Schedule 6

Equity Share Scheme

1 The Monthly Charge shall be 35% of Net Disposable Household Income (as defined in the Appendix) (or such other percentage as shall be determined by the Society in general meeting acting reasonably). The Monthly Charge of the Member must be sufficient to service 90 to 110% of the Society’s loan repayments relating to the Member’s portfolio, such sum to be reviewed from time to time by the Society acting reasonably.

2 If a Member’s Net Disposable Household Income rises the Society can require the Member to be allocated such further Equity Shares in the Society which the Member is deemed by the Society (acting reasonably) to be able to afford. The Member is obliged to accept such further Equity Shares and to finance them, provided that the Member’s Adjusted Monthly Charge is equal to or less than the Net Disposable Household Income limit in Clause 1 above.

3 If an incoming Member cannot afford to be allocated all of the outgoing Member’s Equity Shares, the Society can require an existing Member to be allocated the remaining Equity Shares of the outgoing Member pursuant to Clause 2.

4 Whilst the value of the Equity Shares of the Member shall increase from the date the Member occupies the Property, on vacating the Property the Member shall only be entitled to any increase in value if the Member has lived in the Property for more than 3 years. The increase in value shall be the same amount as the equivalent increase in the Index of Average Weekly Earnings (or any successor index thereto).

5 The Society will establish the Lilac Equity Fund to accept contributions from Members who meet the criteria set out in the Society’s High Earners and Additional Capital agreement from time to time or those who have acquired the full amount of their Equity Shares deemed necessary by the Society acting reasonably (as defined in Clause 7 below), such shares to reflect the amount required to finance the Development Costs apportioned to the Property together with any capital improvement or repair costs. The Lilac Equity Fund will be utilised for the benefit of Members in accordance with the agreement agreed by the Society in general meeting from time to time.

6 At the Base Valuation Date each Equity Share shall have a value of £1.

7 The total number of Equity Shares issued by the Society to Members shall comprise:

7.1 the total Development Costs;

7.2 the additional Equity Shares issued by the Society acting reasonably to fund capital improvements or repairs to the Development; and

7.3 additional Equity Shares issued by the Society acting reasonably to reflect the value of improvements approved by the Society and carried out by the Member to the Property (or carried out by the Society), such value to be assessed by an independent valuer appointed by the Society (acting as an expert and whose decision shall be final and binding).

8 Equity Shares are allocated to Members in the following ways:

8.1 allocation of any initial allocation on becoming a Member;

8.2 allocation of additional Equity Shares under Clause 2 of this Schedule;

8.3 allocation of additional Equity Shares under Clause 3 of this Schedule;

8.4 allocation of additional Equity Shares under Clause 7.2 or 7.3 of this Schedule; and

8.5 allocation of additional Equity Shares in the Property as determined by the Society in general meeting acting reasonably representing the cost of construction of additional properties beyond those contained in the original Development.

9 The Member shall acquire the Equity Share he or she is allocated by means of either:

9.1 a cash deposit of a minimum of 10% of the total Equity Shares allocated under Clause 7 above, such deposit to be paid on the date of this Lease; and

9.2 payment of the Monthly Charge and/or;

9.3 a cash lump sum at any other point.

10 The value of Equity Shares when the Member leaves the Society shall be:

10.1 if the Member leaves less than 3 years after taking occupation of the Property, the value at which the Equity Shares were acquired or less if the Index of Average Earnings has reduced since the allocation of the Equity Shares; or

10.2 if more than 3 years after the Member takes occupation of the Property, by the following formula:

*value of Equity Shares at date of acquisition plus 75% of the increase (or, if decrease, then 100% of the decrease) in the Average Earnings Index*

10.3 such increase or decrease in Average Earnings Index shall be measured from the date of allocation of the Equity Shares to the latest quarterly date prior to the sale for which Average Earnings Index data is published by the Office of National Statistics. If the Index of Average Earnings ceases to exists, it shall be replaced by such other index as represents the increase/decrease in Average Earnings as the Society may reasonably determine.

11 The Member may sell his or her Equity Shares at a value less than that calculated under Clause 9 if unable to sell them at full value and this can be demonstrated to the Society.

12 If a Member occupies the Property for more than 3 years he or she shall be entitled to receive the value of Equity Shares on leaving the Society in accordance with Clause 10 together with any increase in value. All members regardless of length of occupancy will be subject to the following deductions:

12.1 the outstanding principal amount on the Society’s corporate mortgage/loans apportioned to that Member’s property, including loans to finance development costs, loans or capital sums to finance payments to other outgoing members, depreciation of the value of Equity Shares calculated by reference to the relevant accounting standards of recommended practice and dilapidations in accordance with Clause 19.2 above.

13 All sales of Equity Shares by an Outgoing Member shall be administered by the Society who shall be entitled to charge reasonable administration costs of doing so.

14 If an Outgoing Member serves notice of his or her intention to leave the Property:

14.1 the Society shall have two months to nominate an Incoming Member to acquire all the Outgoing Member’s Equity Shares or an Incoming Member to acquire some of those shares and an Existing Member of Members to acquire the remainder;

14.2 if the Society is unable to nominate under Clause 13.1, the Member can assign the lease of the Property and sell his or her Equity Shares to any person on condition that that person:

14.2.1 is approved as a Member by the Society acting reasonably;

14.2.2 executes a deed of covenant with the Society to comply with the terms of the lease; or

14.2.3 executes a deed to accept the Member’s obligations under the constitution of the Society.

15 No Equity Shares can be held or owned by any person who is not a Member of the Society.

16 In circumstances of financial hardship, the Society may consent to the Member reallocating some of his or her Equity Shares if:

16.1 the monthly charge would exceed the level as defined in Clause 1;

16.2 the Society considers that financial hardship will remain the case for the foreseeable future; and

16.3 another Member is willing and able to be allocated those Equity Shares,

A Member shall not be able to dispose of Equity Shares if these would reduce the monthly charge below 35% of his or her Net Disposable Household Income.

17 If the procedure in Clause 16 is not possible for any reason the Society acting reasonably may:

17.1 allow the Member to retain his or her Equity Shares but not to be able to deal or dispose of the same, but to surrender the lease of the Property and take a monthly contractual tenancy instead; or

17.2 provide financial support through the Lilac Equity Fund.

18 If:

18.1 the Member has acquired all his or her allocated Equity Shares and these are fully paid for; and

18.2 the Society has no longer any corporate loans or debts attributable to that Member’s Equity Shares;

18.3 the Member shall either:

18.3.1 pay up to 10% of his or her Net Disposable Household Income per annum to the Society (any surplus monies being generated if the 10% is greater than the Monthly Charge will be paid into the Lilac Equity Fund) In accordance with Lilac’s higher earner and additional capital policy

18.3.2 if greater, pay the actual cost of managing the Property and providing the services described in Schedule 4 above

19 If a Member takes a monthly tenancy pursuant to Clause 16.1, his or her Equity Shares will be frozen from that date until the date the Member vacates the Property, at which point the Equity Share shall be valued up to the date of surrender of the lease and commencement of the contractual tenancy.

20 All the provisions of this Schedule shall be subject to amendment by the Society, but only if such amendment is approved by 75% of all the Members for the time being attending and voting in general meeting or 75% of all Members of the Society voting by secret ballot.