

Draft Heads of Terms

Loan Agreement

THIS AGREEMENT is made on the [insert date]

BETWEEN:

East Cambridgeshire District Council, the Grange, Nutholt Lane, Ely (the "lender")

AND

East Cambs Trading Company, the Grange, Nutholt Lane, Ely, ("the Borrower")

WHEREBY IT IS AGREED as follows:

1. Introduction

The Lender will make available to the Borrower the sum of up to £1,500,000, in the form of an extension to the original loan on the basis of the terms and conditions within this Loan Agreement.

The Loan will be used in accordance with the approved Business Plan, specifically in relation to the purchase and development of the MOD Site, Ely. The loan will be drawn down by the Borrower as cash flow requires, with the Borrower providing a minimum of 28 days notice of the drawdown amount and date required.

The Council will provide this loan.

Should the borrower request further borrowing during the 5 year period or a new loan following repayment of the initial loan, then this will be subject to approval by full Council.

2. Loan Repayment Date and Schedule

As the Borrower identifies through its cash flow projections, it can commence repayment of the loan, a Repayment Schedule will be agreed with the Lender. In any event, the extended loan amount will fall due in line with the original loan, in March 2021.

In exceptional circumstances, the Lender may seek early full repayment of the loan. Such a decision can only be made by the shareholder at a full Council meeting, following a recommendation from the Shareholder Committee.

The company is not authorised to seek or obtain any loan funding from another source; without the prior approval of Full Council.

3. Interest Charges

The Lender will charge interest on the loan at the same rate as the original loan agreed in 2016. At the time it was agreed that a fixed interest rate would be applied for the duration of the loan, this being the prevailing PWLB 25 year interest rate, plus 2%,

which was comparable to the market interest rate at that time. The interest rate for the duration of the loan period was therefore set at 5.22%.

This interest rate will apply for the duration of the loan, until the full monies - principal and interest are repaid.

Interest will be payable at the end of each quarterly, based on the average loan outstanding during the preceding three months.

4. Loan Draw Down

The Borrower will produce a revised cash flow projection to the Lender on each occasion that a loan draw down is sought. The Lender will release the draw down of the loan within 28 days of the request.

If the Lender has concerns around a drawdown of the Loan, then he shall refer these concerns to the Shareholder Committee to determine whether further drawdown funds are released.

5. Loan Purpose

The extended Loan shall be used exclusively in relation to the purchase and development of the MOD site, Ely.

The Borrower shall not use the Loan for any other purpose without the prior written approval of the Lender. Such approval can only be given by a meeting of full Council.

6. Documentation

The Loan amount will only be made available to the Borrower once the Lender receives and approves a copy of the resolution made by the directors of the company agreeing and approving that the company borrows the sum of the loan from the Lender. The resolution must also be signed and approved by the company secretary.

7. Variation/Termination of this Loan Agreement

This agreement will remain valid as long as any principal or interest remains outstanding. Should either party wish to negotiate revised terms, then this is subject to formal agreement of both the East Cambs Trading Company and a meeting of full Council.