropriate.

14.4 If the Bank waives any of its rights under this Agreement, it does not mean the Bank will waive that right in future.

14.5 If any of the provisions of this Agreement is determined to be unlawful or unenforceable, the provision will be severed from the remaining provisions which will continue in full effect.

15 **LAW**

This Agreement shall be governed by and construed in accordance with English law and the Borrower hereby submits to the exclusive jurisdiction of the English courts.

Schedule 1

Loan details agreed between the Bank and the Borrower on 16 October 2009 (the "Agreement Date")

1. Loan: £10,000,000
2. Term: the period of years commencing on the Agreement Date and expiring 30 years after the Backstop Drawdown Date.
3. Backstop Drawdown Date: 31 January 2011
4. First Period: From the Agreement Date to 31 January 2016 (being 5 years commencing on the Backstop Drawdown Date)
5. Rate of interest for the First Period: 0.25% above LIBOR plus Mandatory Costs (LIBOR Related Rate) up to and including 31 January 2011 and thereafter 4.20%
6. Rate of interest for each Interest Period for the balance of the Term or until a Replacement Rate is agreed: 4.20%
7. Option Date: The last day of the First Period and the last day of each following 1 year periods.

Your attention is drawn to the provisions of Clause 8 which apply if the Borrower fails to draw or gives notice that it does not intend to draw the Loan by the applicable Backstop Drawdown Date, makes any early repayment of the Loan or the Loan is declared repayable following an Event of Default.

Schedule 2

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This Schedule applies if interest is to be paid at a rate of the Margin above LIBOR plus Mandatory Costs ("LIBOR Related Rate")

1. Definitions

"LIBOR" means the British Bankers Association Interest Settlement Rate for Sterling for the relevant Interest Period at 11.00 a.m. on the first day of the relevant Interest Period.

"Margin" means the margin above LIBOR agreed between the Bank and the Borrower

"Mandatory Costs" means such costs (in relation to the Loan) as the Bank determines are necessary to compensate the Bank for complying with any reserve asset and/or special deposit or liquidity requirements (or other requirements having the same or similar purpose) of the Bank of England, the Financial Services Authority (or any successor or similar regulatory authority) including a requirement for the payment of any fees to the Financial Services Authority (whether or not any such requirements have the force of law)

2. A LIBOR Related Rate will apply from the date the Loan is drawn down until the applicable Backstop Drawdown Date.
3. If at any time a LIBOR Related Rate applies and the Bank is unable (whether due to any change in operation or structure of the London Interbank Market or any other reason), to quote a LIBOR rate or the Bank advises the Borrower that the LIBOR rate is less than the cost to the Bank of funding the Loan, the Borrower shall, in respect of each Interest Period, pay to the Bank interest at a percentage rate equal to the aggregate of :-

- (i) the Margin per annum above the rate representing the cost to the Bank of funding the Loan from whatever source it may reasonably select; and
- (ii) Mandatory Costs

The Bank shall promptly notify the Borrower of any such amendments and the rate to apply

Your attention is drawn to the provisions of Clause 8 which apply if the Borrower fails to draw or gives notice that it does not intend to draw the Loan in full on or by the Backstop Drawdown Date or makes any early repayment of the Loan.

Signed for and on behalf of The Royal Bank of Scotland plc

Signature.....

Date.....

Kent County Council having decided that the Loan arrangements set out in this Agreement are in its best interests, accepts this Agreement.

Signed: Lynda McMull
Duly authorised Officer

Office held Director of Finance

Date.....16/12/09.....