

TERMS & CONDITIONS

1. Definitions

In these Terms and Conditions except to the extent that the context otherwise requires:

"Act" means the Building Societies Act 1986 of the United Kingdom (as amended by the Building Societies Act 1997) and all orders and regulations made there under.

"Auditors" means the auditors for the time being of the Borrower.

"Base Rate" means the Bank of England Base Rate as varies from time to time or such other rate as may be agreed between the Lender and the Borrower from time to time.

"Borrower" means Ecology Building Society, 7 Belton Road, Silsden, Keighley, West Yorkshire. BD20 0EE.

"Business Day" means a day not being a Saturday or Sunday on which banks are normally open for business in London.

"Constitution" means the Memorandum and Rules of the Borrower.

"Date of the Loan" means 22 June 2009.

"Default Rate" means the rate per annum which is the sum of two percent (2%) per annum and the aggregate of the rate specified in clause 3.1.

"Deferred Shares" means shares that are deferred shares within the meaning of section 119 of the Act.

"Engagements" means the engagements of the Borrower for the purposes of the Act.

"Events of Default" means the events mentioned in clause 11.

"FSA" means the Financial Services Authority.

"Group" means the Borrower and its subsidiary undertakings for the time being.

"Incorporation" means the transfer by the Borrower of its business to a company under sections 97-102 of the Act (and **"Incorporate"** shall be construed accordingly).

"Interest Payment Dates" means the 31 March, 30 June, 30 September and 31 December or such other dates as may be agreed between Lender and the Borrower from time to time.

"Lender" means the persons named in the attached certificate.

"Loan" means the loan of £750,000 or the amount for the time being outstanding under these Terms and Conditions.

"Margin" means, in relation to the Loan, two and a half per cent (2.5%) per annum.

"Permitted Reorganisation" means an action permitted by Clause 10.

"Prepayment Date" means the date which is five years and one month after the Date of the Loan.

"Qualifying Lender" means either

- (a) a company within the meaning of section 832(1) of the Income and Corporation Taxes Act 1988 which is UK resident for tax purposes and which continues to be such at the relevant time; or
- (b) an individual ordinarily resident in the United Kingdom and who has provided a written declaration (which continues at the relevant time to be correct) to the Borrower under Regulation 5 of the Income Tax (Deposit-takers and Building Societies) (Interest Payments) Regulations 2008.

"Receiver" means and includes any person duly appointed to administer and/or distribute assets of the Borrower in the course of the Borrower's winding-up and any trustee appointed upon the dissolution of the Borrower.

"Relevant Consent" means the prior consent of the FSA or any successor body or person carrying out a similar supervisory function in relation to building societies (so long as the Borrower remains a building society).

"Repayment Date" means the tenth anniversary of the Date of the Loan.

"Senior Claims" means the aggregate of all claims which are admitted in the winding-up of the Borrower in respect of (a) all sums due to depositors with, and other creditors of the Borrower (other than principal and interest in respect of the Loan and sums in respect of which the right of the creditor to be paid such sums ranks or is expressed to rank *pari passu* with or junior to the right of the Lender to repayment of principal in respect of the Loan (whether only in the event of winding-up of the Borrower or otherwise)), and (b) in respect of a winding-up commenced while the Borrower remains a building society, all sums due to members holding shares in the Borrower (other than Deferred Shares) in respect of the principal of their shares and any interest due in respect of their shares.

"Subordinated Indebtedness" means indebtedness of the Borrower on terms that no repayment will be made to the creditor until the investing members, depositors, senior lenders to and other general creditors of the Borrower (other than the holders of Deferred Shares and other persons to whom sums are due in respect of Subordinated Indebtedness) have been repaid in full.

"Tax, Taxes or Taxation" includes any present or future tax, levy, impost duty, charge, fee, deduction or withholding of any nature and whatever called, by whomsoever, on whomsoever and wherever imposed, levied, collected, withheld or assessed.

"VAT" means United Kingdom value added tax.

1.2 In these Terms and Conditions:

- (a) Any reference to "these Terms and Conditions" includes reference to the Certificate attached to these Terms and Conditions.
- (b) Any reference to the winding-up of the Borrower shall be deemed also to include any dissolution of the Borrower by consent under section 87 of the Act.
- (c) Subsidiary, subsidiary undertaking and holding company have the meanings given to them in the Companies Act 2006 and mean respectively, where the context admits, any subsidiary, subsidiary undertaking and holding company for the time being.
- (d) Any reference to a "month" is a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month save that where any such period would otherwise end on a day which is not a Business Day, it shall end on the next Business Day, unless that day falls in the calendar month succeeding that in which it would otherwise

have ended, in which case it shall end on the preceding Business Day provided that, if a period starts on the last Business Day in a calendar month or if there is no numerically corresponding day in the month in which that period ends, that period shall end on the last Business Day in that later calendar month (and references to "months" shall be construed accordingly).

- (e) Any reference to costs or charges or expenses or remuneration shall be deemed to include references to any VAT or similar Tax charged or chargeable in respect of such sums.
- (f) Any reference to pounds, sterling or the sign £ shall be construed as references to the lawful currency of the United Kingdom; and
- (g) Any reference to the FSA or the Bank of England shall include their respective successors for the time being and any other body fulfilling the same or a similar function for banks or building societies in the future.

1.3 In these Terms and Conditions unless the context otherwise requires:

- (a) The singular shall include the plural and vice versa and reference to any gender includes the other genders.
- (b) The headings are for reference purposes only and shall not affect the construction of anything in these Terms and Conditions.
- (c) Any reference to the Borrower and the Lender shall, where relevant, be deemed to be references to or include, as appropriate, their respective successors (in particular, in the case of the Borrower, any successor following a Permitted Reorganisation), permitted transferees or permitted assigns;
- (d) Any reference to 'clauses' are to clauses of these Terms and Conditions and a reference to a "schedule" is to the schedule to these Terms and Conditions;
- (e) Any reference to any statute or statutory provision includes a reference to that statute or statutory provision as from time to time amended, extended or re-enacted and to any former statute or statutory provision replaced (without modification) by the statute or statutory provision referred to; and
- (f) where the Lender consists of more than one person all warranties and obligations in these Terms and Conditions shall be joint and several.

1.4 These Terms and Conditions shall subsist in full force and effect notwithstanding any change that may take place from time to time in the constitution or title of the Lender or the Borrower.

2. Amount

The Borrower received the Loan on the Date of the Loan subject to these Terms and Conditions.

3. Interest

- 3.1 The Borrower shall pay interest on the Loan on the Interest Payment Dates at the rate per annum which is the sum of (a) the Margin; and (b) the Base Rate.
- 3.2 Any changes in the Base Rate will be effective from the day on which the Base Rate change occurred.
- 3.3 Interest will be payable on the Loan irrespective of whether or not the Borrower makes a profit in any of its financial years.

4. Repayment and Prepayment

- 4.1 The Borrower shall repay the Loan on the Repayment Date.
- 4.2 Subject to clause 12.1, the Borrower may (without premium or penalty) at its option prepay on the Prepayment Date the entire Loan together with any interest accrued on the Loan to the Prepayment Date.
- 4.3 The Borrower shall give to the Lender notice in writing (which, once given, shall be irrevocable) of its intention to make such prepayment under this clause at or before 2.00 pm 10 Business Days before the intended date of such repayment.
- 4.4 The Borrower may not prepay the Loan otherwise than as expressly provided for in these Terms and Conditions.
- 4.5 The Loan, once repaid or prepaid, may not be re-borrowed.

5. Payments

- 5.1 All payments to be made by the Borrower to the Lender under these Terms and Conditions shall be made in immediately available pounds sterling by no later than 2.00 pm on the due date for value to the Lender to such bank account as the Lender may designate in writing to the Borrower for that purpose.
- 5.2 Subject to clause 5.6, all payments made by the Borrower under these Terms and Conditions shall be made in full without set-off in respect of any sum or counterclaim or any deduction or withholding for or on account of any Taxes imposed or levied by or on behalf of the United Kingdom or any other jurisdiction from or through which such payment is made by the Borrower or any authority in or of the United Kingdom or in or of such other jurisdiction having power to Tax unless the Borrower is required by law to make such deduction or withholding in which case payments shall be made after deduction or withholding.
- 5.3
 - (a) If the Borrower does not pay any sum payable under these Terms and Conditions on its due date in accordance with the provisions of clause 5.1 it shall pay interest on the balance for the time being outstanding (such balance being referred to in these Terms and Conditions as the "unpaid sum") at the Default Rate.
 - (b) Any interest which shall have accrued due under this clause 5.3 in respect of an unpaid sum shall be due and payable and shall be paid by the Borrower on the Interest Payment Dates or on such other dates as the Lender may specify by written notice to the Borrower. If not paid on the due date, the interest shall be added to and form part of the unpaid sum on which interest shall accrue and be payable in accordance with the provisions of this clause 5.3.
- 5.4 Whenever any payment under these Terms and Conditions would otherwise become due on a day which is not a Business Day, the due date for payment shall be the next succeeding Business Day unless it would fall in the following calendar month in which case the immediately preceding Business Day. This clause 5.4 shall apply to the definitions of Prepayment Date and Repayment Date.
- 5.5 Interest shall accrue from day to day and shall be calculated on the basis of a year of 365 days and the actual number of days elapsed.
- 5.6 If otherwise than as a result of the introduction of, any change in, or any change in the interpretation, administration or application of, any law or regulation or any practice or concession of the Inland Revenue after the date of these Terms and Conditions, the

Lender is not or ceases to be a Qualifying Lender, the Borrower will not be liable to pay to the Lender under clause 5.2 any amount in excess of the amount it would have been obliged to pay if such event had not occurred.

- 5.7 If the Borrower pays any increased amount under clause 5.2 and the Lender effectively obtains a refund of tax or credit against tax by reason of that payment, and if the Lender is able (in its sole opinion, which shall not be capable of being challenged) to identify that refund or credit as being attributable to that payment (having regard to its other activities), then the Lender shall reimburse to the Borrower such amount as it shall determine (any such determination being conclusive) to be the proportion of that refund or credit as will leave the Lender after that reimbursement in no better or worse position than it would have been if that payment had not been required. The Lender shall not be obliged to arrange its tax affairs in any particular manner or to disclose any information regarding its tax affairs or computations to the Borrower for the purposes of this Clause 5.
- 5.8 The Lender shall promptly notify the Borrower if at any time it has ceased or will cease to be a Qualifying Lender. The Lender warrants to the Borrower as at the Date of the Loan that it is a Qualifying Lender.

6. Representations and Warranties

- 6.1 The Borrower represents and warrants to the Lender that:
- (a) the Borrower is a validly existing building society duly incorporated and registered under the Act and has (and will maintain) full power and authority to enter into, and to perform its obligations under these Terms and Conditions and has complied with all statutory and other legal and regulatory requirements relative to these Terms and Conditions;
 - (b) the Borrower has taken all necessary internal, administrative and other action to authorise the execution, delivery and performance of these Terms and Conditions and its obligations under these Terms and Conditions are valid and legally binding in compliance with its Constitution and all applicable laws and do not exceed any limitation of the powers of the Borrower's Board of Directors;
 - (c) the Borrower is not, nor by virtue of its execution, delivery or performance of these Terms and Conditions would be, in default under any law, regulation, agreement, obligation, judgement or duty by which it or its assets are bound and, no litigation, arbitration or administrative proceedings are outstanding, pending or, to the best of its knowledge and belief, threatened against it or any member of the Group in either such case where the same could reasonably be expected to have a material adverse effect on the financial condition of the Borrower or on the Borrower's ability to perform its obligations under these Terms and Conditions as they fall due;
 - (d) the audited accounts of the Borrower for the year ended 31 December 2008 were prepared in accordance with accounting principles and practices which are both generally accepted and adopted in the United Kingdom and present (in conjunction with the notes to such accounts) a true and fair view of the financial condition of the Borrower as at the date of such accounts and there has been no material adverse change in the financial condition or operations of the Group taken as a whole since such date and no steps have been taken (or are contemplated) to wind-up or dissolve the Borrower;
 - (e) the Loan will be applied in accordance with all applicable laws from time to time and, without prejudice to the generality of the foregoing, for the purposes

of the Borrower as permitted by the Act (for so long as applicable to the Borrower) and in accordance with its Constitution;

- (f) no event has occurred which constitutes, or with which the giving of notice and/or the lapse of time and/or a relevant determination would constitute, a contravention of, or default under, any agreement or instrument for the borrowing of money by which the Borrower or any member of the Group or any of their respective assets are found to be affected, being a contravention or default which could reasonably be expected to have a material adverse effect on the financial condition of the Borrower or on the Borrower's ability to observe or perform its obligations under these Terms and Conditions as they fall due; and
- (g) no event has occurred which constitutes an Event of Default.

6.2 The Lender represents and warrants to the Borrower that:

- (a) the Lender has full power and authority to provide the Loan;
- (b) the Lender has taken all necessary internal, administrative and other action to authorise the granting of the Loan; and
- (c) the Loan is valid and legally binding on the Lender.

6.3 Each of the representations and warranties set out in clauses 6.1 and 6.2 (other than 6.1 (b) and (d) which are only made on the Date of the Loan) shall be deemed to be repeated on each date on which the Loan is outstanding by reference to the then existing circumstances.

7. Undertakings

7.1 The Borrower undertakes with the Lender that, until all its liabilities under these Terms and Conditions have been discharged;

- (a) it will deliver to the Lender within 120 days of the end of each of its financial periods copies of the audited accounts of the Borrower for that period together with any published interim accounts, if prepared, audited by the Auditors;
- (b) if the Borrower becomes aware of the occurrence of an Event of Default it will forthwith notify the Lender and provide the Lender with full details of any steps which it is taking, or is considering taking, in order to remedy or mitigate the effect of the Event of Default or otherwise in connection with it;
- (c) it will comply with the requirements of all applicable laws, rules and regulations, non-compliance with which could reasonably be expected to have a material adverse effect on its business, assets or financial condition or could reasonably be expected to adversely affect its ability duly and punctually to perform its obligations under these Terms and Conditions;
- (d) it will immediately after becoming aware of the same give to the Lender notice in writing of any proceeding or dispute which could reasonably be expected to have a material adverse effect on the business, assets or financial condition of the Borrower or adversely affect the ability of the Borrower duly and punctually to perform its obligations under these Terms and Conditions; and
- (e) it will maintain in full force and effect and comply with all the terms of all authorisations, approvals, consents and licences and do all acts or things which may at any time become necessary for the continued validity and enforceability of these Terms and Conditions.

8. Status

- 8.1 The Loan shall rank parri passu with all other Subordinated Indebtedness of the Borrower outstanding at the Date of the Loan, save to the extent that such Subordinated Indebtedness is expressed in its terms to rank junior to the Loan.
- 8.2 Repayment of the Loan and accrued interest on the Loan is a direct unconditional and unsecured obligation of the Borrower and the rights of the Lender under these Terms and Conditions shall in the event of a winding-up or dissolution of the Borrower be subordinated to the Senior Claims.

9. Further Subordinated Indebtedness

- 9.1 The Borrower shall not without the prior written consent of the Lender enter into (or agree to enter into) any arrangements under which it will incur any obligations or liabilities in respect of Subordinated Indebtedness which would, on a winding-up of the Borrower, rank ahead of the Loan.
- 9.2 The Borrower may at any time incur further Subordinated Indebtedness ranking parri passu with or junior to the Loan.

10. Succession and transfer to commercial company

Nothing in these Terms and Conditions shall be taken to prohibit, restrict or impose any sanction against the taking by the Borrower of any step towards:

- (a) amalgamation with another society under section 93 of and schedule 16 to the Act;
- (b) transfer of its Engagements to another building society or transfer of the engagements of another building society to the Borrower, in either case in accordance with section 94 of and schedule 16 to the Act; or
- (c) incorporation; or
- (d) an alteration in the status of the Borrower by virtue of any statute or statutory provision which alters the status of building societies generally or building societies which meet certain specified criteria.

11. Default

Subject to clause 12 the Lender at its discretion may require early repayment of the Loan by giving notice to the Borrower that the Loan has become due and payable upon the occurrence of any of the following events:

- (a) the commencement of the winding-up of the Borrower or its successor other than:
 - (i) by virtue of section 93(5), 94(10), 97(9) or 97(10) of the Act;
 - (ii) as part of a Permitted Reorganisation; or
 - (iii) a solvent winding-up approved in advance by the Lender (such approval not to be unreasonably withheld or delayed); or
- (b) the commencement of the dissolution of the Borrower under Section 87 of the Act.

12. Subordination

- 12.1 The rights of the Lender to the repayment of principal and payment of interest and other sums in respect of the Loan are in the event of a winding-up or dissolution of the Borrower subordinated to the Senior Claims and early payment (including early repayment under clause 11 and prepayment on the Prepayment Date in accordance with clause 4.2) of any amount (whether principal, interest or otherwise) of the Loan is conditional upon (if the winding-up or dissolution of the Borrower has been commenced) the Borrower being solvent at the time of payment by the Borrower and accordingly no such amount which would otherwise fall due for payment shall be payable except to the extent that the Borrower could make such payment and still be solvent immediately thereafter. For the purposes of this clause 12.1, the Borrower shall be solvent if the Senior Claims have been met in full and for this purpose there shall be disregarded obligations which are not payable or capable of being established or determined in the winding-up of the Borrower, and there shall also be disregarded obligations ranking pari passu with or subordinated to the rights of the Lender under these Terms and Conditions.
- 12.2 For the purposes of clause 12.1 a report given at any relevant time as to the solvency of the Borrower by the Auditors or where the Borrower is in the course of being wound up the Receiver, in form and substance acceptable to the FSA, shall in the absence of proven error be treated and accepted by the Lender and the Borrower as correct and sufficient evidence of solvency.
- 12.3 In respect of any amount of principal of, or interest on, the Loan which would have fallen due for payment by the Borrower but for the operation of clause 12.1 above, upon any petition for the winding up of the Borrower as is referred to in that clause lapsing or being withdrawn, cancelled or dismissed, such amount of principal and/or interest shall become immediately due and payable together with additional interest from (and including) the date on which it would have fallen due for payment but for the operation of clause 12.1 up to (but excluding) the date of actual payment at the rate per annum determined in accordance with clause 5.3.
- 12.4 If the Lender shall receive from the Borrower payment of any sum in respect of the Loan when the conditions referred to in clause 12.1 is not satisfied the payment of such sum shall be received by the Lender upon trust and shall be held by the Lender upon trust:
- (a) First in payment of the Senior Claims to the extent to which such claims are admitted in the winding-up (not having been satisfied out of the other resources of the Borrower), in the order of priority in which such claims rank in the winding up of the Borrower; and
 - (b) Second as to the balance (if any), in satisfaction of amounts due to the Lender in respect of principal and interest in respect of the Loan and all other Subordinated Indebtedness ranking pari passu with the Loan, provided that the trust mentioned above may be performed by the Lender paying over to the liquidator in the winding-up of the Borrower for the time being the amounts so received by the Lender on terms that the liquidator shall distribute the same accordingly and shall account to the Lender for any balance then remaining. The Lender shall be entitled and it is authorised to call for and to accept as conclusive evidence a certificate from the liquidator for the time being of the Borrower of the amount of the Senior Claims admitted in the winding-up of the Borrower (not having been satisfied out of the other resources of the Borrower), the persons entitled to such claims and their respective entitlements.

13. Limitation on the Borrower's remedies

- 13.1 No remedy against the Borrower (including any right of set-off) other than as specifically provided by this clause 13 shall be available to the Lender whether for the recovery of amounts owing under these Terms and Conditions or for any breach by the Borrower of any of its obligations under these Terms and Conditions, other than with the Relevant Consent.
- 13.2 The Lender may, to enforce the Borrower's obligations under the Loan, at its discretion and after taking such preliminary steps or actions as may be necessary, (but excluding for the avoidance of doubt the exercise of any right of set-off) institute proceedings for the winding-up of the Borrower in the event that:
- (a) default is made for a period of 60 days or more in the payment of any interest due on the Loan, or for 10 Business Days or more in the payment of any principal sum so due; or
 - (b) the Lender has other grounds to present a petition for the winding-up of the Borrower under section 89 of the Act.

14. Confidentiality

Subject to clause 15.3, the Lender will not at any time use, divulge or communicate to any person, except to its professional representatives or advisers or as may be required by law or any legal or regulatory authority any information of a confidential nature obtained by or made available to the Lender or its advisers from the Borrower or its advisers which would not have been in the possession of the Lender but for these Terms and Conditions.

15. Assignment and Transfers

- 15.1 These Terms and Conditions shall be binding upon the Borrower and the Lender and their respective successors and assigns and shall not be assignable by the Borrower other than as required in the event of an amalgamation of the Borrower in accordance with section 93 of the Act or a transfer of all the Borrower's engagements in accordance with section 94 of the Act or on Incorporation.
- 15.2 The Lender may assign all or any part (subject to minimum and multiples of £25,000 of the Loan) of its rights under these Terms and Conditions provided that notice of the assignment is given by the Lender to the Borrower in the form contained in the Schedule. The assignment will only bind the Borrower from the date when notice of the assignment as required by this clause 15.2 is actually received by the Borrower.
- 15.3 For the purpose of any assignment or transfer under this clause 15 the Lender may disclose on a confidential basis to any person whom the Lender reasonably believes to be a potential assignee such information about the Borrower as shall have been made available to the Lender in connection with the Loan.
- 15.4 The Borrower shall not be liable for any increased costs (including, where such increased costs results from an assignment of the Lender's rights under these Terms and Conditions to any person who is not within the charge to the United Kingdom income or corporation tax for payments made under these Terms and Conditions) for which the Borrower, but for this clause 15.4, would be liable where such increased costs result from an assignment of the Lender's rights.

16. Communications

- 16.1 Each communication under these Terms and Conditions shall be made in writing by letter or by facsimile transmission and shall be sent to the recipient at the address stated

in the attached Certificate, or such other address as the Lender or Borrower notify to the other, for the purpose of these Terms and Conditions.

- 16.2 Unless stated otherwise, any communication under these Terms and Conditions shall be deemed to be received when left by hand on a Business Day during normal business hours at the address required by this clause or within 2 Business Days after being put in the post, postage prepaid and addressed as required by this clause or, in the case of a facsimile transmission, at the time of receipt of a transmission report confirming transmission during normal business hours on a Business Day.

17. Governing Law

These Terms and Conditions shall be governed by and construed in accordance with the laws of England and Wales and each of the Lender and the Borrower irrevocably submits to the non-exclusive jurisdiction of the Courts of England and Wales.

18. Severance

If any of the provisions of these Terms and Conditions becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

19. Third Parties

Save as permitted in these Terms and Conditions, a person who is not a party to these Terms and Conditions has no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Terms and Conditions. This clause 19 does not affect any right or remedy of any person, which exists or, is available otherwise than under the Contracts (Rights of Third Parties) Act 1999.