

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

MOD Site Acquisition, Ely

Heads of terms - Loan Agreement to East Cambs Trading Company Limited

The Borrower: **East Cambs Trading Company Limited (CRN: 10061867)**
(t/a Palace Green Homes)

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The Borrower's Solicitor:

Howes Percival

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The Lender:

Cambridgeshire & Peterborough Combined Authority

FAO: Roger Thompson
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The Lender's Solicitor:

Pinsent Mason

FAO: Laura Kennedy
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The Property:

The freehold interest in 88 residential units on MOD land, extending to circa approximately 21.6 acres gross and known as:

Land at Heaton Drive
Ely, Cambridgeshire

As shown edged red on the attached plan.

Initial Property Value: £23,500,000.00 (Twenty Three Million Five Hundred Thousand Pounds)

Current Use: The Property comprises land and property, including 88 former US Air Force services residential units, with significant areas of public open space in between. If planning permission can be secured by ECTC for additional residential development, that open space maybe subject to a future and separate Joint venture agreement between ECTC and CPCA

Planning: The Property is consented for residential use

Proposed Development: The Borrower shall refurbish all of the units, including obtaining any necessary relevant permissions (including potential change of use from Class C2A to C3 before the loan is completed). The Borrower intends to alter and re-furbish the properties and then sell, or lease and sell all residential units within 2 years.

The final tenures of the completed re-furbished scheme will be 77 open market sale and open market rental units and 15 affordable units for shared ownership.

Transaction: The Borrower shall use all reasonable endeavours to exercise a transfer the Property at current market value from the current owner the MOD to the Borrower. The Borrower shall then promptly and with due diligence implement the Proposed Development

The Lender shall provide a total loan facility of £24.4 Million (twenty four million four hundred thousand pounds) for the Proposed acquisition and development refurbishment strategy

**Ongoing Value,
Loan & drawdown:** The Loan amount shall not exceed the ongoing value

at any time. The ongoing value being defined as the purchase price £23.5m plus the value of the refurbishment work in progress as certified by the Borrower's appointed Quantity surveyor and stamp duty on the acquisition. That quantity surveyor to be an established and reputable firm, individual/s being members of and subject to the regulation of the Royal Institution of Chartered Surveyors and agreed between the parties. The loan will only be used for the purposes of delivering the MOD Ely development.

The Borrower shall provide monthly work in progress valuations, certified by the appointed quantity surveyor in relation to works adding value of the Property. Those certificates will be provided by the borrower to the lender as part of the monthly drawdown request process. The lender will then verify and subject to their satisfaction, make payment of the drawdown request to the Borrower within 15 working days. The drawdown under this agreement will be no more than 95% of the ongoing value as defined above, the balance of the monies for the development refurbishment to come from the Borrower's own financial resources.

Charge and Release of Charge: The Borrower shall agree to the lender taking a charge against all the land comprising the existing 88 units, estate roads and public open space (excluding the potential infill sites) as outlined on the attached plan. Release of the Charge on Properties once they are completed (in phases) will be agreed, provided the land value of the remaining land and work in progress remains no less than the loan amount outstanding at that time. The Borrower is to provide a Statement of Value 10 working days before the request date for the release of a part of the charge, so the Lender can satisfy himself before processing the requested release.

If there is any difference of opinion or dispute on a statement of value that cannot be resolved between the parties, the matter will be referred to an appropriate independent expert in Valuation, to be appointed by the Lender. The costs of the expert to be shared equally by both parties.

Repayment of the Loan: The whole of the Loan amount borrowed shall be repaid within a period of 2 years from the first tranche of Loan being made (the loan may be repaid earlier in minimum repayment tranches)

Interest The Loan Interest Rate shall be 2.61% per annum, compounded and rolled up. If the loan is not repaid within 2 years from the first drawdown, the default interest rate will apply to the loan

Share of profit: Upon the final sale of the last property within 2 years from the commencement of the loan (or subject to an independent valuation if not all the development is sold) the borrower will pay to the Lender 50% of the profit resulting from the outcome of the development strategy, up to a total project profit sum of £1,500,000. Any profit in excess of this will be split in the ratio of 70% to the borrower and 30% to the lender.

Default Interest Rate Shall be 6% above BOE base

Completion and Determination: Legal completion of the loan agreement is to occur prior to 9th April 2019, (subject to confirmation of the existing use or if required, a potential change of use from Class C2A to C3 before the loan is completed) completion being defined as the time at which the first drawdown of the loan agreement will be paid. If the first drawdown is not called for and paid by this date, then the loan agreement will immediately determine.

Vacant Possession: The current landowner has possession.

Inventory: The Property is currently a residential estate comprising 88 housing units on a 21.6 acre site

VAT: The current landowner has not elected to charge VAT on the sale to the Borrower.

Subjections: The Parties shall ensure that the transaction does not breach rules surrounding State Aid nor EU Procurement rules.

These Heads of Terms are subject to internal approval processes and formal contract. No

agreement is made or implied by approving the same.
Both parties to instruct solicitors immediately to seek
to complete the agreement without any undue delay.