

## **Appendix 1**

### **Heads of Terms**

#### **Loan Agreement**

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

BETWEEN:

*[Local Authority Name] Council, [Address] (the "lender")*

AND

*[Company Name] Company, [Company Address] ("the Borrower")* WHEREBY

IT IS AGREED as follows:

#### **1. Introduction**

The Lender will make available to the Borrower the full sum of up to £x, in the form of a 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. 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.

#### **2. Loan Repayment Date and Schedule**

The initial cash proceeds generated by the Borrower will first be used to pay the deferred consideration for land transferred by the Council to the Lender. Following this, as the Borrower identifies through its cash flow projections, it can commence repayment of the loan, then a Repayment Schedule will be agreed with the Lender.

#### **3. Interest Charges**

The Lender will determine a fixed interest rate at the commencement of the first draw down of the loan. The fixed interest rate shall be set at **1%** above the **25** year PWLB rate pertinent at that time; which will be comparable to the market interest rate. This interest rate will remain fixed throughout the term of the loan. This interest rate will apply to the duration of the loan, until the full monies-principal and interest are repaid.

Interest will be payable at the end of each Financial Year, based on the average loan outstanding during the preceding Financial Year.

#### **4. Early Repayment**

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.

In exceptional circumstances, the Lender may seek 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.

#### **5. Loan Purpose**

The Loan shall be used exclusively for following specified purpose of implementing the approved Business Plan

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 copies of the following documentation:

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.

A copy of the Memorandum and Articles of Association of the Borrower, which must be certified by the company secretary as complete and up to date.

#### **7. Loan Interest**

The interest on the principal amount of the Loan outstanding shall accrue daily at the rate of 1% per annum above the PWLB twenty five year rate, which will not be varied during the term of this loan.