Appendix 1

Heads of Terms of a Loan(s) Agreement

THIS AGREEMENT is made on the *[insert day]* day of *[insert month] [insert year]*

BETWEEN:

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

AND

East Cambs CLT Ltd, 5 Fordham House Court, Fordham House Estate, Newmarket Road, Fordham, Cambs, CB7 5LL ("the Borrower")

WHEREBY IT IS AGREED as follows:

1. Introduction

The Lender will make available to the Borrower the full sum of up to £390,000, in the form of loan(s) on the basis of the terms and conditions within this Loan Agreement.

The loan(s) will be used for the provision of 15 affordable shared ownership properties at Simeon Close, Ely in line with the Borrower's charitable objects ["the Project"].

The Borrower also intends to enter into Loan Agreement(s) from Ecology Building Society ["the Second Lender"] to be used for the same purpose.

The Borrower intends to use the Loan(s) to purchase the 15 properties either individually, or in groups, and then sell each to eligible purchasers initial shared ownership leasehold interests based on a percentage of the value of each property.

Rents will be charged by the Borrower to the shared ownership purchasers, based on the level of retained equity, and loan interest will be paid to the Lender and the Second Lender from rental receipts.

During the term of the Loan Agreement further leasehold shares may be sold ("stair-casing") up to 100% of the interest in the property. Loan(s) will be repaid from stair-casing receipts.

The loan(s) will be drawn down by the Borrower as cash flow requires, with the Borrower providing a minimum of [10] days notice of the drawdown amount and date required.

The Council will provide the loan(s).

Should the borrower request further borrowing for the Project during the 7 year period or a new loan(s) following repayment of the initial loan(s), 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 from the Project, it can commence repayment of the loan(s), capital repayments will be made to the Lender.

In any event, the full loan amount will fall due 7 years from the date of receipt of the final draw down request.

With the exception of Loan Agreement(s) from Ecology Building Society ["the Second Lender"] that are to be entered into simultaneous to this Loan Agreement, the borrower is not authorised to seek or obtain any loan(s) funding for the Project from another source; without the prior approval of Full Council.

3. Interest Charges

The Lender will charge interest on the loan(s) with a fixed simple interest rate equating to 3.75% per annum.

This interest rate will apply to the duration of the loan(s), until the full monies-capital and interest are repaid.

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

4. Loan Draw Down

The loan may be drawn down in up to 15 tranches upon submission of a draw down request from the Borrower to the Lender. The Lender will release the drawdown of the loan(s) within 10 days of the request.

The first loan(s) draw down request shall be made within 3 calendar months of completion of the Loan(s) Agreement and the final draw down request shall be made within 12 months of completion of the Loan(s) Agreement.

5. Loans Purpose

The Loan(s) shall be used exclusively in relation to the Project.

The Borrower shall not use the Loan(s) 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. Security

A fixed legal charge shall be registered at HM Land Registry against the freehold title of the 15 properties at Simeon Close, Ely in favour of the Lender and the Second Lender up to the value of any outstanding loan(s). The Second Lender's security will rank with the Lender's security on a pari passu basis.

7. Documentation
The Loan(s) amount will only be made available to the Borrower once the Lender receives and approves copies of the following documentation:

A copy of the resolution made by the Trustees of the Borrower agreeing and approving that the Borrower borrows the sum of the loan(s) from the Lender. The resolution must also be signed and approved by the Chair of Trustees.

A copy of the Rules of the Borrower, which must be certified by the Chair as complete and up to date.

8. 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 Borrower and a meeting of Full Council.