

DATED [●] 2020

UK MUNICIPAL BONDS AGENCY PLC

LOCAL AUTHORITIES

LOCAL AUTHORITY FINANCING

FRAMEWORK AGREEMENT

CONTENTS

Clause	Page
1. Definitions and Interpretation	2
2. Borrowing.....	7
3. Participating Authorities.....	8
4. Undertakings of the Company.....	8
5. General	10
6. Contribution Loans.....	12
7. Resignation of an Authority	17
8. Notices.....	17
9. Preservation	18
10. Confidentiality.....	19
11. Counterparts	21
12. Waiver of Immunity	21
13. Governing Law and Jurisdiction	21
Schedule 1 Form of Authority Accession Deed	23
Schedule 2 Form of Guarantee	25
Annex to Guarantee	34
Schedule 3 Loan Standard Terms	35
Schedule 4 Form of Loan Confirmation	48

THIS AGREEMENT is dated [●] 2020 and made between:

- (1) **UK MUNICIPAL BONDS AGENCY PLC** (the "**Company**"); and
- (2) **THE ENTITIES** named on the signing pages as Authorities (the "**Original Authorities**").

RECITALS

- (A) The Company has been established to facilitate borrowing by UK local authorities. The Company will make Authority Loans to certain UK local authorities participating in these arrangements. The Company's rights under such Authority Loans will be assigned (an "**Assignment**") to a Finance SPV immediately on funding, in consideration for which the Finance SPV shall make a payment to the Company, from funds which the Finance SPV has raised for such purpose. Such funds may be borrowed under loans, private placements, notes, and any other borrowing arrangements, with lenders and/or investors, which may include UK local authorities and other entities. There may be more than one Finance SPV.
- (B) One Finance SPV (the "**Finance Company**") will establish a programme for the issuance of notes (the "**Notes**"), which may be listed on the London Stock Exchange, on another exchange, or unlisted. The Finance Company will also have the benefit of a liquidity facility, intended to be sized at an amount sufficient to service the debts of the Finance Company over the immediately following 6 month period. The providers of such liquidity facility will have minimum short-term credit ratings of at least P-1, A-1 or F-1 (or equivalent).
- (C) To facilitate the issuance of Notes and borrowing from other lenders and/or investors by the Finance Company, Authorities which borrow Authority Loans which are to be assigned to the Finance Company will agree (subject to the limits set out below) to guarantee the payment of all sums expressed to be payable from time to time by the Finance Company in respect of the Notes, loan agreements, hedging arrangements or other borrowing arrangements that the Finance Company may enter into from time to time. The liability of each Authority under the guarantee will be proportionate to the amount it has borrowed (as a proportion of all amounts borrowed) under Authority Loans assigned to the Finance Company, and will be capped at a maximum amount equal to such Authority's Outstanding Loan Amount.
- (D) Other guarantee arrangements may be agreed between the Company and one or more other Authorities in relation to guarantees of debt issued by a Finance SPV other than the Finance Company. Such arrangements shall only apply to those Authorities which elect and agree to participate in them.
- (E) This Agreement sets out, *inter alia*, the arrangements between the Company and the Authorities in respect of borrowing from the Company, the issuance of the Guarantee in respect of the debts or other obligations of the Finance Company, and contribution arrangements relating to any demands in respect of debt or any other obligation incurred by the Finance Company which has the benefit of the Guarantee.

IT IS AGREED as follows:

1. **DEFINITIONS AND INTERPRETATION**

1.1 **Definitions**

In this Agreement:

"**Authority**" means each Original Authority and any person which becomes a Party as an Authority in accordance with the terms of Clause 3.2 (*Accession to this Agreement*).

"**Authority Contribution**" means, in relation to an Authority, the Authority Proportion relating to such Authority multiplied by the Shortfall Amount, *provided that* no Authority shall be liable to make an Authority Contribution if and to the extent that the aggregate amount that would have been paid by such Authority pursuant to all Authority Contributions and not otherwise recovered by such Authority would exceed the higher of (A) its Outstanding Loan Amount as at the date falling 10 Business Days prior to the date on which the related amount is due under the relevant Finance Company Document (ignoring any grace period); and (B) its Outstanding Loan Amount as at the date falling 10 Business Days prior to the date on which the amount was due under the relevant Finance Company Document (ignoring any grace period) which related to the first Authority Contribution required to be made by such Authority.

"**Authority Document**" means this Agreement, each Authority Accession Deed, the Guarantee, each Supplemental Deed of Guarantee, the Loan Standard Terms, each Loan Confirmation and any document under which the Company lends an Authority Loan to an Authority.

"**Authority Accession Deed**" means a deed substantially in the form set out in Schedule 1 (*Form of Authority Accession Deed*).

"**Authority Loan**" means a loan from the Company (as lender) to an Authority (as borrower), either (i) having the Loan Standard Terms, as modified and supplemented by the relevant Loan Confirmation or (ii) in such other form as may be agreed between the Company and an Authority.

"**Authority Proportion**" means, in relation to any Authority that is not a Defaulting Authority, the result of the fraction where the numerator is that Authority's Outstanding Loan Amount and the denominator is the Total Performing Outstanding Loan Amount, in each case as at the Reference Date.

"**Business Day**" means a day (other than a Saturday or Sunday) on which banks are open for general business in London.

"**Cancellation Notice**" shall have the meaning given to such term in Clause 6.3.4.

"**Certificate of Approval**" means, in respect of each Authority, a certificate signed by each of the monitoring officer (appointed pursuant to section 5 of the Local Government and Housing Act 1992, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000, or any replacement or equivalent provision) and the chief finance officer (appointed pursuant to section 151 of the Local Government Act 1972,

or any replacement or equivalent provision) in respect of such Authority, confirming that:

- (a) the Authority has the necessary power to enable it to enter into this Agreement and the Guarantee, and perform its obligations thereunder;
- (b) the Authority has approved the entering into of this Agreement and the Guarantee;
- (c) all necessary authorisations have been obtained, and all appropriate and applicable decision-making procedures have been followed and completed, to enable it to enter into this Agreement and the Guarantee,

and identifying in the certificate, by way of attaching copies or by the inclusion of weblinks to specified and publicly available copies, all documentation required to evidence the chain of authority from the council to the relevant signatories on behalf of such Authority, and including any representations which the Company requires, in each case in a form satisfactory to the Company (in its absolute discretion).

"Confidential Information" means all information relating to any Authority, the Company, any Finance SPV, this Agreement or the Finance Company Documents of which a Party becomes aware in its capacity as, or for the purpose of becoming, a Party or which is received by a Party in relation to, or for the purpose of becoming a Party under this Agreement from any Authority or the Company or any Finance SPV or any of their respective advisers in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes information that:

- (a) is required to be posted on the public website of the Company in accordance with Clause 4.3.1;
- (b) is or becomes public information other than as a direct or indirect result of any breach by an Authority of Clause 10 (*Confidentiality*);
- (c) becomes public information pursuant to a valid request under the Freedom of Information Act (2000), as amended from time to time;
- (d) is identified in writing at the time of delivery as non-confidential by the Party delivering the information; or
- (e) is known by the relevant Party before the date the information is disclosed to it in connection with this Agreement or is lawfully obtained by the relevant Party after that date, from a source which is, as far as such Party is aware, unconnected with any Party and which, in either case, as far as such Party is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality.

"Contribution Interest" shall have the meaning given to such term in Clause 6.4.

"Contribution Loan" means a contribution by an Authority to the Company pursuant to Clause 4 (*Default and Contributions*) of an amount in respect of the Authority

Contribution for such Authority specified in a Contribution Notice or a Further Contribution Notice.

"**Contribution Notice**" shall have the meaning given to such term in Clause 6.3.1.

"**Defaulting Authority**" means a Failed Contribution Authority and any other Authority:

- (a) which has failed to make a payment when due under an Authority Document, which shall include any failure to pay on the relevant Funding Date (or has notified the Company that it will not make a payment when due under an Authority Document);
- (b) which has otherwise rescinded or repudiated an Authority Document;
- (c) which is dissolved or otherwise ceases to exist (other than as a result of the enactment of legislation creating a statutory successor to such Authority which becomes responsible for substantially all of the Authority's obligations, including hereunder); or
- (d) in respect of which the High Court has appointed a receiver under Section 13(5) of the Local Government Act 2003.

"**Effective Date**" in respect of each Authority means the date of the first agreement between such Authority and the Company pursuant to which the Company agrees (subject to the terms of that agreement) to make an Authority Loan to such Authority.

"**Failed Contribution Authority**" shall have the meaning given to such term in Clause 6.5.3.

"**Finance Company Creditor**" means each lender or other provider of credit or financial accommodation (or agent or trustee on their behalf) to the Finance Company pursuant to a Finance Company Document, which shall include (without limitation):

- (a) any trustee for itself in respect of a note trust deed entered into by the Finance Company, and on behalf of the holders of notes issued thereunder; and
- (b) each lender under each and any Liquidity Facility Agreement or working capital facility agreement entered into by the Finance Company (as borrower).

"**Finance Company Document**" means any facility agreement, hedging arrangement or other instrument entered into by the Finance Company for any credit or other financial accommodation, as the same may be supplemented or amended from time to time.

"**Finance SPV**" means any company to which rights of the Company in respect of one or more Authority Loans will be, or has been, assigned, and which shall include the Finance Company.

"**Further Contribution Notice**" shall have the meaning given to such term in Clause 6.3.3.

"**Guarantee**" means the guarantee executed by each Authority in or substantially in the form set out in Schedule 2 (*Form of Guarantee*) and, for the avoidance of doubt, includes any Supplemental Deed of Guarantee.

"**Guaranteed Liabilities**" has the meaning given to that term in the Guarantee.

"**Guarantee Limit**" has the meaning given to that term in the Guarantee.

"**Guarantor Agent**" has the meaning given to that term in the Guarantee.

"**Lending Authority**" means any local authority that provides a loan or other financial accommodation to the Finance Company pursuant to a Finance Company Document.

"**Liabilities**" means, in relation to a party, all present and future liabilities and obligations at any time of such party, both actual and contingent and whether incurred solely or jointly or as principal or surety or in any other capacity together with any of the following matters relating to or arising in respect of those liabilities and obligations:

- (a) any refinancing, novation, deferral or extension;
- (b) any claim for breach of representation, warranty or undertaking or on an event of default or under any indemnity given under or in connection with any document or agreement evidencing or constituting any other liability or obligation falling within this definition;
- (c) any claim for damages or restitution; and
- (d) any claim as a result of any recovery by any party of a Payment on the grounds of preference or otherwise,

and any amounts which would be included in any of the above but for any discharge, non-provability, unenforceability or non-allowance of those amounts in any insolvency or other proceedings.

"**Liquidity Facility Agreement**" means each liquidity facility agreement or working capital facility agreement entered into by the Finance Company (as borrower), as the same may be amended from time to time.

"**Loan Confirmation**" means a loan confirmation substantially in the form set out in Schedule 4 (*Loan Confirmation*), as modified with the agreement of the relevant Authority and the Company.

"**Loan Standard Terms**" means the standard terms set out in Schedule 3 (*Loan Standard Terms*).

"**Outstanding Loan Amount**" means, in relation to an Authority and at any time, the aggregate principal amount outstanding (or in relation to any index-linked Authority Loan, the nominal amount outstanding) at that time under all Authority Loans under which the rights of the Company have been assigned to the Finance Company.

"**Party**" means a party to this Agreement.

"Payment" means, in respect of any Liabilities (or any other liabilities or obligations), a payment, prepayment, repayment, redemption, defeasance or discharge of those Liabilities (or other liabilities or obligations).

"Recoveries" has the meaning given to that term in Clause 6.8 (*Order of Application*).

"Reference Date" means, in respect of any calculation of the Authority Proportion, the date falling 10 Business Days prior to the date on which the related amount is due under the relevant Finance Company Document (ignoring any grace period), [provided that where the Authority Contribution is required as a result of an Authority failing to make a payment when due under an Authority Document, the initial Reference Date calculated in relation to any such Authority Contribution shall apply as the Reference Date for the calculation of the Authority Proportion in respect of all subsequent Authority Contributions required as a result of that same Authority failing to make any further payment when due under an Authority Document].

"Shortfall Amount" means the amount of any actual or expected payment shortfall in respect of amounts falling due under the Finance Company Documents (or, in the case of Clause 6.3.1(c), the amount unpaid by such Authority), calculated as follows:

- (a) for the purpose of determining the Authority Contribution of any Authority to whom a Contribution Notice is to be sent under Clause 6.3.1, calculated at the time of such determination; and
- (b) for the purpose of determining the Authority Contribution of any Authority to whom a Further Contribution Notice is to be sent under Clause 6.3.3, calculated at the time of such determination after taking into account any amounts received by the Company (on behalf of the Finance Company) in respect of Authority Contributions.

"Supplemental Deed of Guarantee" means, in respect of each Authority other than the Original Authorities, a supplement to the Guarantee pursuant to which such Authority accedes to the Guarantee, in or substantially in the form set out in the Annex to Schedule 2 (*Form of Guarantee*).

"Total Performing Outstanding Loan Amount" means, at any time, the aggregate of each Authority's Outstanding Loan Amount at that time, less the aggregate Outstanding Loan Amount of each Defaulting Authority.

1.2 Construction

1.2.1 Unless a contrary indication appears, a reference in this Agreement to:

- (a) any person shall be construed so as to include its successors in title, permitted assigns and permitted transferees to, or of, its rights and/or obligations under this Agreement;
- (b) any agreement or instrument is a reference to that agreement or instrument as amended, novated, supplemented, extended or restated in accordance with its terms;

- (c) "**indebtedness**" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
- (d) a "**person**" includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium, partnership or other entity (whether or not having separate legal personality);
- (e) a "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation; and
- (f) a provision of law is a reference to that provision as amended or re-enacted.

1.2.2 Clause and Schedule headings are for ease of reference only.

1.3 **Third party rights**

1.3.1 Unless expressly provided to the contrary in this Agreement, a person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

1.3.2 Notwithstanding any term of this Agreement, the consent of any person who is not a Party is not required to rescind or vary this Agreement at any time.

1.4 **Effectiveness**

This Agreement shall become effective in relation to an Original Authority only on and from the relevant Effective Date in respect of such Authority. For the avoidance of doubt, this Agreement will become effective as between the Company and each Original Authority in respect of which an Effective Date has occurred, notwithstanding that an Effective Date may not have occurred in respect of all Original Authorities.

2. **BORROWING**

2.1.1 The Company and any Authority may from time to time agree terms upon which the Company will make an Authority Loan to such Authority. The Company and such Authority will either (i) execute a Loan Confirmation in order to document such terms, which shall incorporate the Loan Standard Terms, save as modified or supplemented by the relevant Loan Confirmation or (ii) execute an agreement in such other form as may be agreed between the Company and such Authority.

2.1.2 The Parties acknowledge that the Company is not obliged to enter into any financing arrangement with any Authority, and the Company retains an absolute discretion to reject any request for finance.

- 2.1.3 The Company shall not, as lender, enter into any financing arrangement with a local authority or any other person unless such a person is an Authority under this Agreement.
- 2.1.4 In addition, if an Authority Loan will be funded by an Assignment to the Finance Company, the Company shall not enter into such Authority Loan unless the Authority has issued a Guarantee (or a Supplemental Deed of Guarantee, if applicable) which has not been terminated.

3. PARTICIPATING AUTHORITIES

3.1 Documents required to participate

Each Authority shall deliver to the Company on the date such Authority signs or accedes (as the case may be) to this Agreement an original Certificate of Approval.

3.2 Accession to this agreement

- 3.2.1 If the Company and a local authority so agree, such local authority may accede to this Agreement by delivery to the Company of an Authority Accession Deed duly executed by the Company and the new Authority.
- 3.2.2 Provided the Company and the new Authority have executed the Authority Accession Deed, on the Effective Date in respect of the relevant new Authority such new Authority shall assume the same obligations and become entitled to the same rights as if it had been an original Party as an Authority.
- 3.2.3 Each of the Parties appoints the Company to enter into and receive on its behalf each Authority Accession Deed delivered to the Company.

4. UNDERTAKINGS OF THE COMPANY

The Company undertakes to the Authorities as follows:

4.1 Credit assessments

The Company will carry out a credit assessment of each Authority:

- 4.1.1 at the time of accession;
- 4.1.2 at the time of entry into an Authority Loan;
- 4.1.3 in any event, not less than once per year whilst Authority Loans to that Authority are outstanding,

and will perform ongoing monitoring. The Company will undertake an external review of its credit assessment process by an appropriately qualified adviser not less than once every five years.

4.2 Finance SPV arrangements

- 4.2.1 The Company will enter into an agreement with the Finance Company pursuant to which:
- (a) the Finance Company and the Company will agree the terms on which certain Authority Loans will be assigned from the Company to the Finance Company;
 - (b) the Finance Company will appoint the Company as its agent as servicer of the Authority Loans;
 - (c) the Finance Company will undertake only to borrow for the purposes of (i) facilitating an Assignment from the Company or (ii) avoiding a default under a Finance Company Document, where a Defaulting Authority fails or an Authority is expected to fail to make a payment due under an Authority Loan; and
 - (d) the Finance Company will agree that if an Authority elects to prepay an Authority Loan, the Finance Company will apply the proceeds of such prepayment as soon as practicable to repay principal under the relevant Finance Company Document pursuant to which funds were borrowed by the Finance Company to pay to the Company as consideration for the assignment of such Authority Loan.
- 4.2.2 The Company will obtain such separate undertakings from each Finance SPV (other than the Finance Company) as may be agreed between the Company and the Authority or Authorities which are borrowers in respect of Authority Loans to be assigned to such Finance SPV, where such undertakings will be agreed prior to the utilisation of such Authority Loans.

4.3 **Reporting**

- 4.3.1 The Company shall establish and maintain a public, freely accessible, electronic website, on which it shall post (with signatures redacted, where relevant):
- (a) copies of the executed Guarantee and each Supplemental Deed of Guarantee;
 - (b) a monthly report setting out the Authority Loans utilised by each Authority during each calendar month, to be posted within 10 Business Days of the relevant month-end; and
 - (c) a quarterly report setting out the outstanding borrowings of each Authority as at the end of each calendar quarter, to be posted within 20 Business Days of the relevant quarter-end.
- 4.3.2 The Company shall provide to the Guarantor Agent on reasonable request a report setting out the outstanding borrowings of each Authority.

5. GENERAL

5.1 Representations

Each Party represents and warrants to each other Party that:

- 5.1.1 the obligations expressed to be assumed by it in this Agreement are, subject to any general principles of law limiting its obligations which are applicable to creditors generally, legal, valid, binding and enforceable obligations; and
- 5.1.2 the entry into and performance by it of this Agreement does not and will not:
 - (a) conflict with any law or regulation applicable to it, its constitutional documents or any agreement or instrument binding upon it or any of its assets; or
 - (b) constitute a default or termination event (however described) under any agreement or instrument binding on it or any of its assets.

5.2 Information: Miscellaneous

- 5.2.1 Each Authority shall notify the Company in writing (forthwith upon becoming aware of the same):
 - (a) if such Authority becomes aware that it will be unable to make any payment when due under an Authority Document, or otherwise becomes a Defaulting Authority;
 - (b) if such Authority is unable to pay its debts as they fall due;
 - (c) of any report issued in respect of it under Section 114 of the Local Government Finance Act 1988 (or any replacement or equivalent provision);
 - (d) of any failure to comply with the prudential framework established by Part 1 of the Local Government Act 2003 and related regulations, including the Prudential Code for Capital Finance in Local Authorities published by CIPFA, as amended or reissued from time to time;
 - (e) of any failure to set a balanced budget in accordance with Section 31A and Section 42A of the Local Government Finance Act 1992;
 - (f) if the chief finance officer's report on robustness of budget estimates and adequacy of reserves under section 25 of the Local Government Act 2003 states either that the estimates are not robust and/or the reserves are inadequate, and the Authority passes that budget without action to remedy those deficiencies;
 - (g) if external auditors issue a qualified audit opinion in respect of such Authority's accounts;

- (h) if the Authority is or will be unable to publish audited accounts by the statutory deadline;
- (i) any Change of Status of the Authority (as defined in the Loan Standard Terms);
- (j) promptly upon becoming aware that any representation or statement made or deemed to be made by it in this Agreement, its Certificate of Approval, any Authority Loan or any other document delivered by or on behalf of it in relation to such documents was incorrect or misleading when made or deemed to be made;
- (k) promptly upon becoming aware of them, the status and description of any dispute, litigation, arbitration, expert determination or administrative proceedings which are current, threatened or pending against it, which is reasonably likely to be adversely determined, and which, if adversely determined either individually or taken as a whole, are reasonably likely to have a material adverse effect on its ability to meet its obligations under any Authority Loan;
- (l) promptly upon becoming aware of them, any event or circumstance which the Authority reasonably believes might have a material adverse effect on its ability to meet its obligations under any Authority Loan; or
- (m) promptly on request, such additional information as may be reasonably requested by the Company,

and, in each case, the Authority shall set out in such notice reasonable details associated therewith, the effects of such an event or occurrence and any actions being undertaken to mitigate or remedy such event or occurrence.

5.2.2 Each Authority acknowledges that the Company may provide any information provided to it under this Clause 5.2 to any Authority, Finance SPV, rating agency or other person the Company reasonably believes to have a legitimate interest in such information.

5.3 **Amendments**

This Agreement may only be amended with the consent of all Parties hereto.

5.4 **Assignments and transfers**

5.4.1 The Company shall have the ability to assign the benefit of any Authority Loan to a Finance SPV.

5.4.2 No Authority may assign any of its rights or transfer any of its rights and obligations in respect of this Agreement, other than pursuant to Clause 5.5 below.

5.5 **Statutory Successor to an Authority**

Any statutory successor to an Authority shall, on the date on which the relevant amending legislation is enacted and to the extent permitted by such amending legislation or any other applicable laws, become a successor Authority under this Agreement without the execution or filing of any paper or any further act of an Authority, the Company or any Finance SPV (following an Assignment to such Finance SPV), and from such date all references in this Agreement to an Authority shall be construed accordingly. Each such successor Authority shall execute all such further documents and do all such further acts and things as may be necessary at any time or times in the opinion of the Company to give effect to the provisions of this Agreement.

5.6 **Payments**

5.6.1 On each date on which an Authority is required to make a payment to the Company under this Agreement, that Authority shall make the same available to the Company for value on the due date by no later than 11 a.m. London time.

5.6.2 Payment shall be made to such account in London as the Company may specify by written notice.

6. **CONTRIBUTION LOANS**

6.1 **Prompt Payment**

In order for the Finance Company to have sufficient funds available to meet any payments due under the Finance Company Documents, the terms of each Authority Loan to be assigned to the Finance Company shall require the relevant Authority to fund all payments due to the Finance Company by transferring the relevant amounts to an account nominated by the Finance Company (or the Company as its agent) by no later than 11 a.m. on the fifth Business Day (or, in respect of principal and unless otherwise agreed between the Company and the relevant Authority, the tenth Business Day) prior to the due date of such amount under the Authority Loan (the required date for transfer in respect of each payment being the "**Funding Date**").

If the Authority fails to transfer such amount by 5 p.m. London time on the Funding Date the Company (acting as agent for the Finance Company) shall promptly demand immediate payment from such Authority of the unpaid amount.

6.2 **Drawdown under Liquidity Facility Agreement**

If any Authority fails to make a payment on the relevant Funding Date in accordance with Clause 6.1 above, and prior to serving any Contribution Notice (as defined below), the Company (as agent of the Finance Company) shall request a utilisation under any Liquidity Facility Agreement(s) available to the Finance Company to enable it to pay such amounts falling due under the Finance Company Documents.

6.3 **Contribution Notices**

6.3.1 If:

- (a) at 11 a.m. on the date falling 4 Business Days (or, in respect of principal and unless otherwise agreed between the Company and the relevant Authority, 8 Business Days) prior to a day on which a payment is due under the Finance Company Documents, sufficient funds have not been received by the Finance Company from (i) one or more lenders under Liquidity Facility Agreement(s) or (ii) one or more Lending Authorities or lenders or other providers of financial accommodation, in each case, under Finance Company Document(s), in each case to enable it to pay such amounts falling due under the Finance Company Documents, the Company shall; or
- (b) at any other time the Company is aware that the Finance Company expects to be unable to pay, or does fail to pay, any amount when due under the Finance Company Documents, the Company shall; or
- (c) on any date after the Funding Date on which an amount due by an Authority pursuant to Clause 6.1 above remains unpaid by the relevant Authority (notwithstanding that the Finance Company has sufficient funds to enable it to make all payments of amounts due under the Finance Company Documents), the Company may,

notify each Authority (other than any Defaulting Authority) from which an Authority Contribution is required as soon as reasonably practicable (or, in the case of paragraph (a) above, by 5 p.m. on such date). Such notice (a "**Contribution Notice**") shall specify the Shortfall Amount and shall set out the Authority Contribution required from each Authority which is not a Defaulting Authority.

- 6.3.2 Each Authority shall ensure that it pays an amount equal to its Authority Contribution to the Company no later than 11 a.m. on the date specified in the Contribution Notice, such date to be at least 2 Business Days (or, in respect of principal and unless otherwise agreed between the Company and the relevant Authority, 4 Business Days) after the date of the Contribution Notice.
- 6.3.3 In the event that any Authority fails to pay an amount equal to its Authority Contribution (including any further Authority Contribution) pursuant to Clause 6.3.2 by 11 a.m. on the date such amount is due under this Agreement, that Authority shall be a "**Failed Contribution Authority**" and, unless the Company elects otherwise, which it shall only be entitled to do if the Finance Company has obtained other funds (from (i) one or more lender(s) under Liquidity Facility Agreement(s) or (ii) one or more Lending Authorities or lenders or other providers of financial accommodation, in each case, under Finance Company Document(s)) to enable it to meet its obligations under the Finance Company Documents, the Company shall calculate the further Authority Contribution required from each Authority which is still not a Defaulting Authority taking into account any amounts received in respect of Authority Contributions which have been made and issue a notice (a "**Further Contribution Notice**") to each such Authority, which shall set out the amount of the further Authority Contribution for such Authority (as well as the amount of any sums already paid by the relevant Authority as an Authority Contribution), which amount shall be paid to the Company by such Authority

by no later than 11 a.m. on the Business Day (or, in respect of principal and unless otherwise agreed between the Company and the relevant Authority, the second Business Day) after the date of such Further Contribution Notice.

- 6.3.4 If at any time the Company determines that (i) there no longer is, or will be, a Shortfall Amount, disregarding for the purposes of such calculation any Authority Contribution, or (ii) that the Finance Company otherwise has sufficient funds to enable it to make all payments of amounts due under the Finance Company Documents, the Company may cancel a Contribution Notice or a Further Contribution Notice by sending a notice (a "**Cancellation Notice**") to each relevant Authority. The effect of a Cancellation Notice shall be that no Authority is obliged to pay any Authority Contribution pursuant to the cancelled Contribution Notice or any amounts payable under the cancelled Further Contribution Notice and any amounts already paid to the Company pursuant to the cancelled Contribution Notice or Further Contribution Notice shall be reimbursed by the Company to the relevant Authority (without interest or penalty).

6.4 **Contribution Loans**

- 6.4.1 All amounts received by the Company from an Authority pursuant to a Contribution Notice or Further Contribution Notice shall be immediately provided to the Finance Company and shall be treated as Contribution Loans made by the relevant Authority to the Finance Company, and applied towards discharging any sums owing by the Finance Company to any Finance Company Creditor as and when such amounts fall due or otherwise in accordance with Clause 6.8 (*Order of application of proceeds*).
- 6.4.2 The repayment of such Contribution Loans, and the payment of any interest thereon, shall be made in accordance with Clause 6.8 (*Order of application of proceeds*) and shall be due and payable only at the times and to the extent that the Finance Company has funds available to make such payments in accordance with Clause 6.8 (*Order of application of proceeds*). Interest on Contribution Loans ("**Contribution Interest**") shall accrue at an interest rate equal to the higher of (i) the interest rate payable by the Defaulting Authority under the relevant Authority Loan, and (ii) the prevailing rate offered by the Public Works Loan Board (or any replacement agency) in respect of loans having the same maturity and interest basis under the relevant Authority Loan (and to the extent (ii) applies, the relevant Defaulting Authority shall be required to indemnify the Finance Company in respect of such cost pursuant to the Loan Standard Terms). Such interest, if unpaid, will be compounded with the amount due under the relevant Contribution Loan on the date falling 6 months after the relevant Contribution Loan is made and at 6-monthly intervals thereafter, but will remain immediately due and payable subject to availability of funds to make such payments in accordance with Clause 6.8 (*Order of application of proceeds*).
- 6.4.3 For the avoidance of doubt, nothing in this Clause 6 limits the power of the Finance Company to borrow amounts, including from any Lending Authority or under any Liquidity Facility Agreement, to enable it to meet its obligations under the Finance Company Documents (and the Company shall be permitted, as agent of the Finance Company, to assist with such borrowing).

6.5 Indemnity in respect of unpaid Authority Contributions

- 6.5.1 Each Defaulting Authority which fails to pay an amount equal to its Authority Contribution as specified in a Contribution Notice or any amounts payable under a Further Contribution Notice on the date such amount was due under this Agreement shall indemnify the Company, within three Business Days of demand, against any cost, loss or liability incurred by it as a result of such non-payment.
- 6.5.2 Any amount payable to the Company under Clause 6.5.1 above shall include the cost of utilising the Company's management time or other resources and will be calculated on the basis of such reasonable daily or hourly rates as the Company may notify to such Defaulting Authority.

6.6 Enforcement by the Company

If an Authority becomes a Defaulting Authority, the Company will promptly exercise its rights and take action to recover all sums owing from the Defaulting Authority to the Company, and (acting as agent of the Finance Company) shall promptly exercise its rights and take action to recover all sums owing from the Defaulting Authority to the Finance Company. Such action may include (without limitation) exercising any right to:

- 6.6.1 declare its Liabilities to be immediately due and payable;
- 6.6.2 sue for, commence or join any legal or arbitration proceedings against the Defaulting Authority to recover any Liabilities;
- 6.6.3 exercise any right of set-off;
- 6.6.4 exercise any rights it may have under Section 13(3) of the Local Government Act 2003; or
- 6.6.5 apply to the High Court to have a receiver appointed under Section 13(5) of the Local Government Act 2003.

6.7 Action to recover debt

- 6.7.1 The Authorities shall not have any independent power to take action against a Defaulting Authority.
- 6.7.2 Without prejudice to the right of an Authority to enforce the other obligations of the Company under this Agreement, each Authority agrees that, to the extent that it has made a payment in respect of its Guarantee, it will not exercise any rights it may have against the Finance Company to require repayment or reimbursement in respect of such payment (whether by way of subrogation, indemnification or otherwise), but shall be entitled to recover such amounts in accordance with Clause 6.8 (*Order of application of proceeds*) (and shall notify the Company and the Finance Company of the relevant amount on request), *provided that* such amounts are deemed to become due and payable only at the times and to the extent that the Finance Company has funds available to make such payments in accordance with Clause 6.8 (*Order of application of proceeds*).

6.8 Order of application of proceeds

The Company shall ensure that the agreements which it enters into with the Finance Company will provide for all amounts from time to time received or recovered by the Finance Company from a Defaulting Authority or otherwise identified by the Finance Company as being available for distribution (for the purposes of this Clause 6.8, the "**Recoveries**") to be applied by the Finance Company at any time as it (acting reasonably) sees fit, to the extent permitted by applicable law, in the following order of priority:

- 6.8.1 in discharging any sums owing by the Finance Company to any Finance Company Creditor which are due or overdue on such date;
- 6.8.2 pro rata and *pari passu* in payment or distribution to any Authority which has been required to make a payment in respect of its Guarantee, for application towards the discharge of the sums due from the Finance Company to each relevant Authority in respect of such Authority's right of subrogation;
- 6.8.3 pro rata and *pari passu* in payment or distribution to the Authorities which made Contribution Loans pursuant to a Further Contribution Notice, in proportion to the amounts of such Contribution Loans, for application towards the discharge of the sums due from the Finance Company to the relevant Authorities in respect of such Contribution Loans and any Contribution Interest thereon;
- 6.8.4 pro rata and *pari passu* in payment or distribution to the Authorities which made Contribution Loans pursuant to a Contribution Notice, in proportion to the amounts of such Contribution Loans, for application towards the discharge of the sums due from the Finance Company to the relevant Authorities in respect of such Contribution Loans and any Contribution Interest thereon; and
- 6.8.5 the balance, if any, to be held by the Company.

6.9 Payment obligations continue

Nothing in this Agreement shall release any Authority from the liability to make any Payment (including of default interest, which shall continue to accrue) under any Authority Loan.

6.10 Guiding principle

In addition to the specific obligations of the Company set out in this Agreement (including the obligation to issue Contribution Notices as set out in Clauses 6.3.1(a) and 6.3.1(b)):

- 6.10.1 in exercising any of its rights under this Agreement, the Company shall, where practicable, act with the aim of avoiding any demand on a Guarantee ever being made; and
- 6.10.2 the Company shall issue such Contribution Notices in accordance with Clause 6.3 as will ensure (provided the relevant Authorities comply with such Contribution Notices) that the Finance Company has sufficient funds to pay

amounts falling due under the Finance Company Documents to which it is a party and thus prevent any demands being made under any Guarantee.

7. RESIGNATION OF AN AUTHORITY

7.1.1 An Authority may resign from this Agreement only if:

- (a) any and all Liabilities of the relevant Authority to the Company have been fully and finally discharged to the satisfaction of the Company;
- (b) any and all Liabilities of the relevant Authority to the Finance Company have been fully and finally discharged to the satisfaction of the Company (acting as agent of the Finance Company); and
- (c) the Company is under no further obligations to provide financial accommodation (including, without limitation, any Authority Loan) to the relevant Authority.

7.1.2 If an Authority notifies the Company in writing that it wishes to resign from this Agreement, and requests that the Company confirm the above conditions to be satisfied, if such conditions are satisfied, the Company shall provide such confirmation within 10 Business Days of such request. Following such confirmation, the Authority may provide a further notice of resignation referring to this Clause 7.1.2, and upon such notice the relevant Authority shall cease to be an Authority under this Agreement and shall have no further rights or obligations under this Agreement as an Authority.

8. NOTICES

8.1 Communications in writing

Any communication to be made under or in connection with this Agreement shall be made in writing and, unless otherwise stated, may be made by letter sent by registered post or electronic mail. All communications made by electronic mail shall, unless otherwise agreed in writing between the relevant parties, be followed with a letter sent by registered post, and such letter will be the effective communication for the purposes of this Agreement, save that all communications under Clause 6.3 (*Contribution Notices*) shall be sent by electronic mail only and such communication shall be effective for the purposes of this Agreement.

8.2 Addresses

The address and electronic mail address (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with this Agreement is identified with its name below or will be set out in the relevant Authority Accession Deed, or any substitute address, email address or department or officer which that Party may notify to the Company (or the Company may notify to the other Parties, if a change is made by the Company) by not less than five Business Days' notice.

8.3 **Delivery**

Any communication or document made or delivered by one person to another under or in connection with this Agreement will only be effective:

1.1.1 if by way of letter, three Business Days after being sent by registered post to the relevant address; or

1.1.2 if by way of electronic mail, when actually received in readable form,

and, if a particular department or officer is specified as part of its address details provided under Clause 8.2 (*Addresses*), if addressed to that department or officer.

8.4 **English language**

Any notice and all other documents provided under or in connection with this Agreement must be in English.

9. **PRESERVATION**

9.1 **Partial invalidity**

If, at any time, any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of that provision under the law of any other jurisdiction will in any way be affected or impaired.

9.2 **No impairment**

If, at any time after its date, any provision of this Agreement is not binding on or enforceable in accordance with its terms against a person expressed to be a party to it, neither the binding nature nor the enforceability of that provision or any other provision of this Agreement will be impaired as against the other parties to this Agreement.

9.3 **Remedies and waivers**

No failure to exercise, nor any delay in exercising, on the part of any Party, any right or remedy under this Agreement shall operate as a waiver of any such right or remedy or constitute an election to affirm this Agreement. No single or partial exercise of any right or remedy shall prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

9.4 **Waiver of defences**

The provisions of this Agreement will not be affected by an act, omission, matter or thing which, but for this Clause 9.4, would reduce, release or prejudice the provisions

of this Agreement including (without limitation and whether or not known to any Party):

- 9.4.1 any time, waiver or consent granted to, or composition with, any Authority or other person;
- 9.4.2 the release of any Authority or any other person under the terms of any composition or arrangement with any creditor of the Company or the Finance Company;
- 9.4.3 the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Authority or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument;
- 9.4.4 any incapacity or lack of power, authority or legal personality of or dissolution or change in the status of any Authority or other person;
- 9.4.5 any amendment, novation, supplement, extension (whether of maturity or otherwise) or restatement (in each case, however fundamental and of whatsoever nature, and whether or not more onerous) or replacement of this Agreement or any other document;
- 9.4.6 any unenforceability, illegality or invalidity of any obligation of any person under this Agreement or any other document or security;
- 9.4.7 any intermediate Payment of any Liabilities of a Party in whole or in part; or
- 9.4.8 any insolvency or similar proceedings.

10. **CONFIDENTIALITY**

10.1 **Disclosure of Information**

Each Authority acknowledges that the Company will post information as regards such Authority onto its public website, as set out in Clause 4.3.1, and may provide copies of the Guarantee and any Supplemental Deed of Guarantee to various persons, including any Finance Company Creditor.

10.2 **Confidentiality**

Each Authority and the Company agrees to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by Clause 10.3 (*Disclosure of Confidential Information*), and to ensure that all Confidential Information is protected with security measures and a degree of care that would apply to its own confidential information.

10.3 **Disclosure of Confidential Information**

Each Party may disclose:

10.3.1 to any of its subsidiaries and any of its or their officers, directors, employees, professional advisers, auditors, partners and representatives such Confidential Information as such Party shall consider appropriate if any person to whom the Confidential Information is to be given pursuant to this Clause 10.3.1 is informed in writing of its confidential nature and that some or all of such Confidential Information may be commercially sensitive and/or price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information;

10.3.2 to any person:

- (a) to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation (including pursuant to a valid request under the Freedom of Information Act (2000));
- (b) to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes; or
- (c) with the consent of the relevant Party;

in each case, such Confidential Information as the Party shall consider appropriate if in relation to paragraphs 10.3.2(a) and 10.3.2(b) above, the person to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be commercially sensitive and/or price-sensitive information except that there shall be no requirement to so inform if, in the opinion of the relevant Party, it is not practicable so to do in the circumstances; and

10.3.3 to any rating agency (including its professional advisers) such Confidential Information as may be required to be disclosed to enable such rating agency to carry out its normal rating activities in relation to such Party if the rating agency to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be commercially sensitive and/or price-sensitive information.

10.4 **Inside information**

Each Party acknowledges that some or all of the Confidential Information is or may be commercially sensitive and/or price-sensitive information and that the use of such information may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and each Party undertakes not to use any Confidential Information for any unlawful purpose.

10.5 Notification of disclosure

Each Authority and the Company agrees (to the extent permitted by law and regulation) to inform the Company or the relevant Authority (as relevant):

10.5.1 of the circumstances of any disclosure of Confidential Information made pursuant to Clause 10.3.2(a) (*Disclosure of Confidential Information*) except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory function; and

10.5.2 upon becoming aware that Confidential Information has been disclosed in breach of this Clause 10.

10.6 Continuing obligations

The obligations in this Clause 10 are continuing and, in particular, shall survive and remain binding on each Party following termination of this Agreement.

11. COUNTERPARTS

This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

12. WAIVER OF IMMUNITY

To the extent that an Authority may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Authority or its assets or revenues, the Authority agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

13. GOVERNING LAW AND JURISDICTION

13.1 Governing Law

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

13.2 Jurisdiction

13.2.1 The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement or the consequences of its nullity or any non-contractual obligation arising out of or in connection with this Agreement) (a "**Dispute**").

13.2.2 The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.

This Agreement has been entered into on the date stated at the beginning of this Agreement and executed as a deed by the Parties.

**SCHEDULE 1
FORM OF AUTHORITY ACCESSION DEED**

THIS AGREEMENT is made on [date] and made between:

- (1) [Insert name of New Authority] (the "**Acceding Authority**"); and
- (2) **UK Municipal Bonds Agency PLC** (the "**Company**"), for itself and on behalf of the other Authorities which are currently parties to the framework agreement referred to below.

This Agreement is made on [date] by the Acceding Authority in relation to a local authority financing framework agreement (the "**Framework Agreement**") dated [●] between, amongst others, UK Municipal Bonds Agency PLC and the other Authorities (as defined in the Framework Agreement).

IT IS AGREED as follows:

- 1. Terms defined in the Framework Agreement shall, unless otherwise defined in this Agreement, bear the same meaning when used in this Agreement.
- 2. The Acceding Authority confirms that it intends to be party to the Framework Agreement as an Authority, undertakes to perform all the obligations expressed to be assumed by an Authority under the Framework Agreement and agrees that it shall be bound by all the provisions of the Framework Agreement as if it had been an original party to the Framework Agreement.
- 3. This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.
- 4. This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

THIS AGREEMENT has been executed as a deed by the Company and the Acceding Authority and is delivered on the date stated above.

The Acceding Authority

EXECUTED AS A DEED)
by [Name of Acceding Authority])

.....
.....

Address:

Email:

Attention:

The Company

EXECUTED AS A DEED)
by **UK Municipal Bonds Agency PLC**)

..... Director

..... Director/Secretary

**SCHEDULE 2
FORM OF GUARANTEE**

THIS DEED OF GUARANTEE (the "**Guarantee**") is made on [date] by:

- (1) **THE ENTITIES** named on the signing pages as Guarantors (the "**Original Guarantors**");

IN FAVOUR OF

- (2) **each Beneficiary** (as defined below).

1. DEFINITIONS

1.1 In this Guarantee:

"**Beneficiary**" means each and every Finance Company Creditor under each Finance Company Document from time to time.

"**Defaulting Guarantor**" has the meaning given to the term in Clause 9.3 of this Guarantee.

"**Finance Company**" means [New SPV].

"**Finance Company Creditor**" means each lender or other provider of credit or financial accommodation (or agent or trustee on their behalf) to the Finance Company pursuant to a Finance Company Document, which shall include (without limitation):

- (a) any trustee for itself in respect of a note trust deed entered into by the Finance Company, and on behalf of the holders of notes issued thereunder; and
- (b) each lender under each and any liquidity facility agreement or working capital facility agreement entered into by the Finance Company (as borrower).

"**Finance Company Document**" means any facility agreement, hedging arrangement or other instrument entered into by the Finance Company for any credit or other financial accommodation, as the same may be supplemented or amended from time to time.¹

"**Guaranteed Liabilities**" means any and all present and future obligations and liabilities at any time due, owing or incurred by the Finance Company to any Beneficiary arising under each Finance Company Document whether actual or contingent, whether originally incurred by the Finance Company or by any other person and whether incurred solely or jointly and whether as principal or surety or in any other capacity.

"**Guarantee Limit**" means, in relation to each demand under this Guarantee, a maximum amount which can be claimed from each Authority in respect of such demand, which in respect of each Authority shall be equal to:

¹ TBC whether Contribution Loans should be expressly excluded.

- (a) the aggregate Guaranteed Liabilities which are due and unpaid at such time and are being claimed pursuant to such demand (the "**Aggregate Demanded Amounts**"); multiplied by
- (b) the result of the fraction where the numerator is that Authority's Outstanding Loan Amount and the denominator is the Total Performing Outstanding Loan Amount, in each case as at the Reference Date,

provided that if any Authority fails (or refuses) to meet its payment obligations in respect of such demand under the Guarantee, the Total Performing Outstanding Loan Amount shall be deemed to be reduced by the aggregate Outstanding Loan Amount of such Authority and the Guarantee Limits shall be recalculated accordingly, and amounts in respect of the increased Guarantee Limits can be demanded by the Guarantor Agent on behalf of the Beneficiaries,

and provided further that no Authority shall be liable to meet a demand under this Guarantee if and to the extent that the aggregate amount that would have been paid by such Authority under this Guarantee and not otherwise recovered by such Authority would exceed the higher of (A) its Outstanding Loan Amount as at the date of the relevant demand; and (B) its Outstanding Loan Amount as at the date falling 10 Business Days prior to the date of the first demand on such Authority under this Guarantee.

"**Guarantor**" means each Original Guarantor and any person which becomes a Party as a Guarantor by executing a supplement to the Guarantee, in or substantially in the form set out in the Annex to this Guarantee (*Form of Accession to the Deed of Guarantee*).

"**Guarantor Agent**" means [●] or any replacement thereof appointed for the purpose of this Guarantee and notified by the Finance Company to each Beneficiary in accordance with the notice provisions of the relevant Finance Company Document.

"**Outstanding Loan Amount**" means, in relation to an Authority and at any time, the aggregate principal amount outstanding (or in relation to any index-linked Authority Loan, the nominal amount outstanding) at that time under all Authority Loans between the Finance Company and the relevant Authority.

"**Total Performing Outstanding Loan Amount**" means, at any time, the aggregate of each Authority's Outstanding Loan Amount at that time, less the aggregate Outstanding Loan Amount of each Defaulting Guarantor.

2. **GUARANTEE**

2.1 Subject to the Guarantee Limit, each Guarantor irrevocably and unconditionally:

2.1.1 guarantees to each Beneficiary the due and punctual payment of all sums from time to time payable by the Finance Company in respect of the Guaranteed Liabilities as and when the same become due and payable, and accordingly undertakes to pay to each Beneficiary, forthwith upon demand in accordance with this Guarantee, and in the manner prescribed in the Finance Company Document, any and every sum which the Finance Company is at any time liable

to pay in respect of the Guaranteed Liabilities and which the Finance Company has failed to pay; and

- 2.1.2 agrees as a primary obligation to indemnify each Beneficiary from time to time, forthwith upon demand in accordance with this Guarantee, from and against any loss, liability or cost incurred by such Beneficiary as a result of any such Guaranteed Liability being or becoming void, voidable, unenforceable or ineffective as against the Finance Company for any reason whatsoever, whether or not known to such Beneficiary, the amount of such loss being the amount which such Beneficiary would otherwise have been entitled to recover from the Finance Company.

Without prejudice to the Guarantee Limit, the indemnity under clause 2.1.2 constitutes a separate and independent obligation from the other obligations under this Guarantee and shall give rise to a separate and independent course of action.

3. PRESERVATION OF RIGHTS

- 3.1 The obligations of each Guarantor hereunder shall be deemed to be undertaken as principal obligor and not merely as surety.
- 3.2 The obligations of the Guarantors contained in this Guarantee shall be in addition to and independent of every other security which any Beneficiary may at any time hold in relation to any of the Guaranteed Liabilities.
- 3.3 Neither the obligations of the Guarantors contained in this Guarantee nor the rights, powers and remedies conferred in respect of the Guarantors upon the Beneficiaries by this Guarantee or by law shall be discharged, impaired or otherwise affected by:
- 3.3.1 the winding-up, dissolution, administration or reorganisation of the Finance Company or any other person or any change in its status, function, control or ownership;
- 3.3.2 any of the Guaranteed Liabilities or any of the obligations of the Finance Company or any other person under any security relating to any of the Guaranteed Liabilities being or becoming illegal, invalid, unenforceable or ineffective in any respect;
- 3.3.3 any time or other indulgence being granted or agreed to be granted to the Finance Company or any other person in respect of any of the Guaranteed Liabilities or under any other security;
- 3.3.4 any amendment, novation, supplement, extension, (whether of maturity or otherwise) or restatement (in each case, however fundamental and of whatsoever nature) or replacement, waiver or release of, any of the Guaranteed Liabilities or any obligation of any person under any other security or other guarantee or indemnity in respect thereof including without limitation any change in the purposes for amounts obtained pursuant to a Finance Company Document are to be applied and any extension of or any increase of the obligations of the Finance Company under any Finance Company Documents

or the addition of any new obligations for the Finance Company under the Finance Company Documents;

- 3.3.5 any increase in the Guaranteed Liabilities;
 - 3.3.6 any failure to take, or fully to take, any security agreed to be taken in relation to any of the Guaranteed Liabilities;
 - 3.3.7 any failure to realise or fully to realise the value of, or any release, discharge, exchange or substitution of, any security taken in respect of any of the Guaranteed Liabilities; or
 - 3.3.8 any other act, event or omission which, but for this Clause 3.2, might operate to discharge, impair or otherwise affect any of the obligations of the Guarantor contained in this Guarantee or any of the rights, powers or remedies conferred upon any Beneficiary by this Guarantee or by law.
- 3.4 Any settlement or discharge given by any Beneficiary to any Guarantor in respect of such Guarantor's obligations under this Guarantee or any other agreement reached between any Beneficiary and such Guarantor in relation to it shall be, and be deemed always to have been, void if any act on the faith of which the relevant Beneficiary gave such Guarantor that settlement or discharge or entered into that agreement is subsequently avoided by or in pursuance of any provision of law.
- 3.5 The Beneficiaries shall not be obliged before exercising any of the rights, powers or remedies conferred upon them in respect of the Guarantors by this Guarantee or by law:
- 3.5.1 to make any demand of the Finance Company (save, where the Beneficiary is claiming in respect its rights as a holder of a note issued pursuant to a trust deed entered into by the Finance Company, for the presentation of such note);
 - 3.5.2 to take any action or obtain judgment in any court against the Finance Company;
 - 3.5.3 to make or file any claim or proof in a winding-up or dissolution of the Finance Company; or
 - 3.5.4 to enforce or seek to enforce any security taken in respect of any of the obligations of the Finance Company in respect of the Guaranteed Liabilities,
- and (save as aforesaid) the Guarantors hereby expressly waives presentment, demand, protest and notice of dishonour in respect of any note issued pursuant to a trust deed entered into by the Finance Company.
- 3.6 Each Guarantor agrees that, so long as an amount owing by the Finance Company in respect of any of the Guaranteed Liabilities is overdue, such Guarantor shall not exercise any rights which it may at any time have by reason of performance by it of its obligations under this Guarantee:
- 3.6.1 to be indemnified by the Finance Company or to receive any collateral from the Finance Company;

- 3.6.2 to claim any contribution from any other guarantor of any of the Guaranteed Liabilities; and/or
- 3.6.3 to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of a Beneficiary in respect of any of the Guaranteed Liabilities or of any other security taken pursuant to, or in connection with, any of the Guaranteed Liabilities by any Beneficiary.

4. **REPRESENTATIONS AND WARRANTIES**

Each Guarantor represents in respect of itself that:

- 4.1.1 it has and will have the necessary power to enable it to enter into and perform its obligations under this Guarantee;
- 4.1.2 this Guarantee constitutes its legal, valid and binding obligations, enforceable against it in accordance with its terms;
- 4.1.3 all necessary authorisations to enable it to enter into this Guarantee have been obtained and are and will remain in full force and effect; and
- 4.1.4 the execution, delivery and performance of this Guarantee will not:
 - (a) conflict with any law or regulation applicable to it, its constitutional documents or any agreement or instrument binding upon it or any of its assets; or
 - (b) constitute a default or termination event (however described) under any agreement or instrument binding on it or any of its assets.

5. **PAYMENTS**

All payments to be made by the Guarantors to a Beneficiary under this Guarantee shall be made without set-off or counterclaim and without any deduction or withholding whatsoever, whether on account of taxes or otherwise. If the Guarantors are obliged by law to make any deduction or withholding from any such payment, subject to the Guarantee Limit, the amount due from the Guarantors in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the Beneficiary receives a net amount equal to the amount the Beneficiary would have received had no such deduction or withholding been required to be made.

6. **CONTINUING SECURITY**

Subject to the Guarantee Limit, the obligations of the Guarantors contained in this Guarantee shall constitute and be continuing obligations notwithstanding any settlement of account or other matter or thing whatsoever, and shall not be considered satisfied by any intermediate payment or satisfaction of all or any of the obligations of the Finance Company in relation to any of the Guaranteed Liabilities and shall continue in full force and effect until final payment in full of all amounts owing by the Finance Company in respect of the Guaranteed Liabilities and total satisfaction of all the Finance Company's actual and contingent obligations in relation to the Guaranteed

Liabilities. If for any reason this Guarantee ceases to be a continuing security, any Beneficiary may either continue any then existing account(s) or open new account(s) for the Finance Company, but in any case the Guarantors' obligations under this Guarantee shall be unaffected by, and shall be calculated without regard to, any payment into or out of any such account after this Guarantee has ceased to be a continuing security.

7. **TERMINATION OF GUARANTEE**

Any Guarantor may terminate this Guarantee as a continuing security by notice to the Finance Company and the Guarantor Agent if the Outstanding Loan Amount relating to such Guarantor has been zero for at least 10 Business Days and there are no amounts then due but unpaid under the Finance Company Documents.

8. **SUSPENSE ACCOUNT**

All monies received, recovered or realised by the Guarantor Agent on behalf of any Beneficiary under or pursuant to this Guarantee (including the proceeds of any conversion of currency) may in its discretion be credited to and held in any suspense or impersonal account pending their application from time to time in or towards the discharge of this Guarantee.

9. **DEMANDS**

- 9.1 Each Beneficiary shall be entitled to instruct the Guarantor Agent in relation to any demand under this Guarantee (the "**Guarantee Demand Instruction**") which Guarantee Demand Instruction shall set out the amount to be demanded pursuant to this Guarantee. Any Guarantee Demand Instruction in respect of this Guarantee shall be served by leaving it at the address of the Guarantor Agent as specified in Clause 11 below (*Notices*) (or such other address as the Guarantor Agent may specify by notice, from time to time, to each Finance Company Creditor in accordance with the relevant Finance Company Document) or by letter posted by registered post to such address.
- 9.2 Upon valid receipt of a Guarantee Demand Instruction, the Guarantor Agent shall promptly, and in any case, within 1 Business Day of receipt of the Guarantee Demand Instruction, present to the Guarantors a demand for immediate payment from the Guarantors (a "**Guarantee Demand**") in respect of their respective Guaranteed Liabilities pursuant to Clause 2 (*Guarantee*) hereof (and subject to the Guarantee Limit), which amount shall be paid to the Guarantor Agent by the Guarantors by no later than 11 a.m. on the fifth Business Day after the date of the Guarantee Demand.
- 9.3 In the event that any Guarantor fails to pay, and, for the avoidance of doubt, has not already paid an amount equal to the Guarantee Limit to the Guarantor Agent or Finance Company, pursuant to Clause 9.2 above, an amount equal to its Guaranteed Liabilities by 11 a.m. on the fifth Business Day after the date of the Guarantee Demand, that Guarantor shall be a "**Defaulting Guarantor**" and the Guarantor Agent shall calculate the additional amount to be demanded from each Guarantor other than each Defaulting Guarantor, to ensure the Guarantor Agent receives in aggregate the amount set out in the Guarantee Demand Instruction (taking into account any amounts already received). Promptly following such calculation (and in any event no later than the sixth Business Day after the date of the first Guarantee Demand, the Guarantor Agent shall issue a

notice (a "**Further Guarantee Demand**") to each Guarantor (other than each Defaulting Guarantor), which shall set out the further amount to be paid by such Guarantor, and such amount shall be paid to the Guarantor Agent by such Guarantor by no later than 11 a.m. on the third Business Day after the date of such Further Guarantee Demand. In the event that any Guarantor fails to pay the amount demanded in a Further Guarantee Demand, the provisions of this Clause 9.3 may be repeated until the Guarantor Agent holds funds equal to the amount specified as to be demanded under the Guarantee Demand Instruction.

- 9.4 On receipt by the Guarantor Agent of funds equal to the amount specified as to be demanded under the Guarantee Demand Instruction (and Further Demand Guarantee ,if applicable), the Guarantor Agent shall transfer such amounts to the relevant Beneficiary (unless the Beneficiary notifies the Guarantor Agent that it has received all amounts due to it, in which case the Guarantor Agent will return such amounts to the relevant Guarantors).

10. NOTICES

All notices, instructions and other communications hereunder shall be made in writing and in English (by letter sent by registered post or electronic mail) and shall be sent as follows (or in each case to such other address, email address or for the attention of such other person or department as the relevant party has notified to the Finance Company and the Guarantor Agent):

- 10.1 If to the Guarantor Agent, to it at:

[Address]
Email:
Attention: [•]

- 10.2 If to the Finance Company, to it at:

[Address]
Email:
Attention: [•]

- 10.3 If to the Guarantors, to each at the address set out with its signature below or in the relevant Supplemental Deed of Guarantee with a copy to the Company (at the address set out with its signature below).

Every notice or other communication sent in accordance with this Clause 10 (*Notices*) will only be effective:

- (a) if by way of letter, three Business Days after being sent by registered post to the relevant address; and
- (b) if by way of electronic mail, when actually received in readable form,

and, if a particular department or officer is specified as part of its address details provided above, if addressed to that department or officer, **provided that** any such notice or other communication which would otherwise take effect (a) on a day which

is not a business day in the place of the addressee or (b) after 4.00 p.m. on any particular day shall not, in either case, take effect until 10.00 a.m. on the immediately succeeding business day in the place of the addressee.

11. ASSIGNMENTS AND SUCCESSORS

11.1 Each Beneficiary may at any time assign all or any of its rights and benefits under this Guarantee and this Guarantee shall remain in effect despite any amalgamation or merger (however effected) relating to any Beneficiary. References to a Beneficiary or the Beneficiaries shall be deemed to include any assignee or successor in title of a Beneficiary and any person who, under the laws of its jurisdiction of incorporation or domicile, has assumed the rights and obligations of a Beneficiary under this Guarantee or to which under such laws the same have been transferred.

11.2 Any statutory successor to any Guarantor shall, on the date on which the relevant amending legislation is enacted and to the extent permitted by such amending legislation or any other applicable laws, become a successor Guarantor under this Guarantee without the execution or filing of any paper or any further act of any Guarantor, the Guarantor Agent or a Beneficiary and, from such date, all references in this Guarantee to such Guarantor shall be construed accordingly. Each such successor Guarantor shall execute all such further documents and do all such further acts and things as may be necessary at any time or times to give effect to the provisions of this Guarantee.

12. BENEFIT OF GUARANTEE

This Guarantee shall take effect as a deed for the benefit of the Beneficiaries from time to time.

13. PARTIAL INVALIDITY

If at any time, any provision of this Guarantee is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of this Guarantee nor of such provisions under the law of any other jurisdiction shall in any way be affected or impaired thereby.

14. WAIVER OF IMMUNITY

To the extent that any Guarantor may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to such Guarantor or its assets or revenues, such Guarantor agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

15. LAW AND JURISDICTION

This Guarantee and any non-contractual obligations arising out of or in connection with it shall be governed by English law and the English courts shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Guarantee (including a dispute relating to the existence, validity or termination of this

Guarantee or the consequences of its nullity or any non-contractual obligation arising out of or in connection with this Guarantee).

This Deed may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Deed.

IN WITNESS WHEREOF this Guarantee has been executed as a deed by the Guarantors and is intended to be and is hereby delivered by it as a deed on the date specified above.

EXECUTED as a DEED
by [GUARANTORS]

Address:

Email:

Attention:

[Replicate signature block per Guarantor as necessary]

ANNEX TO GUARANTEE

FORM OF ACCESSION TO THE DEED OF GUARANTEE

THIS DEED POLL is made on [date] and is supplemental to the deed of guarantee (the "**Guarantee**") dated [●] and made by [●], [●] and [●] as Original Authorities.

[Acceding Authority] (the "**New Guarantor**") of [address] agrees that, with effect from [Insert Date], the New Guarantor will be bound by the Guarantee as a Guarantor in respect of, *inter alia*, each and every obligation and liability of the Finance Company relating to the Guaranteed Liabilities (subject to the Guarantee Limit) as more fully set out in the Guarantee.

The New Guarantor also agrees as follows:

1. Terms defined in the Guarantee shall, unless otherwise defined in this Deed, bear the same meaning when used in this Deed.
2. The New Guarantor confirms that it intends to be party to the Guarantee as a Guarantor, undertakes to perform all the obligations expressed to be assumed by a Guarantor under the Guarantee and agrees that it shall be bound by all the provisions of the Guarantee as if it had been an original party to the Guarantee.
3. This Deed shall take effect as a deed poll for the benefit of the Beneficiaries from time to time.
4. This Deed and any non-contractual obligations arising out of or in connection with it shall be governed by English law and the English courts shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Deed (including a dispute relating to the existence, validity or termination of this Deed or the consequences of its nullity or any non-contractual obligation arising out of or in connection with this Deed).
5. Upon execution of this Deed, the New Guarantor shall promptly send a copy of this fully executed Deed to the Guarantor Agent.

THIS DEED has been executed as a deed by the New Guarantor and is delivered on the date stated above.

EXECUTED AS A DEED)
by [NEW GUARANTOR])

.....
.....

Address:

Email:

Attention:

SCHEDULE 3
LOAN STANDARD TERMS

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In these Standard Terms:

"Agreement" means these Standard Terms as supplemented, amended and/or replaced by the relevant Loan Confirmation.

"Assignment Effective Date" means the Utilisation Date, immediately following the utilisation of the Loan.

"Authorisation" means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

"Business Day" means a day (other than a Saturday or Sunday) on which banks are open for general business in London.

"Change of Status" means any legislative amendment which results in any Authority ceasing to be treated as a "local authority", "council" and/or "District Council" within the meaning of (as applicable) either:

- (a) the Local Government Act 2003;
- (b) the Local Government etc. (Scotland) Act 1994; or
- (c) Local Government Act (Northern Ireland) 2014,

or in each case, any re-enactment or amendment thereof, or any other legislation which regulates local authorities, councils and/or District Councils.

"Day Count Fraction" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in the relevant Loan Confirmation and:

- (a) if "**Actual/Actual (ICMA)**" is so specified, means:
 - (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of

(1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(b) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(c) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"Default" means an Event of Default or any event or circumstance specified in Clause 13 (*Events of Default*) which would (with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing) be an Event of Default.

"Determination Date" means:

(a) in the case of a prepayment under Clause 6.3 (*Voluntary Prepayment*), a date selected by the Lender falling after delivery of the notice of prepayment by the Authority to the Lender but before the date falling 30 days prior to the date of prepayment; or

(b) in the case of a prepayment following an Event of Default, any date selected by the Lender falling on or after the occurrence of the Event of Default.

"Event of Default" has the meaning given to such term in Clause 13.

"Final Repayment Date" means the date specified as such in the relevant Loan Confirmation.

"Finance SPV" has the meaning given to it in the relevant Loan Confirmation.

"Framework Agreement" means the local authority financing framework agreement dated [•] 2020 between, amongst others, UK Municipal Bonds Agency PLC and the Authority.

"Gross Redemption Yield" means a yield calculated in accordance with principles consistent with those used in the United Kingdom Debt Management Office notice "*Formulae for Calculating Gilt Prices from Yields*" page 5, Section One: Price/Yield Formulae "*Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date*" published on 8 June 1998 and updated on 15 January 2002 and 16 March 2005 (and as further updated, supplemented, amended or replaced from time to time).

"Increased Costs" means:

- (a) a reduction in the rate of return from the Loan or on the Lender's overall capital;
- (b) an additional or increased cost; or
- (c) a reduction of any amount due and payable under the Agreement,

which is incurred or suffered by the Lender, and in respect of paragraphs (a) and (b) above only, to the extent that it is attributable to the Lender having entered into a commitment or funding or performing its obligations under the Agreement.

"Interest Payment Date" has the meaning given in the relevant Loan Confirmation.

"Interest Period" means each period beginning on (and including) the Utilisation Date (in respect of the first Interest Period) or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date.

"Interest Rate" has the meaning given in the relevant Loan Confirmation.

"Lender" means the Original Lender or, on and following the Assignment Effective Date, the Finance SPV.

"Loan" has the meaning given to such term in Clause 2.

"Loan Confirmation" means a loan confirmation in the form set out in Schedule 4 to the Framework Agreement, with such terms as may be agreed between the Original Lender and the Authority.

"Material Adverse Effect" means a material adverse effect on the status or governance of the Authority, its assets, its operations, its condition (financial or otherwise), its prospects or its ability to comply with the Agreement.

"Original Lender" means UK Municipal Bonds Agency PLC.

"Prepayment Amount" has the meaning given in the relevant Loan Confirmation, provided that if "Make-Whole" amount is specified in the relevant Loan Confirmation, it shall mean the amount equal to the principal amount outstanding of the Loan to be prepaid multiplied by the higher of:

- (a) 1; and
- (b) the price (as reported to the Lender by a leading broker and/or primary dealer operating in the gilt-edged market selected by the Lender) expressed as a percentage and rounded up to four decimal places at which the Gross Redemption Yield on the Loan (if the Loan was to remain outstanding to its original Repayment Date(s)), on the Determination Date would be equal to the sum of the Gross Redemption Yield on the Determination Date of the Reference Gilt and the Prepayment Margin.

"Prepayment Margin" has the meaning given in the relevant Loan Confirmation (if applicable).

"Principal Amount" has the meaning given in the relevant Loan Confirmation.

"Reference Gilt" has the meaning given in the relevant Loan Confirmation (if applicable).

"Regular Period" means:

- (a) where interest is scheduled to be paid only by means of regular payments, each period from and including the Utilisation Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (b) where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

"Representations" means the representations set out in Clause 12 (*Representations*) or specified as additional Representations in the relevant Loan Confirmation.

"Taxes" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

"Tax Deduction" means a deduction or withholding for or on account of Tax from a payment under the Agreement.

"Utilisation Date" has the meaning given in the relevant Loan Confirmation.

"Voluntary Prepayment Date(s)" has the meaning given in the relevant Loan Confirmation.

1.2 Construction

1.2.1 Unless a contrary indication appears, a reference in these Standard Terms to:

- (a) any person shall be construed so as to include its successors in title permitted assigns and permitted transferees to, or of, its rights and/or obligations under these Standard Terms;
- (b) any agreement or instrument is a reference to that agreement or instrument as amended, novated, supplemented, extended or restated in accordance with its terms;

- (c) "**indebtedness**" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
- (d) a "**person**" includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium, partnership or other entity (whether or not having separate legal personality);
- (e) a "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation; and
- (f) a provision of law is a reference to that provision as amended or re-enacted.

1.2.2 Clause and Schedule headings are for ease of reference only.

2. **THE FACILITY**

Subject to the terms of the Agreement, the Lender makes available to the Authority on the Utilisation Date a sterling term loan facility (the "**Loan**") in an amount equal to the Principal Amount.

3. **CONDITIONS PRECEDENT**

The Lender will only be obliged to make the Loan available to the Authority if:

- 3.1 it has received prior to the Utilisation Date, in form and substance satisfactory to it:
 - 3.1.1 evidence of the authority of a specified person or persons, on behalf of the Authority, to sign and/or despatch all documents and notices to be signed and/or despatched by it under or in connection with the Loan, and a specimen of the signature of each person so authorised;
 - 3.1.2 a copy of the Loan Confirmation in the form agreed between the Lender and the Authority executed by the Lender and the Authority; and
 - 3.1.3 any other conditions precedent set out in the relevant Loan Confirmation;
- 3.2 on the Utilisation Date no Event of Default is continuing or would result from the proposed Loan and the Representations are true in all material respects and the Authority provides the Lender with a certificate dated the Utilisation Date confirming the same; and
- 3.3 on or prior to the Utilisation Date, the Lender has received the funds it expects to receive on or by such date pursuant to any funding arrangements which the Lender entered into in order to fund the making of the Loan.

4. **UTILISATION**

If the conditions set out in Clause 3 have been met, the Lender shall make the Loan to the Authority on the Utilisation Date.

5. **REPAYMENT**

5.1 The Authority shall repay the Loan on the Repayment Date(s) and in the amounts set out in the relevant Loan Confirmation.

5.2 The Authority may not reborrow any part of the Loan which is repaid.

6. **PREPAYMENT**

6.1 **Illegality Prepayment**

If, in any applicable jurisdiction, it becomes unlawful for the Lender to perform any of its obligations as contemplated by the Agreement or to fund or maintain the Loan:

6.1.1 the Lender shall promptly notify the Authority upon becoming aware of that event whereupon the Loan will be immediately cancelled; and

6.1.2 the Authority shall repay the Loan on the Interest Payment Date immediately following the date on which the Lender has notified the Authority, or if earlier, the date specified by the Lender in the notice delivered to the Authority, together with interest accrued (if any).

6.2 **Mandatory prepayment of funding arrangements**

If the Lender is required to prepay any funding which the Lender entered into in order to fund the making of the Loan, the Lender shall promptly notify the Authority of such requirement and the Authority shall repay the Loan on the Interest Payment Date immediately following the date on which the Lender has notified the Authority, or if earlier, the date specified by the Lender in the notice delivered to the Authority, together with interest accrued (if any).

6.3 **Voluntary Prepayment for Tax**

If the Authority is required to pay any additional amounts pursuant to Clause 9 (*Tax Gross Up*), the Authority may elect to prepay the Loan in whole on any Interest Payment Date at the relevant Prepayment Amount on the Authority giving not less than 60 days' notice to the Lender (which notice shall be irrevocable and shall oblige the Authority to prepay the Loan in whole plus accrued interest (if any) to such date).

6.4 **Change of Status**

If at any time a Change of Status occurs then the Lender may by notice to the Authority require it to prepay the Loan on the Interest Payment Date immediately following the date of such notice, together with interest accrued (if any).

6.5 Voluntary Prepayment

If Voluntary Prepayment is specified as applicable in the relevant Loan Confirmation, the Loan may be prepaid at the option of the Authority in whole or in part on any Voluntary Prepayment Date at the relevant Prepayment Amount on the Authority giving not less than 60 days' notice to the Lender, or such other period(s) as may be specified in the relevant Loan Confirmation (which notice shall be irrevocable and shall oblige the Authority to prepay the Loan in whole or, as the case may be, in part, as specified in such notice on the relevant Voluntary Prepayment Date at the Prepayment Amount plus accrued interest (if any) to such date), provided that the Loan may not be prepaid pursuant this Clause prior to the date falling 12 months after the Utilisation Date or following the date falling 12 months prior to the Final Repayment Date.

6.6 No other prepayment

The Authority shall not, without the prior written consent of the Lender, be entitled to prepay the Loan otherwise than as provided in Clauses 6.1 to 6.5 above.

7. INTEREST

7.1 Calculation of interest

7.1.1 Interest shall accrue on the Loan at the Interest Rate, and shall be payable in arrear on each Interest Payment Date (subject as provided in Clause 8 (*Payments*)).

7.1.2 The amount of interest payable in respect of the Loan for any period shall be calculated by applying the Interest Rate to the principal amount of the Loan, and multiplying the product by the Day Count Fraction, rounding the resulting figure to the nearest penny (half a penny being rounded upwards).

7.2 Default Interest

7.2.1 If the Authority fails to pay any amount payable by it under the Agreement on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which is two per cent. per annum above the Interest Rate.

7.2.2 Any interest accruing under this Clause 7.2 shall be immediately payable by the Authority on demand by the Lender.

7.2.3 Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period but will remain immediately due and payable.

8. PAYMENTS

8.1 If any sum falls due on a day that is not a Business Day, payment will be postponed to the next Business Day or, if such day would fall in the next succeeding calendar month, the immediately preceding Business Day.

- 8.2 The Authority shall fund all payments due to the Lender under the Agreement by transferring the relevant amounts to an account nominated by the Lender by no later than 11 a.m. on the tenth Business Day in respect of principal, or the fifth Business Day in respect of any other amounts, prior to the due date of such amount (the required date for transfer in respect of each payment being the "**Funding Date**").
- 8.3 Any adjustment to the date of payment as a result of this Clause 8 shall not result in a corresponding adjustment in the amount payable on such date.
- 8.4 In respect of payments of principal only, any amount of interest which the Lender actually obtains by placing the amounts received by it from the Authority pursuant to Clause 8.2 in an interest-bearing account or on deposit with a bank following receipt of such amounts up until no later than the due date of such amounts shall, to the extent reasonably practicable, be for the account of the Authority, **provided that** nothing in this Clause 8.4 shall oblige the Lender to place such amounts in an interest-bearing account or on deposit.

9. **TAX GROSS UP**

- 9.1 The Authority shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.
- 9.2 If a Tax Deduction is required by law to be made by the Authority, the amount of the payment due from the Authority shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.
- 9.3 If the Lender is required to make a Tax Deduction in respect of any funding arrangement which the Lender entered into in order to fund the making of the Loan, the Lender shall promptly notify the Authority of such requirement and the Authority shall pay such amount as the Lender certifies to the Authority as being the amount required to meet its obligations.

10. **INCREASED COSTS**

10.1 **Increased costs**

Subject to Clause 10.3 (*Exceptions*) the Authority shall, within three Business Days of a demand by the Lender, pay for the account of the Lender the amount of any Increased Costs incurred by the Lender as a result of:

10.1.1 the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation after the date of the Agreement; or

10.1.2 compliance with any law or regulation made after the date of the Agreement.

10.2 **Increased cost claims**

If the Lender intends to make a claim pursuant to Clause 10.1 (*Increased costs*), the Lender shall promptly notify the Authority.

10.3 **Exceptions**

Clause 10.1 (*Increased costs*) does not apply to the extent any Increased Cost is:

10.3.1 attributable to a deduction or withholding for or on account of UK Taxes required by law to be made by the Authority; or

10.3.2 attributable to the wilful breach by the Lender of any law or regulation.

11. **INDEMNITY**

11.1 **Indemnity**

11.1.1 The Authority shall, within three Business Days of demand, indemnify the Lender against any cost, loss or liability incurred by the Lender as a result of:

- (a) the occurrence of any Event of Default;
- (b) a failure by the Authority to pay any amount due under the Agreement on its due date or otherwise to comply with Clause 8.2 (*Payments*);
- (c) funding, or making arrangements to fund, the Loan where the Loan is not made by reason of the operation of any one or more of the provisions of the Agreement (other than by reason of default or negligence by the Lender); or
- (d) the Loan not being prepaid in accordance with a notice of prepayment given by the Authority.

11.1.2 The Authority shall promptly indemnify the Lender against any cost, loss or liability incurred by the Lender (acting reasonably) as a result of:

- (a) investigating any event which it reasonably believes is a Default; or
- (b) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised.

11.2 **Enforcement costs**

The Authority shall, within three Business Days of demand, pay to the Lender the amount of all costs and expenses (including legal fees) incurred by the Lender in connection with the enforcement of, or the preservation of any rights under, the Agreement.

12. **REPRESENTATIONS**

The Authority makes the representations and warranties set out in this Clause 12 on the date of the Agreement.

12.1 **Binding Obligations**

The obligations expressed to be assumed by it in the Agreement are legal, valid, binding and enforceable obligations.

12.2 **Non-conflict with other obligations**

The entry into and performance by it of, and the transactions contemplated by, the Agreement do not and will not conflict with:

12.2.1 any law or regulation applicable to it;

12.2.2 its constitutional documents; or

12.2.3 any agreement or instrument binding upon it or any of its assets.

12.3 **Power and authority**

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Agreement and the transactions contemplated by the Agreement.

12.4 **Compliance with statutory requirements**

In entering into the Agreement and borrowing thereunder, it is acting in compliance with all statutory requirements relating to borrowing which are applicable to it, including (without limitation) the prudential framework established by Part 1 of the Local Government Act 2003 and related regulations, including the Prudential Code for Capital Finance in Local Authorities published by CIPFA, as amended or reissued from time to time.

12.5 **Validity and admissibility in evidence**

All Authorisations required or desirable:

12.5.1 to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Agreement; and

12.5.2 to make the Agreement admissible in evidence,

have been obtained or effected and are in full force and effect.

12.6 **Pari passu ranking**

Its obligations in respect of the Loan will be secured by a statutory charge under Section 13(3) of the Local Government Act 2003 and such obligations and charge will rank at least *pari passu* with all its obligations to other lenders.

12.7 **No proceedings**

12.7.1 No litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency which, if adversely determined, might reasonably be expected to have a Material Adverse Effect has or have (to the best of its knowledge and belief) been started or threatened against it.

12.7.2 No judgment or order of a court, arbitral tribunal or other tribunal or any order or sanction of any governmental or other regulatory body which is reasonably

likely to have a Material Adverse Effect has (to the best of its knowledge and belief (having made due and careful enquiry)) been made against it or its assets.

12.8 **Repetition**

The foregoing Representations, and any additional Representations specified in the relevant Loan Confirmation, are deemed to be repeated by the Authority by reference to the facts and circumstances then existing, on the date of the relevant Loan Confirmation, on the Utilisation Date and on each Interest Payment Date.

13. **EVENTS OF DEFAULT**

Save for the final paragraph in this Clause 13, each of the events or circumstances set out in this Clause 13 is an Event of Default:

- 13.1 The Authority fails to pay any amount due under the Agreement on its due date or to comply with Clause 8.2 (*Payments*);
- 13.2 The Authority is in breach of any other obligation under the Agreement and has failed to remedy same within 15 calendar days of being requested to do so;
- 13.3 The Authority is unable to pay its debts as they fall due;
- 13.4 The Authority enters into any composition with its creditors;
- 13.5 The High Court has appointed a receiver under Section 13(5) of the Local Government Act 2003 in respect of the Authority;
- 13.6 The Authority is dissolved or otherwise ceases to exist (other than as a result of the enactment of legislation creating a statutory successor to the Authority which becomes responsible for substantially all of the Authority's obligations, including hereunder);
- 13.7 The Authority fails to pay on its due date any amount due under the Framework Agreement;
- 13.8 An event of default (howsoever described) occurs under any other loan agreement, Loan Confirmation or other instrument evidencing indebtedness of the Authority to the Lender; or
- 13.9 The occurrence of any additional Event of Default specified in the relevant Loan Confirmation.

On, or at any time after the occurrence of an Event of Default, the Lender may, by notice to the Authority declare that the Loan, together with accrued interest be immediately due and payable, at which time they shall become immediately due and payable at the Prepayment Amount.

14. CHANGES TO THE LENDER AND AUTHORITY

14.1 Transferability of the Lender's rights and obligations

The Lender may not assign any of its rights or transfer any of its rights and obligations in respect of the Agreement without the consent of the Authority, other than (i) an assignment from the Original Lender to the Finance SPV or (ii) any transfer following the occurrence of an Event of Default which is continuing.

On the Assignment Effective Date, the Original Lender will assign absolutely to the Finance SPV all the rights of the Original Lender under the Agreement.

14.2 Transferability of the Authority's rights and obligations

The Authority may not assign or transfer any of its rights or obligations under the Agreement, other than pursuant to this Clause 14.2. Any statutory successor to the Authority shall, on the date on which the relevant amending legislation is enacted and to the extent permitted by such amending legislation or any other applicable laws, become the successor Authority under the Agreement without the execution or filing of any paper or any further act of either the Authority or the Lender and, from such date, all references in the Agreement to the Authority shall be construed accordingly. Each such successor Authority shall execute all such further documents and do all such further acts and things as may be necessary at any time or times in the opinion of the Lender to give effect to the provisions of the Agreement.

15. MISCELLANEOUS

15.1 Account details

All payments to the Lender in respect of the Loan should be made to the account specified in the relevant Loan Confirmation, and as updated by notice from the Lender to the Authority from time to time.

15.2 Third Party Rights

A person who is not a party to the Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of the Agreement.

15.3 Notices

15.3.1 Any communication to be made under or in connection with the Agreement shall be made in writing and, unless otherwise stated, may be made by letter sent by registered post or electronic mail. Unless otherwise agreed in writing between the Lender and the Authority, all communications made by electronic mail shall be followed with a letter sent by registered post, and such letter will be the effective communication for the purposes of the Agreement.

15.3.2 The address and electronic mail address (and the department or officer, if any, for whose attention the communication is to be made) of each party for any communication or document to be made or delivered under or in connection with the Agreement shall be as specified in the Loan Confirmation, or any

substitute address, email address or department or officer which that party may notify to the other party by not less than five Business Days' notice.

15.3.3 Any such communication will only be effective:

- (a) if by way of letter, three Business Days after being sent by registered post to the relevant address; or
 - (b) if by way of electronic mail, when actually received in readable form,
- and, if a particular department or officer is specified as part of its address details, if addressed to that department or officer.

15.3.4 Any notice and all other documents provided under or in connection with this Agreement must be in English.

16. **GOVERNING LAW AND JURISDICTION**

16.1 **Governing Law**

The Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

16.2 **Jurisdiction**

The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with the Agreement (including a dispute relating to the existence, validity or termination of the Agreement or the consequences of its nullity or any non-contractual obligations arising out of or in connection with the Agreement).

17. **COUNTERPARTS**

This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

SCHEDULE 4
FORM OF LOAN CONFIRMATION

Date:

This Loan Confirmation is entered into between [Insert name of Authority] (the **Authority**) and UK Municipal Bonds Agency PLC (the "**Original Lender**"). The parties hereto acknowledge that, in connection with the provision of funds to the Authority, payments and repayments are due from it in accordance with the standard terms set out in Schedule 3 (*Loan Standard Terms*) to the local authority financing framework agreement dated [•] between, amongst others, the Lender and the Authority (the "**Standard Terms**"), as supplemented, amended and/or replaced by this Loan Confirmation. Terms used in this Loan Confirmation have the meanings given to such terms in the Standard Terms, unless otherwise specified herein.

PRINCIPAL AMOUNT	GBP [•]								
UTILISATION DATE	[•]								
ADDITIONAL CONDITIONS PRECEDENT (IF ANY)	[•] / [Not applicable]								
REPAYMENT DATE[S] AND AMOUNT OF PRINCIPAL TO BE REPAYED ON SUCH REPAYMENT DATE[S]	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Repayment Date</td> <td style="width: 40%;">Repayment Amount</td> </tr> <tr> <td>[•]</td> <td>GBP [•]</td> </tr> <tr> <td>[•]</td> <td>GBP [•]</td> </tr> <tr> <td>[•] (the "Final Repayment Date")</td> <td>GBP [•]</td> </tr> </table>	Repayment Date	Repayment Amount	[•]	GBP [•]	[•]	GBP [•]	[•] (the " Final Repayment Date ")	GBP [•]
Repayment Date	Repayment Amount								
[•]	GBP [•]								
[•]	GBP [•]								
[•] (the " Final Repayment Date ")	GBP [•]								
ADDITIONAL PREPAYMENT PROVISIONS (IF ANY)	[•] / [Not applicable]								
PREPAYMENT AMOUNT	[•] / REFERENCE GILT: [•] PREPAYMENT MARGIN: [•]								
VOLUNTARY PREPAYMENT	[Applicable]/[Not applicable] <i>The row immediately below may be deleted if "Not applicable"</i>								
VOLUNTARY PREPAYMENT DATE(S)	[•] / [Any date prior to the Final Maturity Date.]								
INTEREST PAYMENT DATES	[•] [and [•]] in each year								

DAY COUNT FRACTION	[Actual/Actual (ICMA)] / [Actual/365 (Fixed)] / [Actual/360] / [•]
INTEREST RATE	[•]
ADDITIONAL REPRESENTATIONS (IF ANY)	[•] / [Not applicable]
ADDITIONAL EVENTS OF DEFAULT (IF ANY)	[•] / [Not applicable]
ACCOUNT DETAILS	Lender: [•] Authority: [•]
ADDRESS DETAILS	Lender: [•] Authority: [•]
FINANCE SPV	[•]
OTHER	<i>[Insert any other amendments or additions to the Standard Terms, including any provisions relating to indexation if applicable]</i>

This Loan Confirmation may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Loan Confirmation.

By: _____
[*Authority*]

By: _____
UK MUNICIPAL BONDS AGENCY PLC

SIGNATURES

The Company

EXECUTED AS A DEED

by **UK MUNICIPAL BONDS AGENCY PLC**

Director

Director/Secretary

Address:

Email: [mail@ukmba.org]

Attention: [Chief Executive]

Original Authorities

EXECUTED AS A DEED

by [●]

Address:

Email:

Attention: