

Form of Loan Instrument

LOCAL AUTHORITY LOAN INSTRUMENT CERTIFICATE NUMBER 002

Darlington Borough Council ("the Council") acknowledges receipt of the loan on the terms specified in the Schedule below and subject to the Conditions endorsed in this certificate.

THE SCHEDULE

REGISTERED HOLDER: BARCLAYS BANK PLC

AMOUNT OF PRINCIPAL: £4,400,000
(Four Million Four Hundred Thousand Pounds)

DATE ACCEPTED: 1st August 2002

DATE OF DRAWDOWN: 7th August 2002

INTEREST:

- a) Interest on the Principal shall accrue at :-
3.25% per annum during the period from
7th August 2002 to but excluding 8th August 2005
and thereafter at 4.99% per annum;
- or,
- b) (if the Bank notifies the Council not less than two
Business Days prior to any Lender's Option Date) at
the rate so notified with effect from such Lender's
Option Date.

Interest being payable in arrears on 7th February
and 7th August in each year. In the event that any
date on which interest is due to be paid hereunder
is not a Business Day, then such interest shall be
paid on the next Business Day unless that Business
Day is in the following month in which case such
interest shall be paid on the Business Day
immediately preceding such interest payment date.

DATE OF REPAYMENT
OF PRINCIPAL: 7th August 2041

AMOUNT OF REPAYMENT
OF PRINCIPAL: £4,400,000
(Four Million Four Hundred Thousand Pounds)

CONDITIONS:

1. The amount of this Loan Instrument is acknowledged to be a debt payable to the Registered Holder by the Council.
2. Interest is payable from the date of drawdown on the face of this Loan Instrument, shall accrue from day to day and shall be calculated on the basis of a year of 365 days (or on such other day count basis as the Bank considers is consistent with the then applicable market practice) and the actual number of days elapsed. Interest shall be remitted in cleared funds on the dates specified in the above Schedule to the Registered Holder's nominated bank account.
3. Payment default of any part of any sum due under this Loan Instrument shall entitle the Registered Holder to call for immediate repayment of the Principal together with all interest then accrued and together with any broken funding and associated financing costs thereby incurred arising from the early termination of the funding and associated financing arrangements for this loan including, for the avoidance of doubt, any costs and expenses incurred in connection with any associated swap arrangements.
4. All payments required to be made by the Council hereunder shall be calculated without reference to any set-off or counterclaim and shall be made free and clear of and without any deduction for or on account of any set-off or counterclaim.
5. The debt acknowledged by this Loan Instrument is fully transferable by the Registered Holder by an instrument in writing in accordance with the Stock Transfer Act 1963 delivered to the Council who shall acknowledge and register any such transfer. Further, the Council will give effect to and conform to any registration requirements imposed by virtue of statute, practice or otherwise and will provide the Registered Holder with any relevant documentation within the time period imposed by the statute, practice or otherwise.
6. This Loan Instrument is redeemable by remittance of cleared funds to the Registered Holder's nominated bank account on the date for repayment of Principal specified in the above Schedule or on the date for prepayment in accordance with condition 7 below.
7. If the Registered Holder notifies the Council by not less than two Business Days prior notice that an increase in the rate of interest will occur on a Lender's Option Date, then the Council may, if it has given the Registered Holder prior written notice to that effect by no later than 5.00pm on the Business Day preceding such proposed increase, prepay without penalty the Principal on the date of such proposed increase, together with accrued interest thereon to the day of prepayment provided that the Council shall have no such right of prepayment in respect of an increase in the rate of interest from 3.25% per annum to 4.99% per annum occurring on 8th August 2005 as specified in the above Schedule.

The Council may also, if it has given to the Registered Holder prior written notice to that effect by no later than 5.00pm on the Business Day preceding the proposed day of prepayment, prepay the principal on any other interest payment date after 8th August 2005, together with accrued interest and any broken funding and associated financing costs incurred by the Registered Holder (if any) arising from the early termination of the funding and associated financing arrangements for this loan including, for the avoidance of doubt, any costs and expenses incurred in connection with any associated swap arrangements. The Council shall not be entitled to prepay the Principal except at the times and in the manner expressly provided in this Loan Instrument.

8. If the UK moves to the third stage of Economic Monetary Union, the Registered Holder shall be entitled to make such changes to this Loan Instrument as it reasonably considers are necessary to reflect the changeover to the Euro.

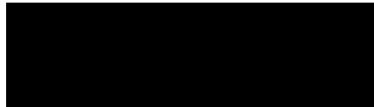
9. In this Loan Instrument, the following terms shall have the following meanings:-

"Business Day" means a day (excluding Saturdays) on which the Bank is ordinarily open to effect transactions of the kind contemplated in this Loan Instrument.

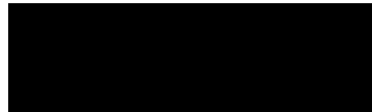
Lender's Option Date means 8th August 2005 and each period of six months thereafter.

Executed on behalf of Darlington Borough Council on the 2nd day of August, 2002.

By:



Authorised Signatory



Authorised Signatory

BRIAN BOGGON

Name and Title of
Authorised Signatory

HEAD OF FINANCIAL
SERVICES

PETER KEARLEY

Name and Title of
Authorised Signatory

BOROUGH SOLICITOR