

[REDACTED]
Head of Investments
Homes and Communities Agency
Fry Building
2 Marsham Street
London
SW1P 4DF

Your reference

Our reference

GWH/UKM/73448395.1

21 January 2016

Dear [REDACTED]

PROJECT HELVELLYN - LOAN PORTFOLIO

I refer to our various discussions and also my discussions with Ian Guthrie at JLL and, as requested, I am pleased to outline our proposal to provide the Homes and Communities Agency ("HCA") with initial legal advice on various matters regarding HCA's Project Helvellyn portfolio.

We understand the portfolio comprises approximately [REDACTED] development loans (value c.£[REDACTED] involving a number of counterparties and PRS projects mainly located in Greater London.

As you are aware, DLA has market leading Housing/PRS and Portfolio Solutions teams and credentials. The following points are worth noting:-

- We have an UK wide offering and a truly national capability with teams based in London, Birmingham, Manchester, Leeds, Sheffield and Liverpool and in Edinburgh.
- We have been involved in market leading PRS deals, including the 2 largest PRS deals in the UK to date in the joint ventures between Sigma Capital Group plc/Gatehouse Bank and Sigma Capital Group plc/Grainger plc.
- Over the last year we have completed around £[REDACTED] of portfolio deals, with around £[REDACTED] of portfolio deals currently ongoing/in the pipeline.
- We have worked regularly with JLL's loan portfolio sale team on a number of deals most recently on the £[REDACTED] loan portfolio sale by Aviva plc to Lone Star in 15Q4 (Project Churchill).

If required, we can send to you credentials highlighting our experience across PRS, Residential and Portfolio sales assignments.

This letter, together with the attached terms of business ("**Terms**") sets out the basis on which we should be pleased to act on this initial phase of the Project Helvellyn sale. The Terms should be read in conjunction with this letter and, in the event of any inconsistency or conflict between the two, the provisions of this letter will prevail.

DLA Piper UK LLP is authorised and regulated by the Solicitors Regulation Authority.

DLA Piper UK LLP is a limited liability partnership registered in England and Wales (number OC307847) which is part of DLA Piper, a global law firm, operating through various separate and distinct legal entities.

A list of members is open for inspection at its registered office and principal place of business, 3 Noble Street, London, EC2V 7EE and at the address at the top of this letter. Partner denotes member of a limited liability partnership.

A list of offices and regulatory information can be found at www.dlapiper.com.

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1. CLIENT AND ADVISER

Our client in this matter will be Homes and Communities Agency ("**HCA**" or "**you**" (and words such as "your" shall be interpreted accordingly)). Your adviser will be DLA Piper UK LLP ("**we**" or "**us**" (and words such as "**our**" shall be interpreted accordingly)).

2. SCOPE OF SERVICES

You have asked us to advise and assist in relation to an initial high level review of a sample of development loans which are vested in the HCA. We understand this work initially involves a high level review to identify any "red flags" or material execution impediments to the sale/transfer of the Project Helvellyn portfolio. This phase 1 work does not comprise a full security review of the sample set.

We further understand that a sample set of Helvellyn loans will be selected and, following discussions with JLL, it is proposed that a sample set comprising [REDACTED] of the loans ([REDACTED] loans) is reviewed as part of this initial phase. This section sets out my understanding of the work that we will be carrying out for you.

Working in conjunction with JLL as your advisors, we will provide a high level red flag report in writing with specific focus on the following areas:

1. any legal impediments on the face of the documents to HCA being able to assign/transfer/novate the loans and the principal security to a 3rd party purchaser. In relation to data protection and confidentiality restrictions we will simply report on the contractual provisions in the documents we review. For present purposes, we are assuming that there is 1 loan per project/site;
2. if the HCA charges have been registered at Companies House within 21 days of the date of the charging instrument (on the basis of searches undertaken at Companies House) and at the Land Registry and confirm the ranking of the HCA charges based solely on the ranking of charges listed at the Land Registry. Whilst we will confirm the HCA ranking position based on our searches undertaken at the Land Registry and note whether there is a deed of priority or ranking agreement at the Land Registry we will not review and report on them (work stream for Phase 2);
3. what consents and approvals are required to assign/transfer/novate the HCA loans and principal security to 3rd parties on the face of the documents and under The Housing and Regeneration Act 2008 and any obligations under that Act to obtain "best value";
4. review of the title to the property from title numbers provided by HCA to confirm the registered owner of the property;

5. provide recommendations for us to undertake further due diligence on ancillary documentation relative to the sample loans/sites such as the warranty packages from the professional teams and contractors involved on the sample projects and any associated guarantees and performance bonds (for example in relation to the assignability of warranties);
6. noting of the existence of any additional security, such as guarantees or bonds, on the face of the loan documents and our searches undertaken at Companies House and the Land Registry;
7. undertaking winding up searches with the Companies Court Central Index to confirm that no petition for the winding up of the developing entity has been presented/filed (if UK registered); and
8. confirming any restrictions on how long the developments must be used for rental purposes based on the documents we review (as this may affect an exit for any purchaser).

3. MATTERS OUTSIDE THE SCOPE OF SERVICES

We shall not be carrying out nor can we accept responsibility for the following work:

- 3.1 any tax advice;
- 3.2 save for the limited matters expressly set out in paragraph 2 above, reviewing/reporting on Titles; Construction documentation; Planning position or Development documentation (Phase 2 work streams as part of the preparation of a vendor due diligence report (if required)).and
- 3.3 matters which are not governed by English or Scottish law unless separately agreed with you or as set out in the Legal Scope.
- 3.4 You acknowledge and agree that in assisting you with this process we will not be acting as your property adviser nor will we be providing you with valuation advice/services.

4. TIMETABLE

We shall, so far as we are reasonably able, having regard to the position of others with an involvement in the matter and other advisers, work within the agreed timetable. If, for any reason, we become aware that this timetable is likely to change, we shall, as soon as reasonably practicable, notify you of that fact.

5. OUR TEAM

I, [REDACTED] [REDACTED] will be responsible for the overall provision of the Services (as defined in the Terms) and will supervise all aspects of the work. I will be assisted by our specialist PRS/Residential team led by [REDACTED] [REDACTED] and [REDACTED] [REDACTED] as well as our specialist Portfolio Solutions Group (which I

lead along with [REDACTED] [REDACTED] Additional resources will be made available as required.

6. INSTRUCTIONS AND REPORTING

Subject to our professional obligations in this regard, we shall assume that whoever provides us with instructions has authority to do so and that we can rely on any information provided by, engage in correspondence and discussions with and report to each and every such person.

7. FEEDBACK AND COMPLAINTS

We pride ourselves in providing a high quality service to our clients at all times. If, however, you would like to make any suggestions as to how [our] service to you can be improved or, if you are dissatisfied with any aspect of the services provided under this letter or your bill, please contact the supervising partner named in section 5 of this letter.

We are authorised and regulated by the Solicitors Regulation Authority ("SRA") and operate a complaints procedure which complies with the requirements of the SRA, a copy of which is available on request. If for any reason we are unable to resolve your concerns, then you may refer the matter (including any complaint concerning your bill) to the Legal Ombudsman (www.legalombudsman.org.uk). You have the right to refer the matter to the Legal Ombudsman within six months of receiving a final written response from us notifying you of this right. A complaint must ordinarily be referred to the Legal Ombudsman:

- within six years from the act or omission which gave rise to the complaint; or
- within three years from the date when you should reasonably have known there were grounds for complaint.

You may also have the right to apply to the court for an assessment of your bill under Part III of the Solicitors Act 1974.

Although the Law Society is a designated professional body for the purposes of the Financial Services and Markets Act 2000, responsibility for regulation has been separated from the Law Society's representative functions and delegated to the SRA. The Legal Ombudsman is an independent public body responsible for resolving complaints about legal services. The ombudsman scheme is administered by the Office for Legal Complaints.

8. FEES AND ASSUMPTIONS

In terms of our fee, we will charge [£XXX] (plus vat and outlays) upon completion of the assignment described in paragraph 2 above ("the Fee").

The Fee shall become due upon us delivering and presenting the content of our red flag written report.

If, during the assignment or within 90 days of its completion, the HCA decides to progress a sale of the Project Helvellyn portfolio, in circumstances where DLA are mandated as sole legal advisor on that sale, then this fee will be waived.

Our fees will be calculated by reference to the time spent by lawyers or other fee earners based on our standard hourly rates.

9. OTHER CHARGES

Our fees are exclusive of:

9.1 VAT which will be charged at the prevailing rate, where applicable; and

9.2 disbursements and expenses such as counsel's fees, overseas lawyers' fees, trademark and patent agents' fees, enquiry agents' fees, property search/enquiry fees, court fees, valuation fees, Land Registry fees, Companies House fees, couriers' charges, travel and subsistence and photocopying and electronic funds transfer charges which will, subject as follows, be charged at cost (together with VAT, where applicable) and itemised on any invoice. In the case of photocopying and electronic funds transfer charges, a nominal administration charge (together with VAT, where applicable) is included in the amount charged to you. Further details will be provided upon request.

10. BILLS AND PAYMENT

Fees for the work carried out for you will be invoiced to and payable by you on completion of the matter (or, if earlier, on termination of negotiations or our instructions). I should be grateful if you could note the provisions on billing and settlement set out in clause 6.6 of the Terms.

11. LIMITATION

I would like to draw your attention to clause 10 of the Terms which contains important restrictions on liability.

For the purposes of clause 10.6 of the Terms, the aggregate liability of DLA Piper UK LLP and other DLA Piper Persons (as defined in the Terms), in any circumstances whatsoever, and however caused (including our negligence), for loss or damage arising from or in connection with the Services (as defined in the Terms) shall be limited to the sum of £10,000,000 including costs and interest.

12. FINANCIAL SERVICES

The legal services we provide may involve investment related activities. Where these services are provided in the UK, you should note that we are not authorised by the Financial Conduct Authority under the Financial Services and Markets Act 2000. However, we are regulated by the Solicitors Regulation Authority as an "exempt professional firm" and, accordingly, may

offer a limited range of investment related services (including insurance mediation activities) if they can reasonably be regarded as incidental to the legal services we provide. We are included on the register maintained by the Financial Conduct Authority so that we can carry on insurance mediation activity, which is broadly the advising on, selling and administration of insurance contracts. This part of our business, including arrangements for complaints or redress if something goes wrong, is regulated by the Solicitors Regulation Authority. The register can be accessed via the Financial Conduct Authority website at <http://www.fca.org.uk/>.

We do not provide advice to clients on the investment merits of acquiring or disposing of particular investments (as that term is defined in the Financial Conduct Authority's rules) and, unless we expressly agree otherwise, nothing that we say or do is intended, nor should it be construed as, an invitation or inducement to anybody to engage in investment related activities.

13. THIRD PARTY RIGHTS

Pursuant to the Contracts (Rights of Third Parties) Act 1999, each and every DLA Piper Person (as defined in the Terms) shall be entitled to the benefit of and to enforce the provisions of clauses 5.1 and 10 of the Terms. Subject to this, a person who is not a party to the Services Agreement (as defined in the Terms) shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Services Agreement (as defined in the Terms).

14. FURTHER INFORMATION

Further information concerning DLA Piper UK LLP may be obtained from <http://www.dlapiper.com/uk/content/legalnotices/>.

We thank you for this opportunity to act for HCA on this important and ground-breaking transaction. If successful, we very much look forward to working with you and the HCA team and the team at JLL. If you have any queries or concerns, please do not hesitate to contact me. Otherwise, please confirm your acceptance by signing the enclosed copy letter and returning it to me at your earliest convenience.

Yours sincerely

PARTNER
DLA PIPER UK LLP

Enclosures: Terms of Business, DLA Piper Credentials and Copy letter for acceptance

Agreed and accepted for and on behalf of Homes and Communities Agency. In doing so, I acknowledge and confirm (on behalf of Homes and Communities Agency) my acceptance of your limitation of liability and that of other DLA Piper Persons (as defined in the Terms) contained in this letter and the Terms.

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Authorised signatory

Name:

Position: