

LBC Copy.

Local Authority Loan Agreement

TERMS AND CONDITIONS

76823v1/CCD/MP

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.

London Borough of Croydon 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 + RESOURCES

These terms and conditions govern the arrangements for a Loan by The Royal Bank of Scotland plc to the local authority described in the accompanying letter.

1 DEFINITIONS

1.1 Definitions

"Act" means the Local Government Act 2003;

"Agreement" means the letter from the Bank addressed to the Borrower offering the Loan and these terms and conditions;

"Anticipated Interest Rate" means the "anticipated interest rate" as agreed for the purposes of clause 6.1 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 2006;

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

"Borrower" means London Borough of Croydon;

"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 the Loan on the Drawdown Date or any early repayment or recovery of the 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 the 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 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 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" for the purpose of Clause 5.1 as agreed by the Borrower and the Bank 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" for the purpose of Clause 6.1 as agreed in a Telephone Election;

"Initial Period" means the "initial period" as agreed for the purpose of Clause 5.2 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 the 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, the facility of up to the Loan Amount made available by the Bank to the Borrower 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 the "loan amount" as agreed in a Telephone Election being an amount not less than £5,000,000 and not more than £20,000,000 unless otherwise agreed by the Bank in a Telephone Election **provided always that** the aggregate amount drawn under this Agreement and the similar agreements between the Bank and the Borrower issued by the Bank in or around June 2005, December 2005 and August 2006 shall not exceed £80,000,000;

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

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

"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 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 the margin payable as part of a LIBOR Related Rate as agreed in a Telephone Election;

"Option" means the option available to the Bank on each Option Date to charge a revised rate of interest on the Loan in accordance with the provisions of Clause 6.2;

"Option Date" means (a) the date falling on the expiry of the 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" as agreed in a Telephone Election;

"Payment Date" means the 31st day of March, the 30th day of June, the 30th day of September and the 31st day of December in each year;

"Qualifying Bank" means an authorised institution under the Financial Services and Markets Act 2000 which is recognised by the Inland Revenue as carrying on through a lending office in the United Kingdom bona fide banking business for the purposes of section 879 of the Income Tax Act 2007 and which is within the charge to United Kingdom Corporation Tax in respect of any interest payable or paid to it under this Agreement;

"Sterling" and the figure "£" shall mean the lawful currency of the United Kingdom;

"Taxes" means all present and future income and other taxes, levies, imposts, deductions, charges, fees, compulsory loans or withholdings of whatsoever nature together with interest thereon and penalties in respect thereof if any and "Taxation" shall be construed accordingly;

"Telephone Election" means a telephone call by or to an Authorised Person to or by 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" as agreed in a Telephone Election, or (ii) at any time when a LIBOR Related Rate is payable by the Borrower, the period of twelve months from the Option Date 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 the Loan for the Term.

2.2 The Loan shall only be made available to the Borrower in Sterling. However, if two or more currencies are recognised by the Bank of England at the same time as the lawful currency of the United Kingdom, then provided that the Bank has obtained written confirmation from the Borrower confirming that Section 2 of the Act permits the Borrower to borrow in a currency other than Sterling (without requiring the consent of any person) and subject always to the Bank's absolute discretion:-

(a) any reference in this Agreement to, and any obligations arising under this Agreement in, the currency of the United Kingdom will be translated into, or paid in, the currency or currency unit of the United Kingdom designated by the Bank (as determined by the Bank acting reasonably and having regard to the prevailing market practice); and

(b) any translation from one currency or currency unit to another will be at the official rate of exchange recognised by the Bank of England for the conversion of that currency or currency unit into the other.

2.3 If a change in any currency of the United Kingdom occurs, this Agreement will be amended to the extent the Bank (in its absolute discretion) specifies to be necessary to reflect the change in currency and to put the parties in the same position, so far as possible, that they would have been in had no change in currency occurred.

2.4 (a) If the Borrower wishes the Bank to provide a loan in reliance on this Agreement, 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.

(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.

3 PURPOSE

- 3.1 The 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 is not and will not be bound to monitor, ascertain or verify whether the utilisation of the 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 the Loan available until it has received the following and is satisfied with the same:-

- (a) confirmation that:-

- (i) it has delegated its powers to enter into the arrangements constituted by this Agreement to a specified officer(s) of the Borrower being either the Treasury Manager and/or Head of Pensions and Treasury and/or the Assistant Director of Financial Services and/or the Director of Finance and Resources and/or any other 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;
- (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 the Loan on the terms of this Agreement; and
- (iv) the Borrower has had explained to it and accepts the provisions of Clause 10 and understands that if it fails to draw the Loan on the Drawdown Date agreed for the Loan in a Telephone Election or it wishes to repay the 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 duplicate of this Agreement signed on behalf of the Borrower.

- 4.2 The Bank shall not be obliged to make the Loan available unless the following conditions are satisfied on the date on which the Loan is drawn:-

- (a) no Event of Default has occurred and is continuing or might result from the drawdown of the Loan; and
- (b) the warranties in Clause 12 are true.

5 DRAWING OF THE LOAN

- 5.1 The Loan must be drawn down in one amount on the Drawdown Date.
- 5.2 As interest on the Loan shall 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 the Loan. In the event that the Loan is not drawn down and/or repaid as agreed, the Borrower shall pay to the Bank within 3 Business Days of demand the Breakage Loss in accordance with Clause 10.

6 INTEREST

- 6.1 During the Initial Period interest on the 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 14 Business Days notice by telephone ("**Telephone Notice**") prior to each Option Date if the Bank elects to revise the rate of interest applicable to the 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 5 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 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 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 an Interest Period) and if appropriate on final repayment of the Loan. However if the Bank exercises the Option the interest outstanding on the Loan shall be paid on the relevant Option Date. Any interest unpaid when payable shall be compounded.
- 6.6 (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 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 end on the next following Payment Date. Subject to Clause 7.2, if an Option is exercised, the current Interest Period will end on the Option Date applicable to that Option. If the 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 the 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 the 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 the Loan; or
 - (d) the Bank incurs a cost as a result of its having made the 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 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) **PROVIDED THAT** the Borrower shall not be obliged to indemnify the Bank to the extent that the relevant cost, reduction or liability is (i) compensated for by Mandatory Costs, or (ii) compensated for pursuant to Clause 11.4 of this Agreement.

- 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 the Loan in full on expiry of the Term.
- 9.2 The Borrower may repay the 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. 5 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 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 the Loan on the Drawdown Date or makes any early repayment of the 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 to equal or exceed the Loan Amount.
- 10.3 In the event of the 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 Business 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, including, without limitation, the opening of a feeder account for the purpose of collecting funds for the payment of all sums due under this Agreement and to which the Bank may debit interest and any other amounts payable by the Borrower under this Agreement including any unpaid fees and expenses (whether or not this results in an overdrawn balance on such feeder account). Interest on any overdrawn balances on such feeder account shall be charged at a rate of one percent above the Bank's Base Rate.
- 11.4
- (a) All payments to be made by the Borrower under this Agreement shall be made without set off or counter-claim and free and clear of and without any deduction whatsoever for or on account of present or future Taxes unless the Borrower is required by law to make such a payment subject to the deduction or withholding of Taxes;
 - (b) if the Borrower is required to make such a deduction or withholding, the relevant payment shall be increased 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 the Borrower not been required to make such a deduction or withholding;
 - (c) if the Bank is granted a credit against any Taxes payable by it following any such deduction or withholding the Bank shall return to the Borrower such part thereof as will leave the Bank in no worse position than it would have been had the Borrower not been obliged to deduct Taxes.

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 the Loan;

Legal Validity

- (b) this Agreement constitutes legal, valid and binding obligations on it and the 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 the 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) other than (i) liens and rights of set-off securing obligations which are not overdue beyond their standard payment dates, arising by operation of law in the ordinary and usual course of the Borrower's functions and (ii) charges, liens or other encumbrances in the nature of a security interest arising out of title retention provisions in a supplier's standard conditions of supply of goods acquired in the ordinary and usual course of the Borrower's functions, 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 the 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 reasonable 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 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 and/or terminate the obligations of the Bank under this Agreement.

14 ILLEGALITY

The Borrower shall on receiving notice from the Bank repay the 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 NOTICES

- 16.1 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 registered office; and
- (b) in the case of the Bank to the Bank Office.

- 16.2 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.

17 MISCELLANEOUS

- 17.1 The Borrower may not assign or transfer any of its rights or obligations under this Agreement.
- 17.2 The Bank may assign all or any part of its rights or benefits under this Agreement without the consent of the Borrower to a Qualifying Bank. 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.
- 17.3 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.
- 17.4 In addition to any other rights to which it may be entitled, including rights under any security, the Bank may (provided that an Event of Default has not occurred or is continuing) 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.
- 17.5 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.
- 17.6 This Agreement supersedes all prior agreements, arrangements or correspondence between the Bank and the Borrower in relation to the Loan.
- 17.7 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.

18 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.

Signed for and on behalf of the Bank

Signature



Date

15/6/07

Schedule

Loan Confirmation

Schedule to the Agreement between **The Royal Bank of Scotland plc** and The Mayor and Burgesses of the London Borough of Croydon

To: The Mayor and Burgesses of the London Borough of Croydon
Taberner House
Park Lane
Croydon
CR9 1JL

Dear Derick

£20m Local Authority Loan Agreement dated 15th June 2007 (the "Loan Agreement")

Expressions defined in the Loan Agreement shall have the same meaning in this letter unless otherwise defined.

With reference to the above Loan Agreement, we hereby provide you with a written confirmation of the terms agreed pursuant to the telephone call between Jon Miles and yourself on 14th June 2007 for your records.

1. Loan Amount: £20m
2. Term: the period of 58 years commencing on the Drawdown Date.
3. Drawdown Date: 15th June 2009
4. Initial Fixed Rate: 4.25%
5. Initial Period: 1 year
6. Anticipated Interest Rate: 4.25%
7. Margin: 0.5%
8. Option Period: Twelve months

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

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

Signature... 

Date... 15/6/07

Derick Fernandes
Treasury Manager
London Borough of Croydon
Finance and Information Dept
Taberner House
Park Lane
Croydon, CR9 1JL

UK Corporate Banking

9th Floor
280 Bishopsgate
London
EC2M 4RB
Direct: 020 7672 1756
Fax: 020 7672 2401
Mobile: 07798 743041
Email: colin.lowen@rbs.co.uk

7 August 2009

Dear Derick

Re: Supplemental LOBO Agreements

Further to our recent e-mail correspondence, I am pleased to enclose the supplemental LOBO agreements, as agreed.

I would be grateful, therefore, if you could arrange for these to be signed in accordance with the Council's delegated powers and a signed copy returned to me in due course.

Kind regards.

Yours sincerely



Colin Lowen
Director - Local Government
UK Corporate Banking

Yow retention

Supplemental Agreement

between

The Royal Bank of Scotland plc

and

London Borough of Croydon

Our ref: 439667v1/A17/CDO/MP

THIS IS AN IMPORTANT DOCUMENT. YOU SHOULD TAKE INDEPENDENT LEGAL ADVICE BEFORE SIGNING AND SIGN ONLY IF YOU WANT TO BE LEGALLY BOUND.

THIS SUPPLEMENTAL AGREEMENT is made between:-

- (1) The Royal Bank of Scotland plc (the "Bank"); and
- (2) London Borough of Croydon (the "Borrower")


to set out the basis on which the Bank and the Borrower have agreed to amend the local authority loan agreement and loan confirmation entered into between the Bank and the Borrower dated 15 June 2007 (the "Agreement") setting out the terms and conditions upon and subject to which the Bank agreed to make available to the Borrower a loan of £20,000,000 (the "Loan").

Accordingly:-

- 1 All words and expressions defined in the Agreement unless the context otherwise requires, shall have the same meanings in this Supplemental Agreement.
- 2 The terms and conditions of this Supplemental Agreement shall not come into effect unless the following conditions are satisfied:-
 - (a) the Bank has received and is satisfied with the duplicate of this Supplemental Agreement signed on behalf of the Borrower.
- 3 The following definition in Clause 1.1 of the Agreement is hereby amended as follows:-

"Payment Date" means the 15th day of June and the 15th day of December in each year;
- 4 All other terms and conditions of the Agreement remain unaltered and shall continue in full force and effect.
- 5 This Supplemental Agreement and the Agreement shall, as from the date of this Supplemental Agreement, be read and construed together as constituting the agreement between the Bank and the Borrower.

Signed for and on behalf of the Bank



Date 7/8/09

The Borrower hereby accepts the above terms and conditions

Signed


_____ Duly Authorised Officer

EXECUTIVE DIRECTOR RESOURCES Office held
+ CUSTOMER SERVICES

Date 14/8/09

for your retention

Supplemental Agreement

between

The Royal Bank of Scotland plc

and

London Borough of Croydon

Our ref: 439719v1/A19/CDO/MP

THIS IS AN IMPORTANT DOCUMENT. YOU SHOULD TAKE INDEPENDENT LEGAL ADVICE BEFORE SIGNING AND SIGN ONLY IF YOU WANT TO BE LEGALLY BOUND.

THIS SUPPLEMENTAL AGREEMENT is made between:-

- (1) The Royal Bank of Scotland plc (the "**Bank**"); and
- (2) London Borough of Croydon (the "**Borrower**")

to set out the basis on which the Bank and the Borrower have agreed to amend the local authority loan agreement and loan confirmation entered into between the Bank and the Borrower dated 15 June 2007 (the "**Agreement**") setting out the terms and conditions upon and subject to which the Bank agreed to make available to the Borrower a loan of £20,000,000 (the "**Loan**").

Accordingly:-

- 1 All words and expressions defined in the Agreement unless the context otherwise requires, shall have the same meanings in this Supplemental Agreement.
- 2 The terms and conditions of this Supplemental Agreement shall not come into effect unless the following conditions are satisfied:-
 - (a) the Bank has received and is satisfied with the duplicate of this Supplemental Agreement signed on behalf of the Borrower.
- 3 The following definition in Clause 1.1 of the Agreement is hereby amended as follows:-

"Payment Date" means the 15th day of June and the 15th day of December in each year;
- 4 Clause 6.2 of the Agreement is hereby deleted and replaced with the following Clause 6.2:-

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 the 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 5 Business Days prior to the Option Date.
- 5 All other terms and conditions of the Agreement remain unaltered and shall continue in full force and effect.
- 6 This Supplemental Agreement and the Agreement shall, as from the date of this Supplemental Agreement, be read and construed together as constituting the agreement between the Bank and the Borrower.

Signed for and on behalf of the Bank



Date 7/8/09

The Borrower hereby accepts the above terms and conditions

Signed

☒  ☒ Duly Authorised Officer

☐ EXECUTIVE DIRECTOR RESOURCES Office held
+ CUSTOMER SERVICES

Date 14/8/09

