

MODEL LOAN AGREEMENT

THIS AGREEMENT is executed on this day ofbetween the Secretary, Municipality (Hereinafter called 'The Borrower') on the one part and Kerala Urban and Rural Development Finance Corporation Ltd. (Hereinafter called 'The Corporation') on the other part.

WHEREAS, 'The Borrower' has applied to 'The Corporation' for a loan of Rs.....(Rupees only) for Construction of under the Kerala Local Authorities Loan Act, 1963 (hereinafter referred to as the "said act") subject to the terms and conditions contained in the "said Act" and in the Kerala local authorities Loan Rules, 1965 and those hereinafter contained to which 'The Borrower' has agreed.

Whereas the sanction of Government under section 3 of the "said act" has been received for raising the loan from 'The Corporation' as perdated from the Local Self Government Department.

WHEREAS 'The Corporation' had accorded sanction for a loan of Rs..... (Rupees only) for Construction of vide letter No:..... datedand the terms and conditions were duly accepted by 'The Borrower' by resolution No. dated

Now these presents witness and it is hereby agreed as follows:

1. SECURITY

As security for the due repayment of the loan together with interest, additional interest, liquidated damages, cost, charges, expenses and any other monies payable to 'The Corporation' under these presents 'The Borrower' do hypothecate and

charge in favour of 'The Corporation', all the income generated from the land and buildings at of land with building at Re Survey No. of land with building Village,Taluk in District. 'The Borrower' also agrees to create a first mortgage and charge over the fixed assets situated at Are of land with building at Re Survey No. of land with building at Re Survey No..... Village,Taluk in District to secure the due repayments of all monies payable under this agreement. The own funds of 'The Borrower' will also be an additional security.

'The Borrower' declares that the said income and other receipts shall always be 'The Borrower's absolute property at its sole disposal and free from any prior charge or encumbrance and declares that nothing contained in this Deed shall operate to prejudice the rights and remedies of 'The Corporation' in respect of any present or future security, guarantee, obligation or decree for any indebtedness or liability of 'The Borrower'.

'The Borrower' agrees that the amount taken as loan with interest at the agreed rate will be a charge over the land and building situated at..... of land with building at Re Survey No..... Village,Taluk in District. 'The Borrower' declares that they are competent to create charge over the land and building situated at at Are of land with building at Re Survey No....., at Village,Taluk in District.

'The Borrower' further agrees that the property as on date is free from any prior charge or other encumbrance and 'The Borrower' undertakes that no further charge will be created over the property by 'The Borrower' until the charge in favour of 'The Corporation' is

discharged as per Municipal council resolution No: dated
.....

2. ESCROW AGREEMENT AND ACCOUNT

'The Borrower' agrees to open an Escrow Account with SBI or any other Bank approved by 'The Corporation' and shall be utilized only for the purpose of repayment of loan with interest to 'The Corporation'. The Escrow agreement details the transactions contemplated herein and amendments thereto made from time to time.

- a) All the rental amount received from the projects for which the loan is availed viz. shall be deposited only in the Escrow account opened by 'The Borrower' without fail.
- b) The security deposit and auction premium amount as and when received from each and every space in connection with the letting out of the to third parties should only be deposited in the escrow account by 'The Borrower' without fail.
- c) Any other income generated by 'The Borrower' from the above mentioned project should be deposited in the Escrow Account.
- d) The Escrow agent (Bank) should transfer the amount as per the demand notice issued by 'The Corporation' in time.

- e) 'The Borrower' should submit the copies of the agreements executed with the third parties to 'The Corporation' at the time of letting out.
- f) At the time of expiry of any agreement executed with the 3rd parties it should be informed by 'The Borrower' to 'The Corporation' and renew in time to avoid bar of limitations, if necessary.
- g) If any agreement is executed with new parties it should be informed and submit copy of the agreement to 'The Corporation'.
- h) It is also hereby mutually agreed that the said Escrow account will stand closed as and when the loan availed by 'The Borrower' from 'The Corporation' is repaid in full and final manner, subject to the satisfaction of 'The corporation' in writing.
- i) The borrower shall pay the service charges and other fees informed in this Escrow account towards the Escrow Agent (Bank).
- j) The Escrow Agent (Bank) shall furnish the monthly statement of the above escrow account by the first week of the succeeding month or as and when called for by 'The Corporation'.
- k) The format of Escrow agreement is annexed to this agreement. The amendments either to be made from time to time related with the transaction contemplated herein.

3. INTEREST

The loan shall bear interest at 10% per annum on monthly basis. The Board of Directors of 'The Corporation' has the authority to change interest rate from time to time. In addition to the interest as mentioned above 'The Borrower' is liable to

pay any other expenses incurred by 'The Corporation' in respect of the loan. In case 'The Borrower' commits default in payment of any installment of principal/ interest as the case may be, the borrower is bound to pay additional interest @ 2.5% per annum for the amount defaulted to 'The Corporation'.

4. ADJUSTMENT OF PAYMENTS MADE BY 'THE BORROWER'

Unless otherwise agreed to by 'The Corporation' any payment due and payable under this agreement and made by 'The Borrower' shall be appropriated towards such dues in the following order :-

- i. Expenses incurred by 'The Corporation' and recoverable under the provisions of the agreement.
- ii. Additional interest
- iii. Interest
- iv. Repayment of installments of principal due and payable.

5. Payment of Principal &Interest

The Principal amount will be repaid within years which includes years grace period. The amount including principal and interest shall be paid on monthly basis.

6. 'The Borrower' shall not, before the repayment of the loan amount in full create any charge on the funds of 'The Borrower', without the previous approval of 'The Corporation' and sanction of Government.

7. The whole loan amount released by 'The Corporation' shall be kept in a separate bank account till its full utilization. The

payment shall be made from the account strictly for the purpose for which the loan was sanctioned. In case of misutilisation of fund, 'The Corporation' will recall the entire loan and the loan account will be freezed.

8. 'The Borrower' shall furnish to 'The Corporation', the Director of Local fund Audit, the Accountant General or any other person authorized by Government, the information which they may require regarding the fund and the utilization of the loan amount. The Managing Director of 'The Corporation' or any officer deputed by him shall have the right to inspect or investigate the scheme for which the loan assistances has been given by 'The Corporation'. In case of misutilisation of funds, 'The Corporation' will recall the loan and the account will be freezed.
9. The loan amount received and the repayment along with interest to 'The Corporation' shall be included in the budget as well as in the annual plan of 'The Borrower' submitting to the District Planning Committee (DPC).
10. On breach of all or any of the terms and conditions herein contained the whole amount then outstanding, together with interest thereon shall immediately be repaid to 'The corporation' in lump sum.
11. In addition to the other remedies available to 'The corporation', in case 'The Borrower' commits default in repayment of any of the installment of the loan amount or interest on due date, the Government shall be competent on the application of 'The Corporation' to attach the fund of 'The Borrower' which is an additional security for the loan. 'The Borrower' further agrees to abide by the decision of the Director of Urban Affairs/ Government of Kerala, in case 'The Borrower' commits default

in the payment of any of the installment of loan amount or payment of interest on due date to appropriate any amount payable by the Government to 'The Borrower' towards such amount payable to 'The Corporation' on the application of 'The Corporation' after setting off Government dues if any or to adjust the amount in part or in lump from the amount payable by the Government to 'The Borrower' after appropriating outstanding dues to Government from 'The Borrower'.

12. 'The Borrower' agrees that all sums due to 'The Corporation' under or by virtue of this agreement shall also be recovered from the movable or immovable properties of 'The Borrower' as if they are arrears of land revenue under the provisions of the Revenue Recovery Act Section 16 of 1968 for the time being in force and in such other manner as the Government may deem fit.
13. 'The Borrower' agrees that the rental income or any other income from the land and buildings in at Are of land with building at Re Survey No. at Village,Taluk in District be kept in reserve in the Escrow Account to be utilized for repayment of the principal and interest till the repayment of the loan and interest thereon is completed. The Bank account statement should be furnished to 'The Corporation' every month.
14. 'The Borrower' agrees that the following shall be inscribed prominently in all the buildings inAre of land with building at Re Survey No. at Village, Taluk in District "Aided by Kerala Urban & Rural Development Finance Corporation Ltd".

15. All the movable and immovable properties charged/ to be charged in favour of 'The Corporation' as security for the loan shall be kept at 'The Borrower's' risk and expense in good conditions and fully insured against loss or damage against fire, theft, lightning, earthquake, riot, strike and such other risk as 'The Corporation' may from time to time stipulate in the joint names of 'The Borrower' and 'The Corporation' with an Insurance Company approved by 'The Corporation' and for such amount as 'The Corporation' may consider necessary, that the insurance policies shall be delivered to 'The Corporation' when required by it to do so. If 'The Borrower' fails to effect such insurance, 'The Corporation' may, without being obliged to do so insure the properties charged/ to be charged in favour of 'The Corporation' at 'The Borrower's' risk and expenses.

16. EVENTS OF DEFAULT AND REMEDIES

If one or more of the events specified in this Article (herein after called "events of default") happen(s), 'The Corporation' may by a notice in writing to 'The Borrower', declare that the principal amount outstanding and all accrued interest payable to 'The Corporation' on the loan to be due and payable forthwith and the security created in terms of Clause I of the loan agreement shall become enforceable.

EVENTS OF DEFAULT

- a. Default has occurred in the payment of principal sums of the loan on the due dates and such default continues for a period of 30 days.
- b. Default has been committed by 'The Borrower' in payment of any installment of interest on the loan and such default has continued for a period of 30 days.

- c. Default has occurred in the performance of any other covenant, condition or agreement on the part of 'The Borrower' under the loan agreement and such default has continued for a period of 30 days after notice in writing thereof has been given to 'The Borrower' by 'The Corporation'.
- d. Any information given by 'The Borrower' in its application for loan, in the reports and other information furnished by 'The Borrower' in accordance with the reporting systems and the warranties given/ deemed to have been given by 'The Borrower' to 'The Corporation' is misleading or incorrect in any material aspect.
- e. If there is reasonable apprehension that 'The Borrower' is unable to pay its debts.
- f. If the properties and assets offered to 'The Corporation' as security for the loan have not been kept insured by 'The Borrower' or depreciate in value to such an extent that, in the opinion of 'The Corporation', further security to the satisfaction of 'The Corporation' should be given and on advising 'The Borrower' to that effect such security has not been given to 'The Corporation'.
- g. If, without the prior approval of 'The Corporation' any land, buildings, structures of 'The Borrower' which is a security for the loan are sold, disposed of, charged, encumbered or alienated or the said buildings, structures, or other equipment are removed, pulled down or demolished.

- h. If an attachment or distraint has been levied on the mortgaged properties or any part thereof or certificate proceedings have been taken or commenced for recovery of any dues from 'The Borrower'.
- i. If extraordinary circumstance have occurred which make it improbable for 'The Borrower'to fulfill its obligations under the loan agreement.

17. NOTICE TO 'THE CORPORATION'

In any event of default or any event which, after laps of time, or both would constitute an event of default has happened, 'The Borrower' shall forthwith give notice thereof to 'The Corporation' in writing specifying the nature of such event of default, or of such event.

18. EXPENSES OF PRESERVATION OF ASSETS

All expenses incurred by 'The Corporation' after an event of default has occurred in connection with the preservation of 'The Borrower's assets (whether then or thereafter existing) and collection of amounts due under the Loan Agreement shall be payable by 'The Borrower'.

19. WAIVER, NOT TO IMPAIR THE RIGHTS OF 'THE CORPORATION'

The delay in exercising or omission to exercise any right, power to remedy accruing to 'The Corporation' upon default under the Loan Agreement, security documents or any other agreement or documents shall not impair any such right, power or remedy or shall be construed to be a waiver thereof or any acquiescence in such default nor shall the action or inaction of 'The Corporation' in respect of any default or any acquiescence by it any default, affect or impair any right,

power or remedy of 'The Corporation' in respect of any other default.

20. SERVICE OF NOTICE

Any notice or request to be given or made to 'The Corporation' or to 'The Borrower' shall be in writing and such notice shall be deemed to have been given when it is delivered by hand or despatched by mail or through email to the party to which it is required to be given to the designated address of the party.

21. JURISDICTION

All disputes and differences, arising out of this agreement shall be settled by Civil Courts within whose jurisdiction the registered office of 'The Corporation' is situated.

22. NEGATIVE COVENANTS

1. Unless 'The Corporation' may otherwise agree, 'The Borrower' shall not create charge or hypothecate properties mortgaged by it to 'The Corporation'.

2. Until 'The Borrower' creates a mortgagee of its immovable properties situated in Are of land with building at Re Survey No. at Village, Eranad Taluk in District in favour of 'The Corporation', 'The Borrower' covenants and warrants that the properties, assets and effects of whatever nature including interest belonging to or owned by 'The Borrower' in any and all properties present and future, and situated in of land with building at Re Survey No. at Village, Taluk in District are not the subject matter of mortgage lien, pledge, hypothecation or otherwise charge however and that 'The Borrower' shall not sell, transfer, mortgage, charge, pledge, hypothecate and encumber or create or permit to exist and caused to be

created any mortgage, charge, pledge, hypothecation and encumbrance or lien of whatsoever nature on any of the said property and assets so long as 'The Borrower' is indebted to 'The Corporation' in respect of the loans and/ or interests, costs, charges, expenses and other monies due by 'The Borrower' to 'The Corporation' except as otherwise provided in this agreement.

23. ADDITIONAL CONDITIONS

1. 'The Borrower' has to remit the whole premium received from the tenants in order to reduce the loan liability. Soon after the completion, 'The Borrower' should also auction the Market Complex.
2. 'The Borrower' has to furnish monthly progress report along with digital photographs of the scheme during the construction period and completion certificate after the construction.
3. Soon after completion of the scheduled projects, 'The Borrower' should auction and the premium collected from the tenants be remitted fully in the Escrow Account and paid to 'The Corporation' in order to reduce their loan liability.
4. Disbursement of loan shall be subject to the availability of funds with 'The Corporation' and in proportion to the expenditure incurred by 'The Borrower' as per the conditions in 'The Agreement' ; whereas on the basis of utilization certificate. 'The Corporation', the lender, is in any way not liable to the agreements involved to other parties in connection with the projects or other liabilities. 'The Corporation' is not abide by 'The Borrowers' inordinate delay in disbursements due to modification of plan,

escalation in prices of building materials or on occasions of any demur.

5. In addition to the aforesaid terms and conditions, all general terms and conditions applicable to loans sanctioned by 'The Corporation' have to be complied with.

Signed by

Secretary Municipality

In the presence of witnesses:

- 1.
- 2.

Signed by.....

Managing director,
Kerala Urban & Rural Development Finance Corporation
Ltd. Thiruvananthapuram.

In the presence of witnesses:

- 1.
- 2.

