



Coventry City Council



SUBJECT TO CONTRACT

**DRAFT HEADS OF TERMS FOR THE PROPERTY AND COMMERCIAL SHARE TRANSFER
IN THE RICOH ARENA AND ARENA COVENTRY LIMITED**

Parties

Shareholder and Landlord to ACL 2006: Coventry City Council ("CCC")

Vendor of Shares : The Alan Edward Higgs Charity ("the Trustees")

Purchaser : SISU Capital Limited for and on behalf of [●]¹ ("SISU")

Property : the Ricoh Arena described in the Lease

Lease : the lease dated 19th December 2003 made between CCC and Coventry North Regeneration Limited and assigned to Arena Coventry (2006) Limited ("ACL 2006")

Football Club : Coventry City Football Club ("CCFC")

Details

- (A) With the exception of paragraph 9 which shall be legally binding, these heads of terms are not intended to create any legally binding obligations. Save for paragraph 9 they are subject to contract, and approval of the Shareholders of Arena Coventry Limited (ACL) and Member approval of CCC
- (B) CCC owns the freehold interest of the Property and is landlord to ACL 2006 under the Lease and CCC intends to grant a long lease to ACL 2006 as the existing tenant of the Property for a term of 125 years, provided the Conditions Precedent set out in paragraph 6 below are satisfied.
- (C) CCFC pays rent to Arena Coventry Limited for the use of part of the Property
- (D) It has been proposed that SISU shall purchase all of the shares in Arena Coventry Limited currently held by the Trustees (the "Proposed Sale and Purchase")
- (E) These heads of terms are confidential to the intended parties here meaning SISU, the Trustees and CCC to the Proposed Sale and Purchase and to their professional advisors
- (F) The documentation for the Proposed Sale and Purchase will contain further terms as CCC may reasonably require, including additional detailed terms on matters that are covered in this document

1 Shareholder in ACL/Landlord to ACL 2006

¹ Please note we are in the process of discussing the optimal structure with our tax advisors. Purchasing entity will be known as soon as structuring review completed

CCC

The Council House Coventry CV1 5RR

2 Buyer

SISU CAPITAL LIMITED

Country of incorporation/registration: United Kingdom

Company number: 03413843

Registered office address: 4th Floor 1 Red Place London W1K 6PL

3 Property

The grant of a further lease on the Ricoh Arena Coventry registered under title number WM 821429

4 Purchase Price

The purchase price for the further lease will be the discharge of the loan secured against the Property and the under leases dated 19th December 2003 and 26th January 2006 in favour of Clydesdale Bank PLC dated 16th November 2011 (the "Mortgage Loan").

5 Title

5.1 The further lease of the Property will be leased subject to the matters referred to in title number WM 796974 and subject to the following leases and the Mortgage Loan:

19th December 2003

26th January 2006

5.2 CCC will retain land adjoining the Property known as the leisure land in title WM 796974.

6 Conditions precedent to further Lease and consent from CCC to the Proposed Sale and Purchase

Complete negotiations and implement:

- the completion of the negotiation of the Proposed Share Sale and Purchase, including full approval from CCC
- agreement with the Clydesdale Bank PLC and repayment of the Mortgage Loan and the release of all Clydesdale Bank PLC's security over the Property
- agreement to AEG and/or another stadium operator's proposal for income generation and growth of the commercial activities carried at the Property
- 100% discharge of all outstanding rent payable for CCFC's use of the Property
- Provision of a detailed funding plan and 3 year future cash flow in CCFC by SISU and other co-investors outside of ACL resources and cash flows
- agreement on minimum rent payable by Football Club for use of Property

- detailed regeneration proposals for the further development of Car park C within the Property to include but not limited to an 85 bed hotel as proposed by the current board of ACL. Any subsequent funding of the hotel project by SISU as shareholder would be conditional on receiving a detailed investment proposition and associated plan for review, comment and input
- proof of funds from SISU and any stadium operator as required
- restructured business plan for ACL incorporating impact of all of the above
- the completion of a shareholder's agreement to the satisfaction of both parties with agreed veto rights for both parties including as a minimum the binding agreement of both shareholders for any securitisation of any new future debt onto ACL's balance sheet and also that neither shareholder can use any of the company's assets or (save for any exceptions specifically agreed between both shareholders) their shareholding in Arena Coventry Limited as security
- confirmation that the legal entities of CCFC and ACL 2006 and ACL continue to remain separate legal entities
- the tax structure and proposed purchaser intended by SISU is not detrimental to or unlawful to CCC from a public sector perspective including state aid

7 Miscellaneous

Due diligence by the parties

CCC: to include member approval; valuation and SDLT advice; financial appraisal of SISU (including any intended tax structure) AEG or any other stadium operator that may become a part of this transaction. Consideration of any state aid and governance issues for CCC as the public sector entity.

SISU: due diligence on ACL and any related corporate entities.

End date for negotiations both parties recognise that time is of the essence and each covenant with the other to provide such information and assistance to the other and to make such attendances and/or appearances as the other shall reasonably request in connection with their efforts to reach agreement on the matters contained in these heads of terms.

8 CCC declaration

Nothing contained or implied in these heads of terms or any other document will prejudice affect or restrict CCC's rights powers duties and obligations in the exercise of its functions in any statutory capacity including (without limitation) local planning authority and highways authority or the relevant local housing authority and the rights powers duties and obligations of CCC under all public and private law statutes bye laws orders and regulations may be as fully and effectually exercised without any liability on the part of the CCC as if it were not a party to these heads of terms or any other document referred to in these heads of terms.

9 Confidentiality

Given that this work will involve CCC and SISU incurring costs, this paragraph 9 will comprise legally binding obligations. Each of CCC and SISU will keep and maintain in strictest confidence (a) the existence and contents of this letter, (b) the fact that

discussions are taking place in relation to the matters referred to in this document (and the fact and content of the discussions and related communications) and (c) all and any information that they may receive from the other pursuant to this document either in relation to either one of them or in relation to the matters referred to in this document, in strictest confidence and (in each case) shall not use such information other than to fulfil the purpose set out in this document. CCC and SISU may disclose such information in confidence to their respective advisers but shall procure that such advisers shall respect and adhere to this obligation of confidentiality in respect of such information. Furthermore each of CCC and SISU may with the prior written consent of the other disclose such information in confidence to third parties consulted by them respectively in the context of this letter.

The restrictions set out in this paragraph 9 do not apply to information which either of us receives from the other and which:

- (a) is disclosed between us on a non-confidential basis, is public knowledge or is already known to the receiving party at the time of disclosure; or
- (b) subsequently becomes public knowledge other than by breach of this letter agreement; or
- (c) subsequently becomes lawfully into the receiving party's possession from a third party or resource; or
- (d) is required to be disclosed by a court of competent jurisdiction or governmental or regulatory authority including the Freedom of Information Act 2000 with which CCC must comply, provided that where such disclosure requirement arises we shall co-operate in good faith regarding the timing and content of any such disclosure wherever legally possible.

Dated 2nd August 2012

Signed for an on behalf of CCC..... 

Signed for and on behalf of SISU..... 