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| (Redacted)Savills 33 Margaret StreetLondonW1G 0JD  |
| 13/04/2015 |

Our Ref: 28149- Carlton Group

Dear (Redacted)

This letter is supplemental to the: (a) framework contract dated 8 June 2014 made between (1) Savills plc and (2) Homes and Communities Agency for the provision of property services (**Framework Contract**); and (b) instruction number NP/LOND/PROF/13 (**Instruction**) for the provision of a valuation report for secured lending purposes as detailed below (**Report**). A breach of this letter is to be regarded as a breach of the Framework Contract.

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| **Instruction for the Provision of a Valuation for secured lending purposes – commercial (non-trading related) and residential development in respect of:** |

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| **PROPERTY:** | Carlton House, 501- 535 High Road, Ilford IG1 1TZ |
| **BORROWER** | Carlton Group Developments Limited |
| **BORROWER CONTACT DETAILS:** | (Redacted) |
| **STATUS OF BORROWER:**  | Developer wishing to redevelop the property |
| **HCA SOLICITOR:** | (Redacted), Browne Jacobson - (Redacted) |
| **HCA-I VALUATION INSTRUCTOR** | (Redacted)(Redacted)Fry Building, 2 Marsham Street, SW1P 4DF |
| **LOAN FACILITY AMOUNT:** | (Redacted) |
| **LOAN TERM:** | (Redacted) |
| **REPAYMENT ARRANGEMENTS:** | From funds received in relation to the sale of the units constructed at the Property |
| **MEANS OF ACCESS TO THE PROPERTY FOR INSPECTION:** | (Redacted) – As above |
| **PURPOSE OF THE VALUATION:** | To assist in consideration of an application for new loan facilities |
| **VALUER** | Savills and its employees |
|  | **BASIS OF INSTRUCTION AND TIMING** |

* 1. Your client is the Homes and Communities Agency (**HCA**).
	2. This letter broadly follows the Protocol for valuation and appraisal of land and buildings for commercial secured lending set out in the RICS Valuation Standards (the Red Book).
	3. Provided you are satisfied that in respect of the above you meet the requirements of the RICS Valuation Standards (the Red Book), Professional Standards PS1 (compliance with standards and practice statements where a written valuation is provided) and PS2 (ethics, competency and disclosure) and you have professional indemnity insurance as required by your professional body, please provide the Report, in accordance with the instructions below, that complies with the RICS Valuation Standards by 30 April 2015, addressed to the HCA at the above address. If you cannot meet the above provisos and requirements please advise us at once.
	4. **Please confirm to HCA in writing that you are able to meet the terms of this letter and the Instruction before proceeding, including that you have no conflict of interest, either with the Borrower or the Property. By accepting the Instruction and terms of this letter, you agree not to undertake any agency role in the future in connection with the Property without consent of the HCA.**
	5. It is assumed that, following provision of the Report, you will be prepared to discuss its contents with HCA.
	6. You are reminded that all information provided by the HCA relating to its Borrower’s affairs is strictly confidential and must not be disclosed to third parties without prior written authority of the HCA.

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|  | **VALUATION REPORT**  |

* 1. The valuation must contain the information under the specified headings, and be set out in the order shown below.
	2. The date of valuation is to be the date of the Report. The date of your inspection must also be stated.
	3. If you believe there is a prospective special purchaser, please also provide valuations on the above basis(es) but reflecting the bid of that special prospective purchaser.
	4. Advice, if you consider it relevant, that there is a significant prospect of, or potential for change of use or other development of the subject property, or those in the vicinity which would materially affect the value of the subject property.
	5. Your Report must show valuation methodology calculations and justify assumptions made.
	6. Where applicable/ available to assist the Valuer a schedule of information will be provided by the HCA-I Valuation Instructor including, but not limited to;
1. Report on Title & Plans.

If unavailable at the date of acceptance of the Instruction please liaise with HCA’s Solicitor to obtain such information, and where possible avoid the duplication of investigations.

[Guidance note for manager: (a) Amend as applicable and ensure that, if required, the solicitor is instructed accordingly. (b) If a new lend and solicitor not yet instructed, please specifically comment plus ensure Report on Title is sent when received with valuer asked to comment per para 12.4. (c) If a re-valuation it is **MANDATORY** to send the valuer a copy of the R-O-T and footprint plan of the property being valued ]

Please check that the boundaries on the Title plan in the Report on Title match with the boundaries of the site plan as advised to you by the HCA and inform us of any discrepancies. Please also confirm that the Property has unfettered access.

1. A ‘Schedule of Accommodation’, including the Borrower'’s anticipated sales revenues, size of new dwellings (including floorspace & number of bedrooms), the quantum of new dwellings & tenure;
2. A standard HCA Project Cashflow, including details on Total Scheme Costs, Build & Sales rate, Finance & Developer Profit;
3. The Borrowers proposed Sales & Marketing Strategy;
4. Contamination Reports (where applicable/ available)
	1. If, during the course of your investigation you discover any significant information that contradicts the supplied information please draw this to our attention in the Report.
	2. Unless otherwise agreed in writing, the Report to be provided will be for secured lending purposes as stated above. You will be accepting responsibility to HCA alone that the Report will be prepared with the skill, care and diligence reasonably to be expected of a competent valuer, and you will not be accepting any responsibility to any parties other than us. Therefore, any such parties who rely upon the Report do so at their own risk. Neither the whole nor any part of the Report, nor any reference to it, will be included in any published document, circular or statement, or published in any way, without your written approval of the form and context in which it may appear.
	3. We expect you to have regard to this information when preparing your report.

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|  | **EXECUTIVE SUMMARY** |

3.1 Please provide an ‘Executive Summary’ which as a minimum covers the following points:

(a) the Property in its current state and with the benefit of any planning consent(s) existing as at the date of valuation; and

(b) the Property assuming completion of the Works and commenting upon, identifying and/or confirming, as appropriate:

1. likely occupational and investor demand and likely purchasers;
2. volatility of Property performance and rental and capital values;
3. the material conditions attaching to existing planning consent(s) and agreement(s);
4. any title issues requiring further investigation;
5. any pertinent issues, whether adverse or otherwise, requiring further investigation; and
6. its suitability, from a property perspective, as security for the proposed loan.

(c) detail all previous instructions from the HCA and Borrower.

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|  | **LOCATION** |

* 1. A general description of the location in which the Property is situated along with the immediate surrounding area is required.
	2. An Ordnance Survey Extract, Scale 1:1250, if available, detailing the Property with its boundaries edged clearly in red and/or such other extracts and/or Goad's plans as are deemed appropriate should be provided.
	3. Concise comment should also be provided in respect of demographic influences and surrounding land use. This should be limited to its relevance to the site only.

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|  | **DESCRIPTION** |

5.1 A concise description of the Property in its existing state and on completion of the Works, as specified within the supporting documentation issued with this letter, along with advice as to the type of construction, proposed specification and suitability including details of comparable developments, together with precedents which lend support to the assumptions made in the valuation and your assessment of market demand.  Photographs of the Property, (including, if appropriate, the exterior and the interior of any existing building/s), showing it in its context are also required and should be appended to the report.

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|  | **ACCOMMODATION** |

6.1 Full details should be provided of the accommodation to be refurbished at and/or constructed in accordance with the Works.

For properties where it is accepted valuation practice to state the areas of the various sections of the Property, these areas should be measured in accordance with the current RICS Code of Measuring Practice. Confirmation should also be provided as to whether the measurements have been derived from on site measurements or from scale plans.

6.2 For residential property comment should be made as to the adequacy of:

(i) the unit layout(s) and size(s);

(ii) the standard of finishes, fixtures, fittings and facilities,

(iii) the common areas;

(iv) the internal and external amenities;

(v) any staff accommodation; and

(vi) the car parking facilities.

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|  | **CONDITION** |

7.1 Concise comment on the external and internal condition of existing buildings situated on the Property is required.  Specific comment on any defect that may have an adverse effect on its future marketability and the estimated useful remaining lifespan, both functional and economic, should be made.

If a more detailed investigation of any defect or suspected defect is considered appropriate, the HCA should be made aware of the issue immediately.

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|  | **STATUTORY ENQUIRIES**  |

8.1 A Statement is required as to;

(i) the current zoning of the Property within, and the status of, the relative Local Development Documents (including Core Strategies where applicable and Local Plans);

(ii) whether the Property is listed or located in a Conservation Area;

(iii) the availability and nature of existing planning consent(s);

(iv) whether the existing building(s) appear(s) to comply with existing planning and listed building consent(s) and building regulations;

(v) whether the building(s) to be constructed/refurbished  in accordance with the Works appear(s) to comply with existing planning and listed building consent(s) and the terms of any material planning conditions or agreements existing in relation to the Property;

(vi) the likelihood and timing of achieving planning and listed building consent for the Works to be undertaken and the likely nature of any material planning conditions that may be imposed;

(vii) the availability of appropriate licences required for the business(es) carried on and/or, where applicable, proposed be carried on;

(viii) the adequacy of the fire precautions and whether a current fire risk assessment exists and/or will be required in respect of the existing building(s) and/or those to be constructed/refurbished. Sight should be obtained of copy/ies of existing and current fire risk assessments and the HCA advised whether this has been possible;

(ix) the condition and suitability of the access to the Property and whether the access roads have been adopted by the Highway Authority; and

(x) the rateable value of the Property/ Site as existing, its status, and the current Uniform Business Rate or relative Council Tax band(s).

Oral inquiry of the appropriate authorities may be sufficient but the HCA should be advised if it is considered that written confirmation is necessary.

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|  | **SERVICES**  |

9.1 Detail the services provided and/or to be provided.  General comment is required on the condition and availability of existing services to the Property, including any obvious defects and estimated useful remaining life span. Comment should include not only the main utility services but also, where appropriate, central heating, air-conditioning, comfort cooling, chilled ceilings, lift equipment, raised floors, perimeter trunking, suspended ceilings, sprinkler systems, kitchen and catering equipment, etc.

9.2 Plant and machinery should be considered only insofar as it forms/will form an integral part of the Property/ Site for letting or sale purposes.  Where the basis of valuation reflects the business being carried on from the Property, comment should be made on the condition and remaining life expectancy of any trade fixtures and fittings which are/will be required for the future operation of the business.

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|  | **SITE & GROUND CONDITIONS** |

10.1 Where appropriate, the total site area, shape and principal dimensions and topography should be stated along with details and sizes of any external areas.

10.2 If there is evidence that the Property has been affected by any adverse ground conditions (including flooding) this should be specified along with an opinion as to the likely effect of such on the future marketability.  If there are known adverse ground conditions in the locality, even if the Property shows no apparent signs of being affected, the HCA must be advised.

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|  | **ENVIRONMENTAL ISSUES** |

* 1. The HCA will advise if it is aware of any contamination to the Property and make available any specialist reports in its possession. All such reports must be regarded as confidential and their existence and the contents thereof may not be disclosed to any other party, without prior written permission.

It is recognised that the Valuer may not be in a position to give formal comment on the implications of site contamination. However, in order that the HCA can fully assess its position informal comment as to the potential for any such problems to exist is required if it is observed during the course of inspection and/or considered that:

1. the Property/ Site and/or its immediate locality is being or has been used for the manufacture, storage and/or sale of hazardous/toxic materials such as chemicals, petroleum products, pesticides, fertilisers, acids, asbestos, explosives, paint or radioactive materials;
2. (a) deleterious or hazardous materials or techniques have been used in the construction of any existing building or have subsequently been incorporated into the structure, (b) there may be water or land pollution on or close to the Property/ Site, (c) the Property/ Site is on or near to landfill sites, (d) there are storage tanks below ground or (e) nearby incinerators or chimneys giving off heavy emissions;
3. there are any adverse ground conditions in and/or uses of adjoining properties which might give rise to soil contamination; or
4. the Property/ Site and/or its immediate locality is affected or may be affected by flooding or by naturally occurring gases;
	1. The HCA should be advised and provided with an opinion as to whether a full specialist environmental assessment is necessary or a desktop environmental report is advisable.
	2. Where an environmental report has been provided the Valuer should advise the HCA as to the impact of the content of such on marketability and value of the Property/ Site.

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|  | **TITLE/ TENURE** |

* 1. The Title/ Tenure should be stated and, if leasehold, details of the principal terms of the lease should be provided.
	2. Detail and comment upon any known Easements, Servitudes or rights of way or light which may adversely affect the Property/ Site and/or the building(s) to be refurbished/constructed thereon in accordance with the Works.
	3. The Valuer is required to liaise with the HCA’s Solicitors and advise, upon receipt of the latter’s report on title, as to whether or not there is anything contained therein which might adversely impact on the advice provided in the Report.

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|  | **OCCUPATIONAL LEASES & OTHER AGREEMENTS**  |

* 1. Full details should be provided of existing or proposed tenancies. Comment is required as to the appropriateness of such having regard to prevailing market practice or conditions and on any adverse impact of the same on:
1. rental and capital performance and letting or sale prospects; and
2. net income having regard to rent payment and collection arrangements, tenant incentives, irrecoverable void costs, maintenance repair and insurance costs etc.

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|  | **MARKET TRENDS & GENERAL COMMENTS**  |

* 1. A concise history of recent market conditions which have affected the Property is required along with an opinion as to the likely market trends which may affect the Property performance and rental and capital values for the five year period subsequent to the date of valuation.
	2. Having regard to condition, obsolescence and any planning applications, consents or proposed developments in the locality which would have an effect, either adverse or beneficial, on the Property and other relevant information; specific comment is required on the following issues:

(i) the value and marketability in comparison to other competing properties and schemes in that market sector i.e. how is the proposed development placed with respect to the market in which it competes and will it perform better or worse than its peers?

(ii) the scale of the proposed development (subject to any proposed development phasing) relative to market demand;

(iii) the likely demand for the completed units/ development together with an assessment of tenure of properties to be sold, including the demand for the affordable housing units where applicable. Please also provide comment on whether pre-sales are likely to be achievable;

(iv) comment on the appropriateness of the Borrowers marketing strategy;

(v) the volatility of the sector compared to the market as a whole;

(vi) in event of the housing units/ Property remaining or becoming vacant in whole or in part, its letting prospects in relation to the market sector;(vii) the merits and defects of the Property as these might relate to its value and marketability within its market sector;

(viii) the proposed purchase price of the Property, if applicable, and the number and nature of potential purchasers (e.g. developer, trader, owner occupier, investor, be it an institution, property company, private individual or family trust, chain or single operator etc).

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|  | **DEVELOPMENT ISSUES** |

15.1 Concise comment should be made in respect of the adequacy of the scheme appraisal, including whether the current cost plan, project cashflow and projections appear realistic in relation to;

(a) projected development costs (including site clearance and remediation, infrastructure and construction, fees etc);

(b) the proposed phasing of building works and whether the timescales to complete the relevant development is achievable based on your experience;

(c) the level of development profit; and

(d) the achievability of the proposed monthly sales rates;

(e) any other matters which you consider to be relevant or which you believe should be drawn to the Lenders attention (e.g., impact on saleability and value resulting from party wall matters, right of light, restrictive covenants, highway proposals etc.)

15.2 Comment should also be made as to the market perception of the developer, contractor and/or professional team and the availability of warranties, NHBC certification/ Other Warranty Providers etc.

15.3 Only where applicable/ appropriate, any other aspects, other than the usual legal investigations, which you consider require further consideration or investigations by, or on our behalf (e.g. building survey).

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|  | **SECURITY FOR THE LOAN** |

16.1 An opinion is required as to the commercial strengths and weaknesses of the Property/ Site;

(a) in its current state and with the benefit of any planning consent(s) existing as at the date of valuation; and

(b) on completion of the Works, as defined within the Annex of details provided.

16.2 Advice should also be provided as to what action might be taken to mitigate against any factors which, it is considered, might have a material adverse effect on the Property performance and rental and capital values and whether the HCA should consider amending the amount, term and/or repayment arrangement of the Loan Facility.

16.3 Comment upon the proposed Borrower’s valuation estimates which are (Redacted) - current/GDV respectively. As with other information on the Borrower’s affairs, this is to be treated in strictest confidence and should not be disclosed to third parties.

16.4 Advice on any other factors that you consider are likely to materially affect the status of the property offered as security, e.g. privity of contract.

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|  | **MARKET RENTAL VALUE**  |

* 1. Opinion as to the current rental value of the Property assuming completion of the Works as at the date of the Report is required along with justification for this opinion.  Any factors that the Valuer considers likely to impact on achievable rental levels at completion of the Works should be identified.

17.2 A schedule of comparable evidence and a note of the factors which have been considered appropriate in comparing the Property to any comparative properties should be provided.

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|  | **INSPECTION** |

18.1 Your Report is to be founded upon visual inspection of so much of the exterior and interior of the property as is accessible with safety and without undue difficulty, as can be seen whilst standing at ground level within boundaries of the site and adjacent public/communal areas and whilst standing at the various floor levels, which you consider reasonably necessary to fulfil these instructions, having regard to their purpose.

18.2 There is no duty to carry out a building survey or to inspect those parts of the property which are covered, unexposed or inaccessible, or to raise boards, move anything, use a moisture detecting meter, or to arrange for the testing of electrical, heating or other services.

18.3 If you find that it is not reasonably possible to carry out a substantial part of the inspection specified above please state this in your Report.

18.4 Your Report should address all relevant issues and bring to HCA’s attention all factors which may have a bearing on value, saleability and suitability of the Property for security purposes, to include tenure, planning, leases, quality and duration of income, obsolescence/specialist nature, environmental protection etc. Whilst we expect your Report to be based upon thorough research, analysis and evaluation, we do not require bulk for its own sake nor duplication of information contained in the Report on Title. It should be comprehensive but succinct with the objective of assisting us to assess the suitability of the property for the purpose in hand.

Your report should address all relevant issues and bring to our attention all factors which may have a bearing on value, saleability and suitability of the property for security purposes, to include tenure, planning, leases, quality and duration of income, obsolescence/specialist nature, environmental protection etc. Whilst we expect your report to be based upon thorough research, analysis and evaluation, we do not require bulk for its own sake nor duplication of information contained in the Report on Title. It should be comprehensive but succinct with the objective of assisting us to assess the suitability of the property for the purpose in hand.Your report should address all relevant issues and bring to our attention all factors which may have a bearing on value, saleability and suitability of the property for security purposes, to include tenure, planning, leases, quality and duration of income, obsolescence/specialist nature, environmental protection etc. Whilst we expect your report to be based upon thorough research, analysis and evaluation, we do not require bulk for its own sake nor duplication of information contained in the Report on Title. It should be comprehensive but succinct with the objective of assisting us to assess the suitability of the property for the purpose in hand.Your report should address all relevant issues and bring to our attention all factors which may have a bearing on value, saleability and suitability of the property for security purposes, to include tenure, planning, leases, quality and duration of income, obsolescence/specialist nature, environmental protection etc. Whilst we expect your report to be based upon thorough research, analysis and evaluation, we do not require bulk for its own sake nor duplication of information contained in the Report on Title. It should be comprehensive but succinct with the objective of assisting us to assess the suitability of the property for the purpose in hand.Your report should address all relevant issues and bring to our attention all factors which may have a bearing on value, saleability and suitability of the property for security purposes, to include tenure, planning, leases, quality and duration of income, obsolescence/specialist nature, environmental protection etc. Whilst we expect your report to be based upon thorough research, analysis and evaluation, we do not require bulk for its own sake nor duplication of information contained in the Report on Title. It should be comprehensive but succinct with the objective of assisting us to assess the suitability of the property for the purpose in hand.18.3 [Guidance for manager: the Bank may have already identified an opportunity which the valuer should be asked to comment on specifically at this point.]

[Guidance note for manager: if you do not require a marketing strategy, delete the heading and paragraph and insert the words "16 - not applicable". This procedure can also be followed if you wish to receive the marketing report under separate cover, where the schedule in Annex 2 can be used to form a side letter containing the request to the valuer.]

[Guidance note for manager: The pro-forma titled "**Annex 4 - Marketing Strategy Request"** is available as a separate template: "**VAL-ANX4**".]

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|  | **INSTRUCTIONS AND CHARGES** |

19.1 Two copies of your report are to be addressed to:

 (Redacted), Senior Transaction Manager

 Homes & Communities Agency, Fry Building, 2 Marsham Street, London SW1P 4DF

*[Guidance note for manager. You are responsible for sending one of these copies to the Securities Centre]*

**19.2 Please bind a copy of this instruction letter into your report.**

19.3 All instructions of HCA will be made directly by HCA and confirmed in writing.

19.4 The fee for the Instruction is (Redacted) inclusive of expenses but exclusive of VAT. VAT, if any, will be paid for by HCA. Please invoice HCA for payment.

 [Guidance note for manager: always ensure that you agree fees in advance and, where possible, these are inclusive of expenses.]

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|  | **INDEMNITY INSURANCE**  |

20.1 In your Report, please confirm specifically that you hold professional indemnity insurance cover sufficient for the size of the Instruction and for your overall workload, specifying the amount of cover and any excess.

**Note:** The Framework Contract requires a minimum of £10m professional indemnity insurance. HCA reserves the right to review the adequacy of this sum depending on the scale and complexity of the development proposed.

20.2 Whilst the instructions in this letter are detailed, they should not be considered as exhaustive and HCA will rely upon you to identify, take into account and draw to its attention as appropriate, all matters relevant to the value and saleability of the property and to alert us to the risk or likelihood of adverse movements in any of these.

20.3 If you have any queries or concerns about this letter and the instructions it contains please do not hesitate to contact us. Please confirm acceptance of these instructions and your ability to meet our time-scale in writing by copying this letter and signing the statement over the page.

Yours sincerely

(Redacted)

**Homes & Communities Agency**

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**On Copy:** We hereby accept the HCA’s Instruction and the associated terms and conditions contained in this letter.

Signed this day of 2015

SIGNED by (print name)

Signature

Authorised to sign on behalf of: Savills