



Local Authority Loan Agreement

City of York Council

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THIS AGREEMENT is made between:-

(1) City of York Council; and

(2) The Royal Bank of Scotland plc

It is agreed as follows:-

1 DEFINITIONS

1.1 Definitions

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

"Borrower" means City of York 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 failure to draw a Loan on the Drawdown Date or any early repayment or recovery of a Loan in whole or in part (other than as permitted by Clause 7.1) 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;

"Drawdown Date" means the drawdown date(s) specified in the Schedule;

"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;

"Loan" means the loan specified in the Schedule;

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

"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 the Schedule.

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 one amount on the Drawdown Date.

4.2 As interest on the Loan will be charged during the Term at the rates specified in the Schedule or any agreed Replacement Rates, formal arrangements have been made by the Bank with its Global Banking and Markets Department to book the Loan. If the Loan is not drawn on the Drawdown Date, 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 the Schedule interest on the Loan shall be charged at the rate(s) stated in the Schedule. For the balance of the Term interest will be charged at the rate(s) stated in the Schedule or any agreed Replacement Rates.
- 5.2 The Bank may give the Borrower 5 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 Drawdown Date and each subsequent Interest Period shall begin on the expiry of the preceding Interest Period. Subject to Clause 14.1 each Interest Period shall be for 3 months. 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.

8 BREAKAGE LOSS FROM FAILURE TO DRAWDOWN OR EARLY REPAYMENT

- 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 fails to draw the Loan on the Drawdown Date or makes any early repayment of the Loan (whether as required by Clause 9.2 or as permitted by Clause 7.2 or otherwise), the Bank may suffer Breakage Loss which the Borrower will be required to pay. 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 on the Drawdown Date or 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 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:-

Non Payment

- (a) 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

- (b) 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 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 Annabel Pearson at City of York Council, City Finance Centre, PO Box 31, Library Square, York, YO1 7DU, Tel 01904 551169, Fax 01904 551190; 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

Loan details agreed between the Bank and the Borrower on 5 May 2010

- 1. Loan:** £ 5,000,000
- 2. Term:** the period of 50 years commencing on the Drawdown Date.

3. Drawdown Date: 12 May 2010
4. First Period: 5 years commencing on the Drawdown Date
5. Rate of interest for 5 years commencing on the Drawdown Date: 3.60%
6. Rate of interest for each Interest Period for the remainder of the Term or until a Replacement Rate is agreed 3.60%
7. Option Date: The last day of the First Period and the last day of each following 5 year periods.

Your attention is drawn to the provisions of Clause 8 which apply if the Borrower fails to draw the Loan or any tranche on the applicable Drawdown Date or makes any early repayment of the Loan.

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

Signature.....

Date.....

City of York Council having decided that the Loan arrangements set out in this Agreement are in its best interests, accepts this Agreement.

Signed:

Office held

Date..... 10/5/10