

Date: 21st October 2016

Valuation Office Agency
Wingate House
93-107 Shaftesbury Avenue
London
W1D 5BU

Dear Sirs

Appointment of the HCA Monitoring Surveyor

Borrower:

Project: 55 Rochester Road, Gravesend

Site(s): 55 Rochester Road

Monitoring Surveyor Start Date: 21st October 2016

Borrower's Legal Advisors:

HCA's Valuers:

Introduction

1. We refer to recent discussions in relation to the proposed development of the Project (**Development**) and financing the Development (**Development Financing**).
2. The Homes and Communities Agency (**HCA**) has agreed to make available to the Borrower a loan facility in a total amount of up to [REDACTED] (capital with capitalised interest added to this figure) (**Facilities**) to assist in funding the costs of the Development excluding Value Added Tax.

Appointment

3. To ensure that the Development is carried out in accordance with the loan facility agreement with HCA (**Facility Agreement**), any collateral warranties, guarantees and duty of care agreements (**Development Security Documents**) the Borrower hereby appoints the Valuation Office Agency to act as monitoring surveyor (**Monitoring Surveyor**) in accordance with the terms of this Agreement (**Appointment**) and to undertake the duties referred to in this Agreement, including but not limited to providing monthly progress reports and verification of any drawn down claims. The Appointment is on the proviso that an appropriate senior member of staff or such other individual as is agreed is at all times responsible for and manages the Valuation Office Agency's role as Monitoring Surveyor.

A summary of factual details relevant to the Appointment are set out in Schedule 1 (Transaction Summary).

Priority Requirements

4. The Monitoring Surveyor shall ensure that at all times:
 - 4.1 the undrawn balance of the Facilities together with Permitted Revenues received from others must not be less than the cost required to complete the Development;

- 4.2 any Cost Overruns (and potential Cost Overruns once identified to the HCA by the Monitoring Surveyor) must be funded immediately by the Borrower;
- 4.3 the Development must proceed in accordance with the Development Appraisal, Cashflow Statement and the Build Programme so that the Completion Date is no later than 31st October 2017 or such other date notified to the Monitoring Surveyor in writing. If at any time the Monitoring Surveyor considers that any of these requirements may be breached the Monitoring Surveyor must inform the HCA immediately by telephone confirmed in writing together with recommendations as to how the HCA should manage that risk within 3 business days of such breach.
- 4.4 the Monitoring Surveyor will actively source information necessary to its appointment as detailed further in Schedule 3.
- 4.5 the Monitoring Surveyor should advise the HCA immediately, by telephone in the first instance followed by written notice within 3 business days, if during the course of the Appointment the Monitoring Surveyor discovers or becomes aware of any material issue that may be contrary to the HCA's understanding of the Development as set out in the final cashflow appended to the Facility Agreement, Development Appraisal or Cashflow Statement.

Initial briefing meeting

5. At the request of the HCA or the Borrower the Monitoring Surveyor will attend a meeting with representatives of HCA, the Borrower, the Monitoring Surveyor and other relevant parties to discuss the Development.

Terms and Conditions

6. The following terms and conditions shall apply to the appointment of the Monitoring Surveyor in relation to the Development:-

The duties of the Monitoring Surveyor shall be the Scope of Services for the Monitoring Surveyor to the HCA (Short form) set out in Schedule 3 (Scope) in addition to all duties referred to in this Appointment;

- 6.1 In consideration of performance of the services provided by the Monitoring Surveyor pursuant to this Agreement the Borrower shall pay the Monitoring Surveyor the fees set out in Schedule 2 (Fees);
- 6.2 The Monitoring Surveyor warrants and undertakes to the Borrower and the HCA that:-
- 6.2.1 in carrying out the services detailed in the Scope (and producing any associated reports) it has exercised and will continue to exercise for the term of the Agreement the professional skill, care and diligence expected of a firm of monitoring surveyors experienced in overseeing and reviewing projects of a similar size and complexity to the Development (nothing in the Agreement will be interpreted as requiring any higher or absolute standard of performance);
- 6.2.2 it will maintain, and will continue to maintain for a period of six years from the Completion Date, a professional indemnity insurance policy upon terms which will provide cover of not less than the amount required pursuant to the following table in respect of each and every claim (save for the specific risks noted below where adequate cover on an aggregate basis will be required) made in relation to the Monitoring Surveyor's obligations (whether under the Agreement, including but not limited to the duty of care owed to HCA, or otherwise) due to any neglect, error or omission by the Monitoring Surveyor in performing the services and producing the reports detailed in the Scope both during the Development construction phase and for the required period after the Completion Date:

Total Development Costs	Minimum Professional Indemnity Insurance Policy Cover
£0m - £2m	£1m
£2m+ - £5m	£2m

£5m+ - £10m	£5m
£10m+	£10m

Note referred to:

- pollution;
- contamination;
- asbestos risks.

- 6.2.3 it shall notify the HCA and the Borrower immediately in writing (and provide all relevant information) of any conflict of interest arising or becoming apparent between the respective interests of the HCA and the Borrower or any affiliated or management entity of the Borrower or any employee, director or shareholder thereof; and
- 6.2.4 it maintains a complaints handling procedure in accordance with the requirements of the Royal Institution of Chartered Surveyors or other professional entity acceptable to the HCA.
- 6.3 Other than as set out in paragraphs 6.3.2, 6.6, 6.8 and 6.9 of this Agreement or as notified in writing by the Borrower, this Agreement will terminate on the earlier of (i) the date that the Borrower has repaid and discharged the Facilities in full and (ii) the business day following the Completion Date.
- 6.4 The Borrower may at any time, by serving not less than one month's notice in writing on the Monitoring Surveyor, terminate this Agreement whereupon the Borrower shall pay to the Monitoring Surveyor any unpaid part of the Fees due and payable up to and including the effective date of termination. For the avoidance of doubt the appointment as Monitoring Surveyor is made on the condition that an appropriate senior member of staff is fully involved in the Scope and acts as the point of contact for the Borrower and the HCA in respect of this Agreement and the Development.
- 6.5 Any termination of this Agreement shall take effect without prejudice to the rights and liabilities of either party in respect of any antecedent breach of this Agreement and without prejudice to the Borrower's obligations to pay for work done prior to termination.
- 6.6 Every notice or other communication made under this Agreement shall be made to the respective addresses of the parties as noted in this Agreement and such shall be deemed to have been received (i) in the case of a letter when delivered personally or two days after its posting by first class post and (ii) in the case of facsimile transmission when despatched.
- 6.7 The Monitoring Surveyor shall keep confidential and protect any Confidential Information, and not disclose such information (except (i) where necessary to its employees and/or other professional advisers and (ii) where required by law or regulations or by a competent judicial, regulatory or other body) and to only use the Confidential Information to provide the services described in the Agreement.
- "Confidential Information"** means all information relating to the Facilities and/or the Development provided to the Monitoring Surveyor by the HCA or the Borrower or on behalf of the HCA or the Borrower or any agent of or supplier to the HCA and the Borrower, but excludes information contained in the public domain (other than as a result of a breach of the terms of the Agreement) or otherwise lawfully obtained by the Monitoring Surveyor.
- 6.8 This Agreement shall be governed by and construed in accordance with the laws of England and Wales and each party submits to the exclusive jurisdiction of the English courts.
- 6.9 For the purposes of the Contracts (Rights of Third Parties) Act 1999, the HCA shall be entitled to rely on all the terms of this Agreement. Other than the HCA a person who is not a party to this Agreement has no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.
- 6.10 The Schedules form an integral part of this Agreement and shall have effect as if set out in full in the body of this Agreement and any reference to this Agreement includes the Schedules.

- 6.11 Defined terms have the meaning given to those terms in this Agreement including at Schedule 5 (Defined Terms).
- 6.12 HCA and the Borrower shall be granted an irrevocable, royalty-free, non-exclusive licence to use and reproduce all schedules, reports, calculations or other associated documents which have been or are to be prepared by the Monitoring Surveyor relative to the Development and such licence shall carry the right to grant sub-licences and shall be transferable to any third party.
- 6.13 The Monitoring Surveyor shall not assign or charge the Monitoring Surveyor's benefit under this Agreement in whole or in part to any person without HCA's prior written consent. HCA may assign or charge HCA's benefit under this Agreement without the Monitoring Surveyor's consent to any third party with an interest in the Development.

SCHEDULE 1

Transaction Summary

Borrower Contact Name

E-mail:

HCA Contact Name

Email:

Project:

55 Rochester Road, Gravesend

Loan Amount (£):

██████████ (capital only with interest capitalised on this amount)

Term of Loan (Years):

Project must complete by 31/10/2017 with repayment of the HCA loan by 31/08/2018.

SCHEDULE 2

Fees

Initial Report Fee

██████████ following the receipt of the Initial Report including disbursements but excluding VAT. For the avoidance of doubt no payment will be owed if the Initial Report is not provided unless otherwise agreed by HCA.

Monthly Reports

██████████ per quarter following receipt of the relevant Monthly Report, including disbursements but excluding VAT. For the avoidance of doubt no payment will be owed if the relevant Monthly Report is not provided unless otherwise agreed by Borrower.

Additional Services

If Additional Services are required, the Monitoring Surveyor shall be entitled to charge the Borrower such fees as are reasonably agreed with the Monitoring Surveyor having regard to the Additional Services required, provided always that no Additional Services shall be provided by the Monitoring Surveyor unless and until the Monitoring Surveyor has received the Borrower's written instructions to provide such Additional Services

SCHEDULE 3

Scope of Services for the Monitoring Surveyor to the HCA (Short form)

Summary

In respect of the Scope and the Appointment the Monitoring Surveyor shall at all times highlight, by telephone and then in writing, to the HCA and the Borrower where it considers, in its professional opinion, that the HCA rights and interests may have been or may become prejudiced, in particular, but not limited to, Cost Overruns, delays or other material issues that could prejudice the timetable or the cost to complete the Development. The Monitoring Surveyor acknowledges that the Borrower and the HCA have and will continue to be entitled to rely on the Monitoring Surveyor's technical expertise and experience, market knowledge and understanding and observation of the Development. The Monitoring Surveyor further confirms that it will advise, guide and provide recommendations to the Borrower and the HCA on both responsive and proactive measures and policies aimed at reducing the risk and improving the Borrower's and the HCA's position in respect of the Facilities.

In providing the reports referred to below the Monitoring Surveyor shall, in respect of each section of a report, consider and advise how each of the following are affected in the context of the funding arrangements (i) cost to complete the Project, (ii) the programme/timetable to complete the Project (iii) potential legal issues, (iv) procurement issues, (v) technical issues and (vi) any other issues considered by the Monitoring Surveyor to be relevant.

The Monitoring Surveyor will carry out the duties detailed below:

Introduction

This Schedule 3, Scope of Services for the Monitoring Surveyor to the HCA (the "Scope"), is designed to cover the key risks of typical concern to the HCA and instruct the Monitoring Surveyor to review and notify the HCA of other risks not expressly stated in this Scope. Ultimately it is for the Monitoring Surveyor to decide on the makeup of the final reports issued to the HCA using the Monitoring Surveyor's professional judgement.

This Scope has been written as an instruction to a professional and in addition the Monitoring Surveyor will consider the duty owed by the professional body to which they are a member and the breadth of the role of a monitoring surveyor as described by the Royal Institution of Chartered Surveyors in the RICS professional guidance note, UK - *Lender's independent monitoring surveyor 1st edition* (the "RICS Guidance"). For the avoidance of doubt this Scope will prevail where there is an inconsistency or dispute over interpretation between this Scope and the RICS Guidance.

Refurbishment

Where refurbishment is a feature in the Project the Monitoring Surveyor will, in addition to this Scope, specifically respond to Appendix 2 of this Scope during the currency of this instruction.

Health & Safety

During both the preparation of the Initial Report and the provision of On-going Monitoring the Consultant will confirm that they have reviewed information necessary to assess the compliance of the Borrower with the Health & Safety provisions of the Facility Agreement. The Consultant will confirm that in their opinion the Borrower has taken all necessary steps required to comply with the Health & Safety obligations imposed on them within the Facility Agreement, including but not limited to;

- Where there is more than one contractor working on the project confirming, that the Principal Designer and Principal Contractor (as defined in the Facility agreement and the Construction (Design and Management) Regulations 2015 (the "CDM Regulations") have been appointed;

- Confirming that the Borrower has provided the Consultant with a copy of the F10 notification to the HSE of the particulars specified in schedule 1 of the CDM Regulations;
- Confirming that the Contractor or Principal Contractor (where appointed) has prepared a written construction phase health and safety plan prior to construction commencement and provide commentary as to the adequacy of the plan.
- Notifying whether there has been any incident that could in the opinion of the Consultant or has attracted the attention of the Police and the media in addition to any incident occurring that is to be reported under the Facility Agreement;
- Providing comment on the compliance with the Health & Safety at Work etc. Act 1974 and the CDM Regulations.

The points detailed above should be specifically mentioned in the Initial report and retained in each monthly report and updated as necessary over the duration of the project.

Initial Report

As part of the preparation of the HCA's funding approval the Monitoring Surveyor will prepare a report (the "Initial Report") and will be required to attend meetings with the Borrower, its Contractor, Sub-contractors, Professional Team or other advisors and request information from the HCA and the Borrower as the Monitoring Surveyor considers necessary in order to prepare the Initial Report.

The HCA takes no responsibility for the accuracy of the Monitoring Surveyor's reports or correspondence.

The report is to be set out in a format to be agreed with the HCA; and

- i. in both hard copy, with a sufficient number of copies reasonably requested by the HCA, and an electronic or PDF scanned copy;
- ii. prior to the execution of the funding documents the Monitoring Surveyor will provide the HCA with the Initial Report.

In the Initial Report the Monitoring Surveyor will comment upon the risks detailed in Appendix 1 of this Scope, in addition to other risks not expressly stated in this Scope.

Metrics

The HCA looks to certain measures as a gauge of the project progress, the Monitoring Surveyor will provide the following metrics as a minimum, including completing the metrics table (detailed below).



Metrics Table (above)

All graphs used by the Monitoring Surveyor will be presented with inputs tables set out in an Excel spreadsheet. The Monitoring Surveyor will be responsible for the accuracy of all charts & tables. The Monitoring Surveyor will set out the following metrics and these will set the base comparator for the Monthly Progress Report.

1. Cost-per-Unit

The Monitoring Surveyor will estimate the Initial Cost-per-Unit and the Initial Total Cost-per-Unit and state it in a table at the front of your report.

2. Sources & Uses

The Monitoring Surveyor will present a sources and uses table, updated as the Project progresses and showing the planned sources and uses as confirmed by the HCA at the commencement of the Instruction.

3. Cost-to-complete (S-Curve)

The Monitoring Surveyor will include the Initial S-Curve (a graphical depiction of the target cumulative spend against the Initial Build Programme) and the Initial Unit Chart in a table at the front of the Initial Report.

4. Programme & Contractual Targets

The Monitoring Surveyor will set out the contractual targets, long-stop dates and phasing dates that make-up the Project timetable setting the basis for the targets for monthly progress the Monitoring Surveyor will report upon in the Monthly Progress Report.

5. Loan-to-Cost

The Monitoring Surveyor will comment on the profile of loan-to-cost and the assumptions made that underpin the view that the Borrower can comply with this covenant.

On-going Monitoring

During the currency of the instruction the Monitoring Surveyor will undertake the following services:

Monthly Progress Report

The Monitoring Surveyor will provide a report set out substantially in the form set out in Schedule 4 (Template for Reporting) on the progress of the Project (the Monthly Progress Report). The Monthly Progress Report will be delivered in both hard copy, with a sufficient number of copies reasonably requested by the HCA, and an electronic or PDF scanned copy Monthly Progress Report.

The Monthly Monitoring Report will be issued before each drawdown date and within one week of each Monthly Progress Meeting and where a Monthly Progress Meeting is cancelled with the prior agreement of the HCA, within one week of the date when the Monthly Progress Meeting should have taken place and the report issued.

Project monitoring and general duties

The Monitoring Surveyor will report to the HCA on all matters that could lead to a delay of the Project or lead to an increase in the cost of the Project. For the avoidance of doubt this will include accelerations in programme and periods of underspend that were not anticipated in the Initial Build Programme as much as it would include slow progress and overspend / underspend and Cost Overruns.

The Monitoring Surveyor will report all other material issues that could affect the risk of the HCA and the timely and successful completion of the Project.

The Monitoring Surveyor will advise, guide and provide recommendations to the HCA on both the responsive and proactive measures to reduce the HCA's risk relating to the Project.

At all times during the currency of this instruction the Monitoring Surveyor will notify the HCA immediately by telephone or email, and then confirmed in writing within 3 business days, where the Monitoring Surveyor considers that the HCA's rights and interests may have become prejudiced by virtue of, but not limited to, cost overruns, disputes, health and safety issues or delays.

The Monitoring Surveyor will provide the duties detailed below: Monitoring Surveyor

- Attending Monthly Progress Meetings;
- Undertaking a Monthly Site Visit;
- Producing a Monthly Progress Report;
- Signing-off and verifying the payment requests and drawdowns to the Borrower; and
- Issuing a certificate of completion.

In the Monthly Progress Report the Monitoring Surveyor will comment upon the risks detailed in Appendix 1 of this Scope, in addition to other risks not expressly stated in this Scope.

Project monitoring and the funding documents

The Monitoring Surveyor will monitor and review the project and confirm that it is progressing in accordance with the relevant provisions of the Facility Documents.

Where there is a breach of these documents, or a potential breach, the Monitoring Surveyor will provide reporting and commentary on these matters to the HCA.

Updating the Metrics

The Monitoring Surveyor will update the Metrics table (see above) required and as set out in the Initial Report to document the progress of the scheme.

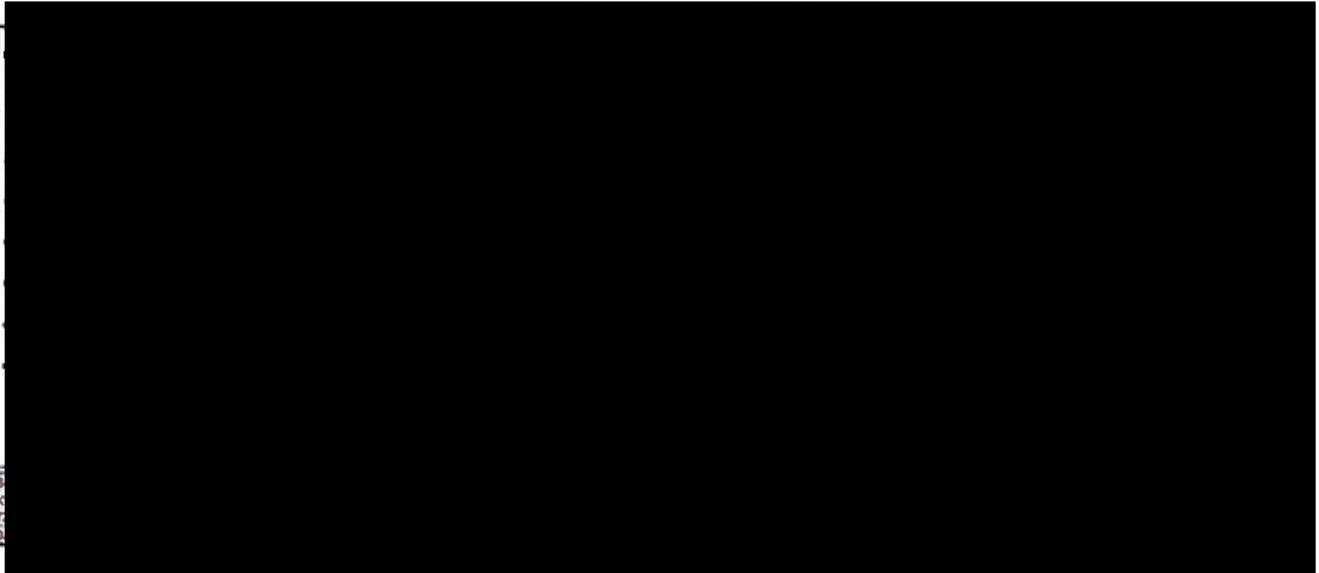
On-going S-Curve change to Initial S-curve

The On-going S-Curve (as defined "On-going S-Curve" an update to Initial S-Curve showing the actual

cumulative spend against the target cumulative spend as depicted in the Cash Flow Statement and the Initial Build Programme).

In addition the Monitoring Surveyor will provide a template detailed cost report summary indicating the original budget, current budget, variance, costs to date and details of how these costs are have been met and from what funding sources in a format to be agreed with the HCA or in keeping with Appendix 1 of this Scope of Services for the Monitoring Surveyor.

In the event to any permitted changes agreed by the HCA to the Initial Build Programme an agreed revised S-Curve (the "Variant S-Curve" as defined, as an update to Initial S-Curve showing the actual cumulative spend against the target cumulative spend as depicted in the Cash Flow Statement and the Initial Build Programme as well as the new cash-flow or build programme as confirmed by the HCA).



Metrics Table (above)

Drawdowns

The Monitoring Surveyor will be responsible for reviewing Project expenditure and confirming to the HCA that periodic spending is in line with the Development Appraisal, Cash-flow Statement and Agreed Plans. The Monitoring Surveyor will issue a certificate confirming that spending is in accordance with Project plans and this will be the a condition precedent to each draw-down.

Completion sign-off & certification

The Monitoring Surveyor will monitor and comment on progress of the completion and handover of the Works issuing a certificate (the "Certificate of Completion"). The HCA will rely on the Certificate of Completion to signal the completion of the works to the standard anticipated in the Development Appraisal and the contractual agreements relating to the Project.

The Monitoring Surveyor will also comment on the Completion, Handover and Snagging Process and any items found at handover of the Works and will discuss with the HCA the implications of the type of Snagging items that exist prior to issuing the Certificate of Completion. The achievement of completion and the issuance of the Certificate of Completion by the Monitoring Surveyor, in accordance with the Facility Agreements, will trigger the release or alteration of the contractual and security rights held by the HCA as contained within the covenants within the Facility Agreement and the Finance Documents. At the point of issuing the Certificate of Completion the Monitoring Surveyor is satisfied that the Works including any Snagging are complete.

Appendix 1: Risks

In addition to the wider duty detailed in this Scope the Monitoring Surveyor will provide commentary specifically on the following matters:

Planning: Advise on the practical implications of, and on-going compliance with, any planning conditions required to complete the Project. Including any cost implications including by way of example, but not limited to the costs of complying with the section 106 of the Town and Country Planning Act 1990 (as amended).

Cash-flow & Programme: The Monitoring Surveyor will review the Cash Flow Statement and the adequacy of the cash, revenue and costing information to carry out the Project and monitor the compliance of the Borrower with the Cash Flow Statement.

Disputes: The Monitoring Surveyor will notify the HCA of any disputes occurring on the site and the reason for the dispute (be it payment, quality or extension of time) between the Borrower, Professional Team and Building Contractor.

Design & the supply chain: The Monitoring Surveyor will report on the allocation of design responsibility and the provision of warranties and other such support by the Professional Team and their on-going performance.

Design & Valuation: Working with the HCA's Valuer the Monitoring Surveyor will confirm that the Design Process and Project output is in line with the assumptions within the HCA Valuer's valuation.

Health & Safety: The Monitoring Surveyor will comment upon the adequacy of and compliance with the health and safety procedures of the Borrower and the Building Contractor or where applicable the Sub-contractors.

Build programme: The Monitoring Surveyor will provide review the adequacy of and compliance with the Initial Build Programme and the projected time period for completion of the Project.

Works Procurement: The Monitoring Surveyor will review the method of procurement and the tendering arrangements being proposed initially and executed by the Borrower and whether or not the documenting of the Building Contracts, work orders, extensions of time or variations and the procurement of the Works is in the opinion of the Monitoring Surveyor adequate to achieve the Agreed Plans and the Project.

Insurance: The Monitoring Surveyor will comment on the adequacy, compared against schemes of a similar size and nature, of the insurance provisions contained within the Building Contract, Professional Team appointments and other documents relating to the Project and the Works and confirm that they are maintained.

Contractor & Sub-contractor suitability: The Monitoring Surveyor will provide commentary on the proposed Contractor(s) and Sub-contractors, their suitability, relevant experience and any substantiated or unsubstantiated (insofar as it may be disclosed) information which the Monitoring Surveyor is aware of and free to disclose in respect of each proposed Sub-contractors including in relation to performance on other developments.

Professional team suitability: The Monitoring Surveyor will review and comment on the relevant experience and terms of appointment of the members of the Professional Team and provide on-going commentary on their performance.

Compliance with regulations & consents: The Monitoring Surveyor will provide commentary on whether the Borrower can demonstrate satisfactory compliance with all applicable statutory, laws, regulations and approvals, including but not limited to, planning approvals, environmental approvals, building regulations approvals, listed building consents, right-to-light (in conjunction with the Borrower's Legal Advisors), public health act approvals, fire authority approvals.

The Monitoring Surveyor will provide commentary on whether the NHBC (or similar) has confirmed that it will provide a warranty for the Project, and Project is and will be in compliance with superior landlord consent (if applicable).

Ground investigation: The Monitoring Surveyor will review and comment on any ground investigation reports relating to the Project, their adequacy for the Project and whether the implications of any such ground investigations have been satisfactorily incorporated into the Project proposals.

Site access: The Monitoring Surveyor will review and comment on the adequacy of legal rights to site access in both physical and practical terms.

Phasing and sequential risk: Where completion of the Initial Build Programme is dependent on sequentially finishing phases of the Works the Monitoring Surveyor will report on the consequences of failing to finish each critical stage in its anticipated sequence or order.

Recycled units: Where applicable the Monitoring Surveyor will consider the recycling of properties into the funding of the Project. Where Units are being released for sale, lease or other means of generating money as identified in the Development Appraisal the Monitoring Surveyor will identify the specific progress of these Units.

Disputes: The HCA considers Disputes & Potential Disputes to be a key indicator of problems on site, potential delays and quality issues. The Monitoring Surveyor will provide a periodically updated list of any material contractual issues or Disputes & Potential Disputes (as defined) and proposed mechanisms for resolution and details of the quantum of claim;

Claims: The Monitoring Surveyor will note and comment upon any claims against subcontractor surety bonds, retentions and any other contractual deductions (including alleged cause and likely quantum of claim and possible impact in the Initial Build Programme). If required the Monitoring Surveyor will undertake a detailed review under this Scope, but on terms to be agreed with the HCA.

Defects and Quality: The Monitoring Surveyor will request and comment on any evidence of defective workmanship and workmanship that falls below the quality standard expected in the contractual undertakings of the Borrower, the Contractor or the Sub-contractors as presented by the Borrower, Contractor and Professional Team.

Design Compliance: The Monitoring Surveyor will comment on any deviation from the design anticipated by the Development Proposal and the Agreed Plans.

Health & Safety: The Monitoring Surveyor will state whether there have been any health and safety incidents on the Project sites and maintain a note of such incidents that is restated in each Monthly Progress Report.

Resourcing: The Monitoring Surveyor will provide commentary on the adequacy of resourcing on the Project sites as perceived from site visits and from the invoicing procedure of the Borrower.

Materials & Labour Supply: The Monitoring Surveyor will report on any difficulties in the delivery and provision of materials and labour to the Project, whether in terms of logistics, supply, commercial, or financial terms. Including, but not limited to, securing pricing for materials at levels indicated in the assumptions underpinning the Cash Flow Statement and Development Appraisal.

Where the Monitoring Surveyor becomes aware of such circumstances or events, the Monitoring Surveyor will provide comment on any indications of increases or decreases in the cost and supply of materials or labour in the area local to the Project or within the Project itself.

Labour Turnover & Key Personnel: The Monitoring Surveyor will report on labour turnover and the loss of key personnel in the Borrower, Contractor and where possible the Subcontractors, deemed important to the progression of the Project by the HCA or the Monitoring Surveyor.

Review of framework contracts over-time

The HCA acknowledges that the following elements requested to be reviewed for the Initial Report will need on-going review as the Works are procured.

Infrastructure

The Monitoring Surveyor will comment upon the quality and method of any site infrastructure or enabling works (including foundations, demolition, retaining walls or reinforced embankments) required in order for the Works and Project to progress.

Compliance with regulations & consents

The Monitoring Surveyor will provide commentary on whether the Borrower can demonstrate satisfactory compliance with all applicable statutory, laws, regulations and approvals, including but not limited to, planning approvals, environmental approvals, building regulations approvals, listed building consents, right-to-light agreements or claims (in conjunction with the Borrower's Legal Advisors), all agreements and arrangements with neighbouring sites for the facilitation or ease of the development activities that form part of the Works and the Project, public health act approvals and fire authority approvals. The Monitoring Surveyor will also provide commentary on the strategy and programme for obtaining any further statutory approvals (if any) and the risks associated with procuring these future approvals.

The Monitoring Surveyor will provide commentary on whether the NHBC (or similar) has confirmed that it will provide a warranty for the Project and, in conjunction with the Borrower's Legal Advisors, comment upon whether the Borrower and Project is and will be in compliance with superior landlord consent (if applicable).

A section will be included in both the Initial Report and the Monthly Progress Report titled Neighbourly Issues (& Compliance with regulations & consents) and containing sub-headings on the following matters:

- Party Wall Matters
- Rights of light
- Licences
- Rail, underground, utility interfaces
- Service diversions
- Access, legal & easements and physical constraints
- Others

Other

The Monitoring Surveyor will consider and comment upon other risks not expressly stated in this Scope.

At all times

Carry out any other appropriate duties in connection with the Development and take such other steps considered reasonably necessary to protect the Borrower's and the HCA's interests. For the purpose of this paragraph "considered reasonably necessary" shall mean (i) with regard to the Monitoring Surveyor any actions, duties or services the Monitoring Surveyor considers would be consistent with the Summary section of this Schedule and (ii) with regard to the Borrower and the HCA, any actions, duties or services which the Borrower and the HCA (acting reasonably) consider would be consistent with the Summary section of this Schedule.

On the request of the Borrower and the HCA (including any other officer or department of the Borrower and the HCA) reissue reports at no extra cost.

Appendix 2: Refurbishment

Applicable to the Initial Report & the On-going Monitoring phase, where relevant.

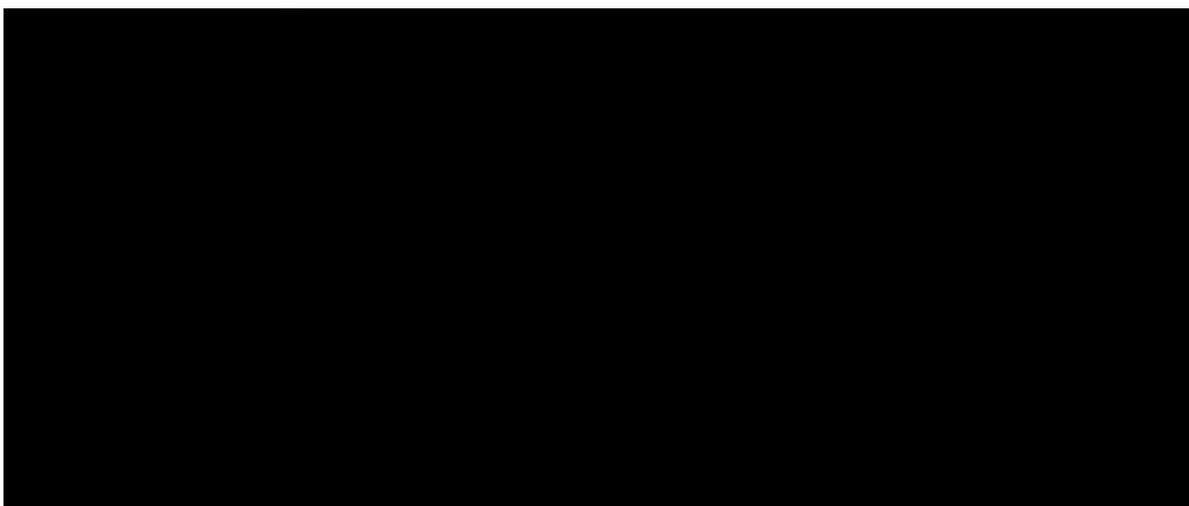
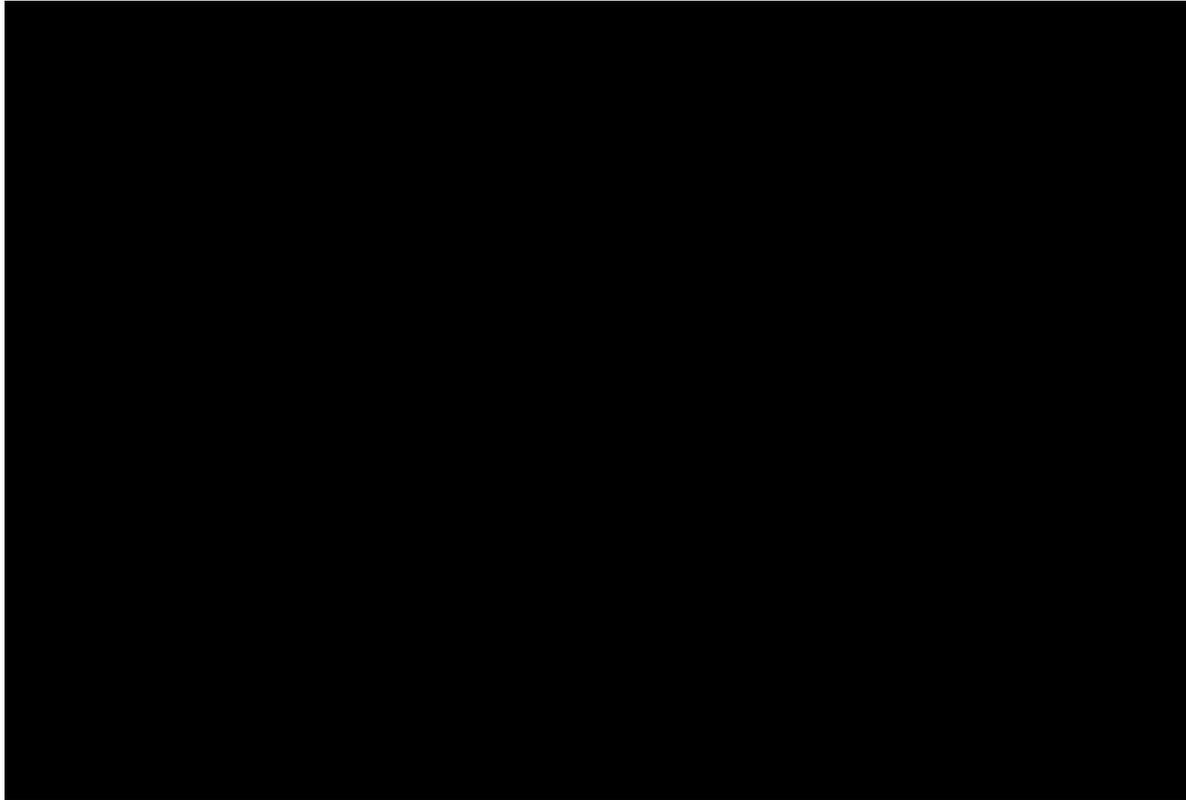
1. To the extent the Project includes refurbishment, replacement and renewal of part of, or a substantial proportion of, an existing structure or its fittings and internal decoration (the "Refurbishment Works") the Monitoring Surveyor will review and comment on the proposals to undertake the Refurbishment Work that are part of the Project, including reviewing the appropriateness of the plans and methodologies proposed to achieve the desired structural standard and environmental output given the existing condition of the buildings to be refurbished (the "Refurbishment Estate").
2. Where the Refurbishment Estate has been the subject of a preliminary stock condition survey (the "Stock Condition Survey") the methodology of that Stock Condition Survey will be reviewed and commented upon by the Monitoring Surveyor, with particular regard to the appropriateness of the Stock Condition Survey for the purposes of scoping the proposed Refurbishment Works. This is in addition to reviewing and commenting on the scope of the Refurbishment Works against the findings of the Stock Condition Survey, where it has been determined that the Stock Condition Survey and any other surveys including any environmental surveys are adequate for the purpose of scoping the Refurbishment Works.
3. Where the Refurbishment Estate is made up of a large number of properties the Monitoring Surveyor will agree with the HCA how they will assess the Refurbishment Works and what proportion of the Refurbishment Estate they will visit periodically. The Monitoring Surveyor will maintain a register of the properties that they have visited over the period of the Project.
4. Where the Refurbishment Works are for the fitting out, partial or full replacement of kitchens and bathrooms or for the installation of apparatus including those for the conduct of electricity, heating and storage of water the Monitoring Surveyor will make particular comment on the elements being proposed to be used and the Borrower's procurement strategy for these elements in addition, but not limited to, their cost assumptions.
5. The Monitoring Surveyor will review the proposed technical scope of the Refurbishment Works and adequacy of the subcontracting arrangements, whether independent of or embedded within the contracting arrangements for any other construction activities on the wider Project (where applicable) with particular attention being paid to any risk transferral and interface between the Contractor and Sub-contractors and the Borrower or any other agent, or person that may have consequences for the undertaking the Refurbishment Works as part of the Project. The Monitoring Surveyor will also consider and comment on any implications the Refurbishment Works may have on the HCA's rights to exercise of security over the Project, including the right of step-in.
6. The Monitoring Surveyor will consider matters specific to the Refurbishment Works, including the Building Technology adopted, any regulations or permissions specific to the Refurbishment Works and any other issues for example, but not limited to, implications for fire regulations, heritage, health and safety, acoustic, site access or disability access and statutory compliance that might be appropriate for the Refurbishment Works of the kind making up part of the Project.
7. The Monitoring Surveyor will explain the implications for the Works and the Project of the nature of the estate being treated including preservation orders, national park status, listings, changes in usage and Building Technology, structure design and age implications for cost and potential delays.
8. The Monitoring Surveyor will pay particular attention to the objectives and standards that are to be attained by the Refurbishment Works (the "Refurbishment Objectives"), site completion and Snagging of the Refurbishment Works. Reviewing and confirming that the funds lent for the Refurbishment Works have been spent in accordance with the Cash-Flow Statement and that it has achieved the desired qualitative and structural standards as stated within the Project Objectives and any contractual arrangements for the procurement of the Refurbishment Works.
9. The Monitoring Surveyor will offer commentary on the life-span and likely lifecycle costs or on-going maintenance issues that could be consequent to the Refurbishment Works. Including, but not limited

to, the relationship between the methodology of the Refurbishment Works and the design life of the refurbished elements in conjunction with the HCA's Valuers. Additionally the Monitoring Surveyor will provide commentary on any foreseeable obsolescence issues or future maintenance requirements and costs that may be required over the design life of the Refurbishment Works.

10. The Monitoring Surveyor will review and offer opinion on the measures adopted by the Borrower and its contracting team and advisors to investigate for asbestos. Where asbestos has been found the Monitoring Surveyor will comment on the strategy of the Borrower and its contracting team and advisors to treat asbestos within the Refurbishment Works.
11. Additionally where refurbishment is considered the Monitoring Surveyor will consider the history and previous uses of the structures as it reasonably deems necessary considering the structural implications of change in use as well as discussing any other issues that may be consequent to a historic use in the opinion of the Monitoring Surveyor for example, but not limited to, a change in use from industrial to residential may require the notification that the Borrower's environmental surveys are comprehensive enough in the opinion of the Monitoring Surveyor.
12. The Monitoring Surveyor will review with care that the money drawn to be expended on the Refurbishment Works is spent in line with the Agreed Plans, Development Appraisal and Cash Flow Statement and that the Borrower and the Contractor and any associated Sub-contractors or advisors have appropriate controls and processes in place to safeguard that the Borrower receives value for money and the Refurbishment Works procured and undertaken do not require call-back or repetition or dispute.

Appendix 3: Appendices Required by the HCA

- A register of Variations and disputes that the Monitoring Surveyor notes in the Metrics table above
- Metrics table as set out above
- A Development Costs Reconciliation in a format similar to that detailed in this Appendix 3, an example Excel spread sheet is available from the HCA, but the Monitoring Surveyor remains solely responsible for the accuracy of any numbers and spread sheets presented to the HCA consequent to this Scope.



SCHEDULE 4

Recommended Initial Report Format & Monthly Progress Report Format

ALL S-CURVES AND DATA SHEETS OR GRAPHS SUBMITTED AS PICTURE FILES TO BE SUBMITTED WITH UNPROTECTED EXCEL SPREADSHEETS THAT UNDERPINN THEIR CALCULATION.

Executive Summary

Provide brief and concise headline issues/comments together with a High, Medium or Low risk indicator where appropriate. Detailed comments should be incorporated in the main body of the report.

Comment on any outstanding issues from either the Initial Report or last Progress Report. Approval of drawdown request if applicable.

MS Signoff

- Dated.....
- Signed.....
- Contact Details

Contents

Introduction

- Terms of appointment
- Confidentiality statement
- Contacts at MS

Overview of progress

- Overview – Cost to complete, progress & quality.
- Information obtained, site meetings, client reports etc.
- Progress
- Quality
- Issues

Key Project Data

Tabular Format

- Contractor(s) active in period
- Contractor(s) proposed for future periods
- Form of contract, procurement strategy
- Construction cost
- Programme
- Third party interests i.e. tenants, pre-sales / pre-lets
- On-going approval status i.e. statutory authorities, NHBC (or similar), superior landlord
- Update and comment on any changes

Programme and Progress

- Design Process
- Procurement
- Programme
- Statutory Authorities (utilities)
- Construction (inc build quality)
- Unit completions against cashflow forecast
- Surveys: contamination, asbestos etc.

- Tenant issues
- Archaeology

Consents & Approvals

- Planning and clearance conditions
- Regulations Approval
- Health & Safety Issues (comment on reported accidents)
- Building Warranty
- Listed Building Consent and/or Conservation Area Consent
- S106 Agreement & Works
- S278 Agreement & Works
- Compliance with any letting and sale agreements
- Update on remaining Conditions Precedent under the facility document.

Financial Reporting

- Progress vs. Development Appraisal
- Development Budget vs. anticipated out-turn
- Funding gap – i.e. reliance and timing on revenues and equity contributions
- Construction Costs
 - Cost report
 - Variations
 - Claims
 - VE savings
 - Cashflow
- Status on VAT payments / receipts (if applicable)
- Accuracy of cashflow forecast monthly expenditure and receipts

Programme and Cost

- Progress vs. Initial Build Programme
- Initial Unit Chart (including depiction of long stops or stages)
- Initial Cost Per Unit
- Initial Total Cost Per Unit
- Initial S-Curve
- Contingency
- Others as suggested by the Monitoring Surveyor

Drawdown Approval

- Statement of drawdown application made
- Table illustrating
 - Source and Application of Funds
 - Budgeted Costs
 - Drawn amount and allocations
 - Expenditure to date
 - Funds required to complete against Forecasted Final Cost
 - Variance from Budget
 - Movement this Month
 - Negative / positive funding balance
 - Materials off site
- Statement regarding funds required to complete
- Approval of drawdown monies / commentary

Contractual Matters

- Status of the following:
 - Contract documents
 - Performance Bonds
 - Parent Company Guarantees
 - Appointments
 - Novation
 - Collateral Warranties
- Delay Notices
- Extension of Time
- Liquidated damages, non- completion certificates
- Dispute Resolution Process as proposed by the Borrower

Insurance

- Schedule of employer, design and key sub-contractors detailing:
 - Policy holder
 - Type
 - Values
 - Renewal dates
 - Expiry dates
 - Each and every, aggregate, net contribution clause
 - Terrorism

Neighbourly issues (& Compliance with regulations & consents)

- Party Wall Matters
- Rights of lights
- Licences
- Rail / Underground
- Service diversions
- Access, legal & easements and physical constraints
- Others

Other Matters

- Any other relevant matters

Appendices (as appropriate)

SCHEDULE 5

Defined Terms

Additional Services means any service or services that the Lender shall instruct (in writing) the Monitoring Surveyor to provide and which are outside the scope of those duties and services which the Monitoring Surveyor is obliged to provide pursuant to this Agreement;

Agreed Plans means the detailed architect's drawings and buildings specifications for the Project in form and content acceptable to the HCA;

Build Programme means the most recent construction programme agreed in the Cash Flow Statement;

Building Contract means the agreement or agreements for the execution of the Works;

Building Technology means design, structure (including foundations, cladding, structural frame and support), structural design as a genus, method of construction and materials used;

Completion, Handover and Snagging Process means the process proposed by the Borrower, Contractor(s) and Sub-contractors where applicable and presented to the Monitoring Surveyor for inclusion of commentary within the Initial Report;

Contractor(s) means the companies or persons undertaking the construction, demolition and other activities or providing other services to the Borrower relating to the Project;

Cost Overruns means expenditure incurred or to be incurred over and above what has been projected in the Cash Flow Statement including any potential costs or claims that come to the attention of the Monitoring Surveyor;

Cash Flow Statement means a statement incorporating a month by month cash flow forecast prepared by the Borrower, addressed to the HCA and approved by the HCA (in consultation with the Monitoring Surveyor) showing, at the date of its delivery to the HCA (i) the anticipated costs of the Project broken down by purpose, including purchase of the Site (if applicable), building costs, licence fees, interest, commission, void costs, professional fees, letting and sales costs and VAT, (ii) the timetable for the Project and the expenditure of such anticipated costs and expenditure and (iii) income (if any) anticipated during the course of the Project;

Certificate of Making Good means the certificate issued in respect of the Development;

Completion Date means the date on which the certificate of practical completion is issued in respect of the Development;

Development Appraisal means the appraisal including the Cash Flow Statement showing income and costs, prepared by the Borrower and approved by the HCA (in consultation with the Monitoring Surveyor) containing, amongst other things; the Agreed Plans; the Build Programme; the Cash Flow Statement; the amount of any costs of the Project incurred and paid to the date of such appraisal (if any); the amount of the Development Costs required to complete the Project estimated as at the date of such appraisal; and the contingency.

Disputes and Potential Disputes means any contested claim for payment or damages, any adjudication, court process or formal legal action for recovery of payment or damages, any payments of damages, claims against guarantees or similar and any claim for payment or damages (including insurance claims) not yet agreed or formalised;

Permitted Revenues means income received by Borrower, including but not limited to housing association monies, grant monies and sale completion monies, and approved by the Lenders for use in meeting Development Costs;

Facility Documents means the facility agreement signed between the Borrower and the HCA and any associated finance and security documents relating to the Facilities;

Initial Cost-per-Unit means the total Project cost as depicted in the Cash Flow Statement divided by the number of units completed (excluding all infrastructure and enabling costs funding via the Project);

Initial Total Cost-per-Unit means the total Project cost as depicted in the Cash Flow Statement divided by the number of units completed (including all infrastructure and enabling costs funding via the Project);

Initial S-Curve means a graph depicting the expected and estimated target cumulative spend as depicted in the Cash Flow Statement and the Initial Build Programme. Where the HCA is lending both to Infrastructure elements and Housing Units this should be presented as (i) a combined S-Curve representing total costs (Infrastructure and housing units), (ii) housing units excluding infrastructure costs and (iii) infrastructure only – any classification of what constitutes Infrastructure to be clearly set out in the Monitoring Surveyor's reports;

Initial Unit Chart means a depiction of the Initial Build Programme demonstrating as a chart or list of the units that are expected to be completed at each stage of the Project (format to be agreed between the HCA and the Monitoring Surveyor);

Initial Build Programme means the programme of development activities as approved by the HCA for that purpose at the commencement of the Project;

Monthly Site Visit a monthly visit to the construction sites that make up the Project;

Professional Team means the architect, quantity surveyor, employer's agent, structural and any other engineers, cost consultants and other professional persons engaged by the Borrower in connection with the Project;

On-going S-Curve means an update to Initial S-Curve, showing the actual cumulative spend against the target cumulative spend as depicted in the Cash Flow Statement and the Initial Build Programme;

Sectional Completion Date means the date on which a certificate of practical completion is issued in respect of that phase, aspect or part of the Project.

Snagging means any deviation from the agreed standard of build and finish anticipated in the Contractor proposals or subcontracts for the Project or any deviation from any statutory or regulatory requirement for building finish;

Stock Condition Survey means the surveys of the Refurbishment Estate that informed the scope and extent of the Refurbishment Works;

Variant S-Curve means as defined in Schedule 3 as an update to Initial S-Curve showing the actual cumulative spend against the target cumulative spend as depicted in the Cash Flow Statement and the Initial Build Programme as well as the new cash flow or build programme as confirmed by the HCA;

Works means those construction activities (including where relevant their design and/or the selection of materials and goods therefore) described in and to be executed under the Building Contract or any other construction, civil or structural engineering and services required to complete the project;

Refurbishment Works means the plans, proposal and execution of refurbishment activities including but not limited to renewal, making good, partial re-construction or remedial works to an existing structure or Infrastructure that is part of the Project including associated Infrastructure Works;

Refurbishment Estate means a number of properties or Infrastructure Works that will be subject to the Refurbishment Works;

Refurbishment Objectives means the standards and objectives that are to be attained by the Refurbishment Works in relation to outputs, design standards, contractual terms and regulatory and statutory compliance.

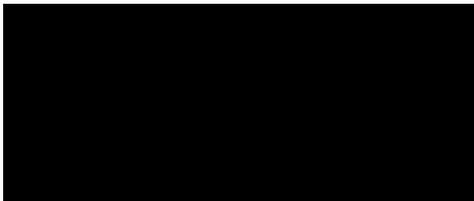
Please confirm your acceptance to the terms and conditions by returning a signed copy of this Agreement.

For and on behalf of

.....

Date:.....

For and on behalf of Homes and Communities Agency



Date: 2/10/16

We hereby agree to the terms and conditions of this Agreement.

For and on behalf of

.....(Partner/duly authorised signatory)

Date:.....