

HAL/RJMP/KR

12 May 2011

Dear Lee

Following our meeting and discussions earlier this year and in particular recent email correspondence we have had with Paul Stilwell of Corporate Advances, we are pleased to confirm that [redacted] is prepared to grant you (The Borrower) a Loan of £200,000 ("the Loan") on the terms and conditions contained hereinafter.

The terms and conditions of the Loan are as follows:-

(1) PURPOSE

It is a strict condition of the Loan that the amount of the Loan is to be used only for the purpose described in this Offer Letter and any such breach would constitute a Breach of the Loan and make the Loan repayable in full immediately the breach occurs.

- (a) To provide £100,000 to assist in the purchase of [redacted] ("The Property").
- (b) To provide a further £10,000 being the expected costs in relation to arrangement fees and professional fees in connection with this loan
- (c) To provide £90,000 being the costs of converting the property into a 4 bed house ("The Development").

(2) LOAN PERIOD

The Loan together with all unpaid interest costs and expenses shall be for a period of 364 days (12 months) from the date of drawdown under Clause 4 (b) hereof. Time shall be of the essence for the purpose of repayment of all monies by The Borrower to

(3) SECURITY

The repayment of the Loan, together with all other amounts due from The Borrower to shall be secured by:-

- (a) A First Fixed Charge by way of Legal Mortgage on The Property.

(4) DRAWDOWN

- (a) is entitled to deduct from any drawdown any sums due to under the terms of this letter or of the Mortgage Deed including any arrears of payments due to and any outstanding interest.
- (b) £110,000 shall be made available for drawdown on the purchase of The Property, which shall be on or before the 30th June 2011. In the event of this amount not being drawdown by such date this offer shall lapse.
- (c) £90,000 shall be made available for drawdown in stages in accordance with the Drawdown Schedule and Programme of Works to be agreed between the Surveyor's appointed by and The Borrower so described in Clause 12 (o) hereof and to be paid to The Borrower within seven days after the receipt by of Certificates of Quantity Surveyor that The Borrower has properly expended the amount requested on The Property in accordance with the Drawdown Schedule. The Development to be completed within six months of the date of the first Drawdown under Clause 4 hereof. Time being of the essence.
- (d) The Borrower shall give 7 days notice of their intention to drawdown the amounts under Clause 4 (c) hereof.

(5) INTEREST

- (a) The entire Loan (for the avoidance of doubt £200,000) and any other outstanding costs and disbursements, shall bear interest at the rate of 1.67 per cent per calendar month (20% per annum). It is agreed that 50% of the interest shall be serviced on a monthly basis, the remainder can be "rolled up" and repaid in full at the end of the loan period.
- (b) If the Royal Bank of Scotland Plc's Base Rate shall exceed four per cent the rate of interest hereunder would then be increased by the amount of any such excess and would be applied to the loan as additional interest for so long as such increase remains in force.
- (c) In the event of default in the repayment of the Loan or any other amounts due hereunder then interest shall be charged at the rate of 3.333 per cent per calendar month, compounded monthly from such date of default. (40% per annum).
- (d) In addition, a Loan fee of 3 per cent of the Loan shall be duly payable on acceptance of this offer even if The Borrower does not take up the drawdown

defined under Clause 4 (b). 2% is payable to _____ and 1% to the introducing broker.

- (e) If any payment of interest due hereunder is not made within 14 days of the due date or in the event of default then the whole of the Loan then outstanding together with all accrued interest and costs shall become repayable forthwith.

(6) REPAYMENT

- (a) The Loan (including all interest and costs) shall be paid forthwith upon the earlier of completion of the sale of The Development defined in Clause 1 above or on or within 12 months of the first draw down under Clause 4 (b) hereof. Time being of the essence.
- (b) The Loan, or any part of the Loan, may be repaid within the Loan Period without Penalty, subject to Clauses 6 (c) and 6(e) hereof.
- (c) If the Loan is repaid within the first three months of the Loan period then The Borrower shall pay to _____ an additional sum equal to the balance of three months interest as defined under Clause 5 (a).
- (d) Where applicable _____ may agree to release from the security various parts of the security at release figures to be agreed between _____ and The Borrower subject to the condition that the amount outstanding is adequately secured to _____ satisfaction.
- (e) An additional Exit Fee will also be due and payable upon repayment of the loan. This will be calculated to be equal to £1,000 /month (or part thereof) during the Loan Period. As an example whilst the Loan Period is for 12 months if the borrower is able to repay the loan after only 9 months, an additional Exit Fee of £9k would also be due and payable. After the Loan Period the Exit Fee will increase to £2,000 per month (or part thereof).

(7) COSTS

- (a) All legal, valuation and other expenses and costs ("the Costs") incurred by _____ in connection with this offer and the making of the Loan and the management of and any repayment of the Loan shall be paid by The Borrower even if, in the event, the Loan is not drawdown and, in addition, The Borrower shall reimburse _____ for all legal and other expenses incurred in enforcing _____ rights hereunder or under any security given in support of the Loan (whether or not such security is specified herein). Such management and enforcement expenses shall include the cost of obtaining any advice relating to, and/or charge for any of _____ management time spent in considering, any offers, schemes or negotiations for the sale or other realisation of any property comprised within _____ security or relating to the release or addition of any guarantees or the enhancement of any security. The costs hereunder shall be paid within 7 days of The Borrower being notified of the amount of the costs.

- (b) Upon acceptance of the offer of The Loan The Borrower will either forward to the sum of £1,500 (plus VAT) to cover legal costs and £1,500 (plus VAT) for Quantity Surveyor's (QS) fees or before any work is undertaken and their solicitors will require the necessary undertaking to be given by The Borrower's solicitors confirming the costs due will be settled before drawdown of the funds referred to in Clause 4 (b). Please note valuation fees will also be due, however expect the costs associated with this to be settled by The Borrower directly. undertakes to produce a statement of account of the costs and, in the event of a surplus, such balance will be refunded: in the event of a shortfall, shall require the balance of the costs to be made good.

Please make your cheque payable to

- (c) In addition to the costs mentioned above Quantity Surveyor will charge a fee for each visit to certify a Drawdown under the Drawdown Schedule. The fee is currently £500 plus VAT. This fee must be settled monthly and may at the discretion be deducted from the monthly drawdown figure that may be paid to The Borrower.
- (d) The Borrower will be responsible for its own legal fees.

(8) OFFER PERIOD

This offer should be accepted within fourteen days from the date hereof, failing which the offer of the Loan will lapse. This offer shall lapse in the event that The Borrower has not drawdown the monies specified in Clause 4 (b) above by the 30th June 2011.

(9) INTERPRETATION

The terms of this letter shall remain binding notwithstanding the subsequent execution of any formal deed, guarantee or other document pursuant hereto provided that if any conflict arises between this letter and any such deed, guarantee or other document, the terms of the deed, guarantee or other document shall prevail.

(10) EXERCISE OF RIGHTS

No failure or delay on part in exercising any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly specified are cumulative and not exclusive of any rights or remedies which would otherwise have.

(11) INSURANCE

Adequate fire, accidental damage and general insurance cover over The Property will be effected by to satisfaction and suitably endorsed in favour. The premium relating thereto will be initially paid by and is repayable by The Borrower to within 7 days of The Borrower being

notified of the amount of the premium and in the event of the premium remaining unpaid, then the premium shall bear interest as specified under Clause 5 hereof. All monies payable under such policy shall be payable to _____ or to _____ order and any insurance monies received by The Borrower shall be held by The Borrower on trust for _____. _____ understands and confirms that The Property is to be insured for its full re-instatement value as recommended by _____ Valuer, which value will be advised to The Borrower.

Under no other circumstances will any other insurance arrangements be acceptable to _____.

(12) CONDITIONS

This offer is subject to the following conditions and the same are precedent to the drawdown of any part of the Loan:

- (a) There not occurring any event which or there coming to _____ notice any information which, in _____ opinion, would render it inadvisable or undesirable in _____ interests for the Loan to be advanced.
- (b) The receipt by _____ of the security called for herein duly completed to its satisfaction.
- (c) The receipt by _____ of the enclosed duplicate of this letter signed on behalf of The Borrower by way of acceptance of all its terms.
- (d) Satisfactory bank trade and professional references in respect of The Borrower.
- (e) Confirmation to _____ satisfaction that The Borrower has a Contractors All Risk Policy to include Employers and Public liability and interest noted thereon.
- (f) Confirmation to _____ satisfaction that The Borrower has Public liability Insurance that covers The Property and _____ interest noted thereon.
- (g) The delivery of letters of consent where applicable from all persons over the age of seventeen occupying any part of The Property offered as security, confirming their awareness of the security over The Property and waiving all rights of occupation of The Property in favour of _____ and carrying an independent solicitor's certificate that such persons are fully aware of, understand and accept these arrangements.
- (h) A valuation carried out by a Valuer appointed by _____ confirming a valuation of The Property to _____ satisfaction.

The valuation report is exclusive to _____ and their assignees and is only offering guidance to _____ in deciding the amount of the Loan to be made available and it is emphasised that it does not constitute a full structural survey. You are advised to consider obtaining a full structural and environmental survey at your own expense from a surveyor of your own

choice. The offer or granting of a Loan by _____ will not imply any warranty or representation, by _____ or _____ Surveyors, that either the purchase price or condition of The Property is reasonable or that The Property constitutes adequate security for the Loan.

- (i) Provision to _____ Solicitors of the personal details of The Borrower. This information will be used in order that _____ and their Solicitors are able to undertake money laundering on The Borrower. Confirmation of your identity and two proofs of address will be required. Examples of such documents will be driving licence / passport / council tax bills / utility bills etc. All of these will need to be copied and certified by a solicitor.
- (j) The production of evidence to _____ and their Solicitors satisfaction that The Property has the benefit of detailed planning permission for The Development.
- (k) Confirmation to _____ and their Solicitors satisfaction that The Development will be covered by an architects certificate in CML approved form. Alternatively _____ will consider the registration of The Development with the National House Builders' Council / Premier Guarantee or LABC and the receipt by _____ Solicitor of proof of such registration.
- (l) The production to _____ Solicitors of Collateral Warranties from all professional personnel involved in The Development where available.
- (m) The production to _____ Solicitors of evidence from all professionals involved in The Development of a suitable amount of Professional Indemnity cover for the duration of The Development and for a minimum period of 6 years afterwards.
- (n) The production to _____ of a Solicitors Report on Title from _____ Solicitors.
- (o) The production, to the satisfaction of both _____ and their QS of a Drawdown Schedule and a Programme of Works relating to The Development such Drawdown Schedule and Programme of Works to be agreed between Quantity Surveyors appointed by _____ and The Borrower.

The Quantity Surveyor is only authorised to certify work where materials are fixed, we do not pay for materials that are only delivered to site.

No alteration to the Drawdown Schedule and or the Programme of Works after their agreement shall be made without the express written consent of Helmsley.

- (p) The production to _____ and their Quantity Surveyor detailed Quotations and Bills of Quantities of the work to be carried out on The Development evidencing that the amount under Clause 1 (c) hereof is sufficient to complete The Development in accordance with the Planning Permission and the current Building Regulations.

- (q) The production to _____ and their Quantity Surveyor of all Plans Drawings and Specifications relating to The Development and the approval of _____ and their Quantity Surveyor thereto.
- (r) Confirmation to the satisfaction of _____ and their Quantity Surveyor that The Borrower and any Sub-contractors to be used in the construction of The Development are of good repute and financial standing and continue to be so for the full loan period.
- (s) _____ and their Quantity Surveyor will require evidence to confirm that any building contractor holds a subcontractors tax certificate or registration card under the Inland Revenue construction industry scheme throughout the entire development period and both _____, their Quantity Surveyors and The Borrower will be able to inspect prior to any payments being made to the building contractor.

(13) GENERAL

- (a) It is a strict condition of The Loan that The Borrower shall inform immediately of any material change in or damage to The Development.
- (b) The Borrower agrees that _____ has the right to assign this Contract to its subsidiaries, associates, bankers or assignees.
- (c) This letter forms the entire basis on which the offer of The Loan is made.
- (d) _____ recommends that The Borrower seeks independent legal advice before accepting the offer in this letter.

(14) PROPER LAW

The Loan and this letter, when accepted by The Borrower, shall be construed to take effect according to English law.

If the terms and conditions of this offer are acceptable, please sign the enclosed duplicate, as indicated, and return it to this office within twenty one days.

Yours faithfully


RICHARD J M PEAK BSc (Hons) MRICS