

NOTES TO HIGH LEVEL STRUCTURE DIAGRAM

WINSTANLEY AND YORK ROAD ESTATES

This note is a high level note which details the legal agreements which may be required for the proposed structure relating to the regeneration of the Winstanley and York Road Estates. As the structure is still being developed, the documentation required may vary depending on any changes to the structure and is not therefore definitive.

1. Members' Agreement between the London Borough of Wandsworth (the "Council"), the Private Sector Partner (the "PSP") and the Limited Liability Partnership Vehicle ("JV LLP")

The Council and the PSP wish to participate in JV LLP, a limited liability partnership in order to develop and regenerate the Winstanley and York Road Estates on the basis of a 50/50 partnership in JV LLP, entitling each of the parties to receive 50% of the profits of the joint venture and equal management of the affairs of JV LLP.

The Members' Agreement records the matters agreed between the Council, the PSP and JV LLP in relation to the internal workings of the LLP, including profit sharing (50/50 between the Council and the PSP), management and decision making in the vehicle, deadlock, exit provisions, the procurement policy of JV LLP and the business plan relating to the scheme (amongst others).

2. Loan Notes

When the Council transfers land interests into JV LLP, in return for this investment, the Council will obtain the benefit a debt instrument (known as a "loan note" which is effectively a corporate IOU from JV LLP to the Council promising to repay the value of the land interests transferred to it by the "redemption date" and to pay interest (referred to as a "coupon") on this sum until full repayment has been made.

By way of example if the Council invests land to the value of £100m into JV LLP, it will be entitled to receive loan notes to the value of £100m. JV LLP will have to pay back the £100m to the Council on the redemption date of the loan notes but will also have to pay the "coupon" on the sum borrowed until this has been paid back by JV LLP.

We have assumed that 2 categories of loan notes would be required for HRA land and General Fund land. Another loan note would also be needed for the PSP in relation to funds invested by the PSP in JV LLP.

3. Conditional Land Sale and Development Agreement

This agreement governs the transfer of General Fund and HRA land into JV LLP. Under this agreement, all land will be transferred on a long leasehold basis with a specified term (for example 250 years) and including a ground rent. Land

will be transferred into JV LLP in a number of different phases driven by the need for an efficient decant process in order to realise the Council's 'one move' policy for existing residents.

The actual timing and phasing of the transfer of land will be determined by the planned development sequencing (to be discussed during dialogue) and will be subject to JV LLP achieving certain pre-conditions (for example subject to planning permission, viability, the existence of an agreed site-specific business plan, vacant possession being achieved amongst others).

Land will transfer with development obligations and KPIs imposed by JV LLP (relating to matters such as agreed delivery milestones, commencement of works and timing of practical completion).

4. Development Management Services Agreement

Under the Development Management Services Agreement, the PSP agrees to provide development management services including preparing and maintaining the development business plan, appointing and managing professional teams including developers and contractors, supervising the construction works on the sites, undertaking day to day operational management of JV LLP, identifying opportunities for development, dealing with applications for planning permissions relating to the land and advising on the design of the developments (amongst others).

5. Council Services Agreement

The Council has indicated that it wishes to provide certain services to JV LLP in relation to tenant engagement and decant management, and services in relation to land and property, including involving land interest price or transfer.

6. Construction Works Contract

The intention is that certain land interests in relation to the social and shared equity units will be retained by the Council and will not be transferred to JV LLP, therefore in order to undertake construction works in relation to the same, JV LLP will enter into a construction contract with the Council.

A construction works contract is a contract for the provision of any work carried out in connection with the construction, alteration, conversion, fitting out, commissioning, renovation, repair, maintenance, refurbishment, demolition, decommissioning or dismantling of a structure.

