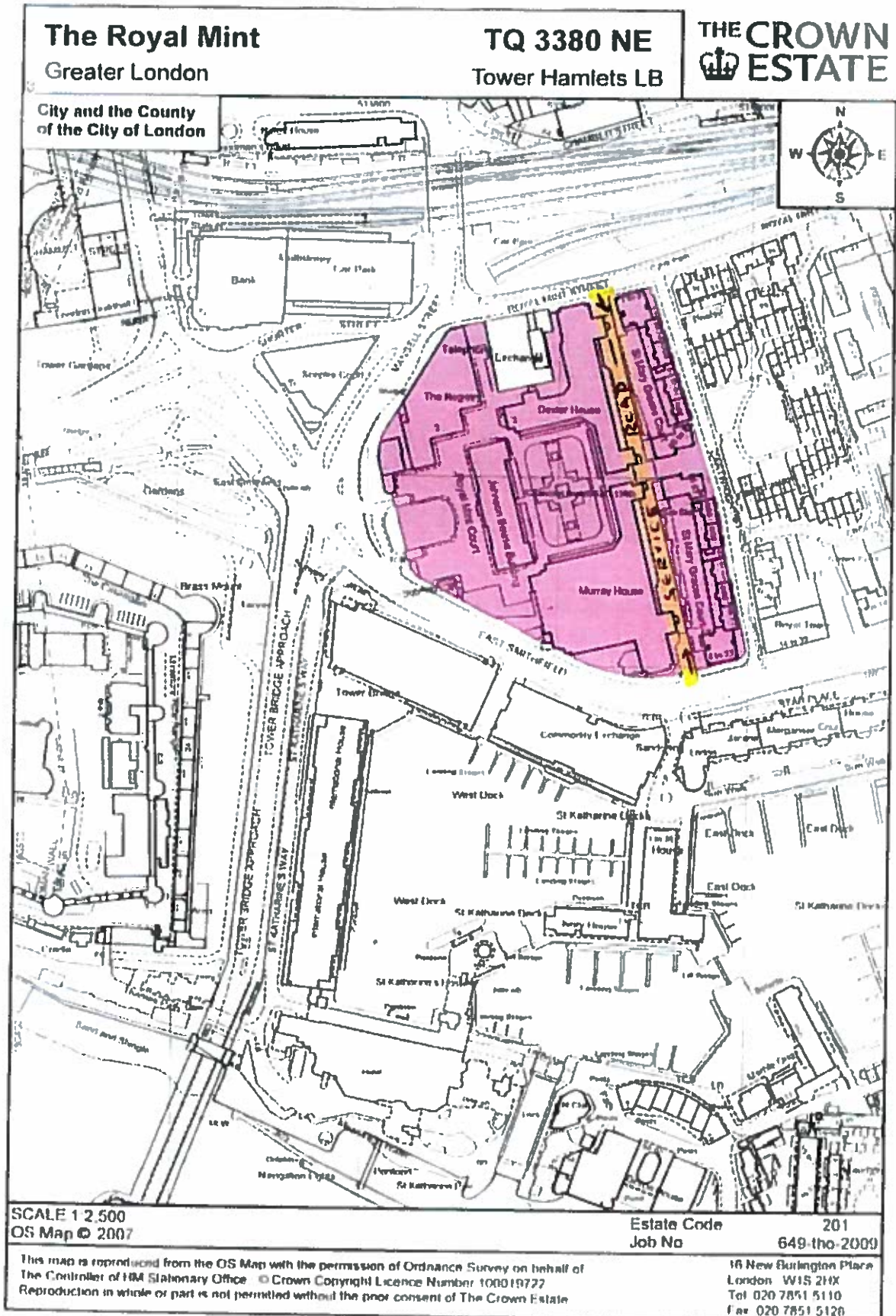


Map and Photographs, Land Registry extract & Head Lease of the RMC Freehold Site

Map



Photographs of the RMC Freehold Site

Photograph 1 below shows the current RMC and housing (yellow bricks to the right):



Photograph 2 below is a computer image of the RMC redevelopment proposed by Delancey in 2016. The social housing is in Red:



**Copy of Land Registry Extract for
Title Number EGL 198329**

Title Number : EGL198329

This title is dealt with by HM Land Registry, Wales Office.

The following extract contains information taken from the register of the above title number. A full copy of the register accompanies this document and you should read that in order to be sure that these brief details are complete.

Neither this extract nor the full copy is an 'Official Copy' of the register. An official copy of the register is admissible in evidence in a court to the same extent as the original. A person is entitled to be indemnified by the registrar if he or she suffers loss by reason of a mistake in an official copy.

This extract shows information current on 15 AUG 2017 at 16:36:20 and so does not take account of any application made after that time even if pending in HM Land Registry when this extract was issued.

REGISTER EXTRACT

Title Number	: EGL198329
Address of Property	: 12, 14 and 15 to 33 (inclusive) East Smithfield, 1 to 20 (inclusive) Royal Mint Street, 1 to 125 (odd) St Mary Graces Court, Cartwright Street and land and buildings lying on the west of Cartwright Street, London
Price Stated	: £75,000,000
Registered Owner(s)	: RMC FH CO. LIMITED (incorporated in British Virgin Islands) of Craigmuir Chambers, P O Box 71, Road Town, Tortola, British Virgin Islands.
Lender(s)	: Rmc Estates Co. Llp Rmc Estates Co. Limited

A: Property Register

This register describes the land and estate comprised in the title.

TOWER HAMLETS

- 1 The Freehold land shown edged with red on the plan of the above Title filed at the Registry and being 12, 14 and 15 to 33 (inclusive) East Smithfield, 1 to 20 (inclusive) Royal Mint Street, 1 to 125 (odd) St Mary Graces Court, Cartwright Street and land and buildings lying on the west of Cartwright Street, London.
- 2 So much of the main low level sewer as crosses the north east corner of the land tinted pink and tinted blue on the title plan and the right to maintain the same are excepted from this registration.
- 3 A Conveyance dated 10 April 1929 of the land tinted blue on the title plan made between (1) The King's Most Excellent Majesty (2) The Commissioners of Crown Lands and (3) Lionel Nathan de Rothschild and Anthony Gustav de Rothschild excluded the walls on the north and west sides thereof and the recess marked A, B on the plan annexed to the conveyance under the arch in the west wall thereof.

NOTE: Points A and B referred to are reproduced on the title plan.

- 4 A Licence dated 11 December 1962 made between (1) Her Majesty's Postmaster General and (2) Edmund Leopold de Rothschild, Leopold David de Rothschild, Evelyn Robert Adrian de Rothschild and Rothschilds Continuation Limited relates to the erection and maintenance of a security fence.

NOTE: Copy filed under LN14402.

- 5 A Transfer dated 28 April 1971 of the land tinted brown on the title plan made between (1) The Secretary of State for the Environment and (2) Greater London Council contains the following exception and reservation for the benefit of the land tinted mauve and tinted blue and tinted yellow on the filed plan.

"EXCEPT AND RESERVED any easements rights or privileges over or in relation to any adjoining land belonging to the Transferor which might by implication of law pass by this Transfer."

B: Proprietorship Register

This register specifies the class of title and identifies the owner. It contains any entries that affect the right of disposal.

Title absolute

- 1 (22.04.2015) PROPRIETOR: RMC FH CO. LIMITED (incorporated in British Virgin Islands) of Craigmuir Chambers, P O Box 71, Road Town, Tortola, British Virgin Islands.
- 2 (22.04.2015) The price stated to have been paid on 1 April 2015 was £75,000,000.
- 3 (22.04.2015) A Transfer of the land in this title dated 1 April 2015 made between (1) DV4 Properties RMC Co. Limited and (2) RMC FH Co.

Title number EGL198329

B: Proprietorship Register continued

Limited contains purchaser's personal covenants.

NOTE: Copy filed.

- 4 (22.04.2015) RESTRICTION: No disposition of the registered estate by the proprietor of the registered estate, or by the proprietor of any registered charge, not being a charge registered before the entry of this restriction, is to be registered without a written consent signed by the proprietor for the time being of the Charge dated 1 April 2015 in favour of RMC Estates Co. LLP referred to in the Charges Register or its conveyancer.
- 5 (14.09.2016) RESTRICTION: No disposition of the registered estate by the proprietor of the registered estate or by the proprietor of any registered charge, not being a charge registered before the entry of this restriction, is to be registered without a written consent signed by the proprietor for the time being of the Charge dated 24 August 2016 in favour of Rmc Estates Co. Limited referred to in the Charges Register or their conveyancer.

C: Charges Register

This register contains any charges and other matters that affect the land.

- 1 A Conveyance of the land edged blue and numbered 1 in blue on the title plan dated 23 February 1891 made between (1) The London County Council and (2) Henry Vile (Purchaser) contains the following covenants:-

"Purchaser doth hereby for himself his heirs and assigns covenant with the Council and their successors that he the Purchaser his heirs or assigns will not permit or suffer the said piece of land hereby conveyed or any part thereof or any building or erection which may at any time stand or be thereon or on any part thereof to be used as an advertising station or for the display in any manner whatever of any advertisement or advertisement board AND ALSO that he the Purchaser his heirs or assigns will at all times hereafter indemnify the Council and their successors against all claims (if any) which may be made against them in respect of any injury or damage which may be caused or which it may be alleged will be caused by any buildings which may be built or be proposed to be built by the Purchaser his heirs or assigns on the said piece of land hereby conveyed to any land buildings or erections adjoining or near thereto by excluding or diminishing the light or air which previously came to such last mentioned land buildings or erections or by depriving in whole or in part the owners lessees or occupiers of such last mentioned land buildings or erections of or hindering them in the use and enjoyment of any other right or easement to which they are or may be or may claim to be or to have formerly been entitled in through over or upon the said piece of land hereby conveyed or any part thereof and against all compensation damages costs charges and expenses which the Council may become liable to pay or may expend or incur in respect or by reason of or consequent upon any such claim as aforesaid."
- 2 The land edged yellow on the title plan is subject to the rights mentioned in and to the exceptions and reservations contained in a Transfer thereof dated 28 April 1971 made between (1) Greater London Council and (2) The Secretary of State for the environment:-

"Subject to all rights and easements in under or over the same and except and reserved any easements rights or privileges over or in relation to any adjoining land belonging to the Council which might by implication of law pass by this Transfer."
- 3 The parts of the land affected thereby are subject to the leases set out in the schedule of leases hereto.
The leases grant and reserve easements as therein mentioned.
- 4 (22.04.2015) REGISTERED CHARGE contained in a Debenture dated 1 April 2015.
- 5 (22.04.2015) Proprietor: RMC ESTATES CO. LLP (LLP Regn. No. OC398831)

Title number EGL198329

C: Charges Register continued

of Lansdowne House, 57 Berkeley Square, London W1J 6ER.

- 6 [14.09.2016] The land is subject for a term of 60 years from 15 April 1988 to the following rights granted by the Lease dated 17 October 1988 made between (1) Britel Fund Trustees Limited (2) R.M. Site Management Limited and (3) The London Electricity Board:-

TOGETHER with the right for the Board from time to time to install and during the continuance of the term hereby created to maintain on the demised premises such transforming and other plant and apparatus as may from time to time be requisite for the purposes of the Board's undertaking AND TOGETHER WITH THE RIGHT FOR THE Board from time to time to lay and during the continuance of the term hereby created to use and maintain through or under that part of the South Building shown coloured orange on the said plan such electric lines ducts and other apparatus as may in the reasonable opinion of the Board from time to time be requisite for connecting the said transforming and other plant and apparatus with the Board's distributing mains in the adjacent public streets or elsewhere AND TOGETHER with the right for the Board and their contractors or agents and their respective servants and workmen in common with all other persons having the like right at all times during the day during the term hereby created on reasonable prior written notice (save in emergency) to enter on foot only the South Building over the route shown by the colour orange on the said plan and do thereon such acts and things as may be necessary for the purpose of installing laying inspecting maintaining or removing any such plant electric lines or other apparatus as aforesaid AND TOGETHER with the right for the Board and their contractors or agents and their respective servants and workmen to use the exit shown marked 'X' on the said plan for the purpose only of emergency escape from fire.

NOTE: The land coloured orange and edged brown and the point marked 'X' have been reproduced on the filed plan.

- 7 [14.09.2016] The land is subject for a term of 60 years from 5 August 1988 to the following rights granted by the Lease dated 18 October 1988 made between (1) Britel Fund Trustees Limited (2) R M Site Management Limited and (3) The London Electricity Board:-

TOGETHER with the right for the Board from time to time to install and during the continuance of the term hereby created to maintain on the demised premises such transforming and other plant and apparatus as may from time to time be requisite for the purposes of the Board's undertaking AND TOGETHER with the right for the Board from time to time to lay and during the continuance of the term hereby created to use and maintain through or under that part of the North building shown coloured orange on the said plan such electric lines ducts and other apparatus as may in the reasonable opinion of the Board from time to time be requisite for connecting the said transforming and other plant and apparatus with the Board's distributing mains in the adjacent public streets or elsewhere AND TOGETHER with the right for the Board and their contractors or agents and their respective servants and workmen in common with all other persons having the like right at all times during the day during the term hereby created on reasonable prior written notice (save in emergency) to enter on foot only the North building over the route shown by the colour orange on the said plan and do thereon such acts and things as may be necessary for the purpose of installing laying inspecting maintaining or removing any such plant electric lines or other apparatus as aforesaid AND TOGETHER with the right for the Board and their contractors or agents and their respective servants and workmen to use the exist shown marked 'X' on the said plan for the purpose only of emergency escape from fire

NOTE: The land coloured orange has been edged brown on the lower ground floor supplementary plan to the filed plan and the point marked X has been reproduced thereon.

- 8 [14.09.2016] REGISTERED CHARGE contained in a Debenture dated 24 August 2016.

- 9 [14.09.2016] Proprietor: RMC ESTATES CO. LIMITED (Incorporated in British Virgin Islands) of Craigmuir Chambers, PO Box 71, Road Town, Tortola, British Virgin Islands.

Title number EGL198329

C: Charges Register continued

- 10 [16.09.2016] The land is subject for term of 127 years less 3 days from 6 March 1987, determinable as therein mentioned, to the rights of way, entry and drainage granted by a Lease of easements dated 18 September 1992 made between (1) Britel Fund Trustees Limited (2) R.M. Site Management Limited and (3) British Telecommunications Plc.

NOTE: Original filed under LN17147.

Schedule of notices of leases

- | | | | | |
|---|------------|--|--|-----------|
| 1 | 08.10.1987 | Land and buildings on the Edged and not west of Cartwright Street 1 and 2 (Part (Ground surface only) of) in brown | 30.06.1987
127 years
from 6.3.1987 | EGL198631 |
|---|------------|--|--|-----------|

- | | | | | |
|---|------------|--|--|-----------|
| 2 | 15.01.1990 | Transformer Chamber, South Edged and Building (Lower Ground numbered 33 in Floor) orange (part of) | 17.10.1988
60 years from
15.4.1988 | EGL252694 |
|---|------------|--|--|-----------|

NOTE 1: See entry in the Charges Register relating to the rights granted by this Lease.

NOTE 2: The Lease contains an option to surrender and grant a new lease in an alternative position under the terms therein mentioned.

- | | | | | |
|---|------------|--|---|-----------|
| 3 | 15.01.1990 | Transformer Chamber (Lower Edged and Ground Floor) Dexter House numbered 3 in orange (part of) | 18.10.1988
60 years from
5.8.1980 | EGL252693 |
|---|------------|--|---|-----------|

NOTE: See entry in the Charges Register relating to the rights granted by this Lease.

End of register

Copy of Head Lease Granted by the Crown to Metropolitan Home Ownership

Dated 30/06/1987

THIS LEASE made the 30th day of June 1987 BETWEEN THE QUEEN'S MOST EXCELLENT MAJESTY of the first part and THE CROWN ESTATE COMMISSIONERS on behalf of Her Majesty acting in exercise of the powers of the Crown Estate Act 1961 (hereinafter called "the Commissioners") of the second part and METROPOLITAN HOME OWNERSHIP LIMITED having its registered office at Cambridge House 109 Mayes Road Wood Green London N22 6UR (hereinafter called "the Tenant") of the third part

WITNESSETH as follows:-

1. Interpretation

- (1) In this Lease the word "Landlord" means The Queen's Majesty and Her Successors or other the persons from time to time entitled to the reversion immediately expectant on the term hereby granted and (so long as the reversion aforesaid forms part of the Crown Estate and where the context admits) includes the Commissioners or any other person charged with the management of the Crown Estate and the word "Tenant" includes the persons from time to time entitled to the term hereby granted
- (2) The headings to clauses in this Lease shall not affect the construction of this Lease



INLAND REVENUE
PRODUCED
- 3 JUL 1987

FINANCE ACT 1931

Comparative Commercial Property Transactions at Royal Mint Court and Vicinity

20 Johnson Smirke - 4 Royal Mint Ct (Part of Portfolio) SOLD

London, EC3N 4HJ

London County

True Buyer: Delancey Real Estate Asset Management
Berkeley Sq
London, W1J 6ER
020 7448 1448

True Seller: The Crown Estate
1 St. James's Market
London, SW1Y 4AH
020 7851 5000

Buyer Contact: Olswang LLP

Seller Contact: SJ Berwin Ltd



Sale Date: 16/11/2009

Sale Price: £2,908,566 - Research Complete

Price/SF: £73.74

Bldg Type: Office

Star Rating: ★ ★ ★ ★

Year Built/Age: Built 1880 Renov 2021 Age: 209

NIA: 39,442 SF

Land Area: -

Reversionary Yield: -

Net Initial Yield: -

Tenure: Freehold

Financing: -

Sale Conditions: Bulk/Portfolio Sale

13 Groupama House - 24-26 Minories SOLD

London, EC3N 1BQ

London County

True Buyer: Endurance Land Ltd
17 Savile Row
London, W1S 3PN
020 7494 9586

True Seller: Warner Estate
103 Wigmore St
London, W1U 1QS
020 7807 5100



Sale Date: 09/06/2010

Sale Price: £5,250,000 - Confirmed

Price/SF: £268.59

Bldg Type: Office

Star Rating: ★ ★ ★

Year Built/Age: Built 1938 Renov 1988 Age: 51

NIA: 25,169 SF

Land Area: -

Tenure: Freehold

17 Pyx - 2 Royal Mint Ct (Part of Portfolio) SOLD

London, EC3N 4QN

London County

True Buyer: Delancey Real Estate Asset Management
Berkeley Sq
London, W1J 6ER
020 7448 1448

True Seller: The Crown Estate
1 St. James's Market
London, SW1Y 4AH
020 7851 5000

Buyer Contact: Olswang LLP

Seller Contact: SJ Berwin Ltd



Sale Date: 16/11/2009

Sale Price: £18,061,689 - Confirmed

Price/SF: £92.00

Bldg Type: Office

Star Rating: ★ ★ ★ ★

Year Built/Age: Built 1989 Age: 20

NIA: 196,321 SF

Land Area: -

Reversionary Yield: -

Net Initial Yield: -

Tenure: Freehold

Sale Conditions: Bulk/Portfolio Sale

23 10 Trinity Sq SOLD

London, EC3N 4AJ

London County

True Buyer: KOP Group

True Seller: Thomas Enterprises Inc



Sale Date: 30/12/2010

Sale Price: £70,000,000 - Confirmed

Price/SF: £442.85

Bldg Type: Office

Star Rating: ★ ★ ★

Year Built/Age: Built 1922 Renov 1976 Age: 88

NIA: 158,086 SF

Land Area: -

Reversionary Yield: -

Net Initial Yield: -

Tenure: Freehold

Financing: -

Sale Conditions: Historical Site, Redevelopment Project

RMC Sale Prices - 2010**Royal Mint Court (Offices)****Sale prices on 16 November 2009 (Completion Deferred to June 2010)**

RMC Commercial Properties	Tenure	Square Feet	Estimated Price/SF	Sale Prices	Seller	Buyer
1 Royal Mint Court	Freehold	268,863	£93.53	£25,147,437	Crown Estate	Delancey Real Estate Asset Management
2 Royal Mint Court	Freehold	196,321	£92.00	£18,061,689	Crown Estate	Delancey Real Estate Asset Management
The Registry - 3 Royal Mint Court	Freehold	62,052	£78.68	£4,882,405	Crown Estate	Delancey Real Estate Asset Management
Johnson Smirke Building – 4 Royal Mint Court	Freehold	39,442	£73.74	£2,908,566	Crown Estate	Delancey Real Estate Asset Management
TOTAL	Freehold	566,678		£51,000,097	Crown Estate	Delancey Real Estate Asset Management

Royal Mint Court (Residential)**Mix of shared and 100% ownership affordable and market price homes**

RMC Residential Properties	Tenure	Use	Income to Freeholder	Sale Prices	Seller	Buyer
Royal Mint Court 1 to 20 Royal Mint Street	127.5 year lease	1 & 2 bed flats	£1	c.£320,000 /flat	Crown Estate	Delancey Real Estate Asset Management
Royal Mint Court 1 to 125 (odd) St Mary Graces Court	127.5 year lease	1, 2 and 3 bed flats	£0	c.£320,000 /flat	Crown Estate	Delancey Real Estate Asset Management
Royal Mint Court 12, 14 and 15 to 33 (Inclusive) East Smithfield	127.5 year lease	1 & 2 bed flats	£0	c.£320,000 /flat	Crown Estate	Delancey Real Estate Asset Management
Royal Mint Court Children's Nursery	lease	Children's nursery	£0	c.£320,000 /flat	Crown Estate	Delancey Real Estate Asset Management
Royal Mint Court Hair Salon	lease	Local small business	£0	c.£320,000 /flat	Crown Estate	Delancey Real Estate Asset Management
TOTAL	Freehold	100 flats	£1	£0 (value = c£32m)	Crown Estate	Delancey Real Estate Asset Management

Barclays Capital: Valuation of Leasehold Offices at RMC- 2006

EQUINOX (ECLIPSE 2006-1) plc

eclipse

(incorporated with limited liability in England and Wales with registration number 5807977)

£401,340,000 Commercial Mortgage Backed Floating Rate Notes due January 2018

EQUINOX (ECLIPSE 2006-1) plc (the Issuer) will issue the £329,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due January 2018 (the Class A Notes), the £10,500,000 Class B Commercial Mortgage Backed Floating Rate Notes due January 2018 (the Class B Notes), the £10,500,000 Class C Commercial Mortgage Backed Floating Rate Notes due January 2018 (the Class C Notes), the £22,500,000 Class D Commercial Mortgage Backed Floating Rate Notes due January 2018 (the Class D Notes), the £8,000,000 Class E Commercial Mortgage Backed Floating Rate Notes due January 2018 (the Class E Notes) and the £3,840,000 Class F Commercial Mortgage Backed Floating Rate Notes due January 2018 (the Class F Notes) and together with the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, the Notes) on 5 July 2006 (on such later date as the Issuer may agree with Barclays Bank PLC (the Arranger) and Barclays Bank PLC (the Lead Manager) (the Closing Date))

Cut-Off Date:

Loan Name	Valuation (£) of Properties as at Date of Valuation	Net Rent (£ p.a.)	Estimated Net Rental Value (ERV) (£ p.a.)	Yield (Net Rent over Valuation) (%)	Net Internal Asset (sq. ft.)
Royal Mint Court	114,725,000	8,070,106	5,889,399	7.03%	466,216
Ashbourne Portfolio Priority A ¹	197,000,000	10,945,858	10,945,858	5.56%	-
Redleaf Portfolio	79,000,000	4,687,707	5,512,954	5.93%	520,181
MacAllan Portfolio	58,025,000	4,003,276	4,575,578	6.90%	196,624
CSJ Portfolio	64,300,000	3,405,000	4,295,566	5.31%	-
Holland Park Towers	31,000,000	1,864,668	2,064,000	6.02%	64,100
Herbrand Street	29,000,000	1,700,000	1,950,000	5.86%	65,608
St James' Street	27,300,000	1,000,000	1,324,000	3.66%	22,540
Avocado Court Portfolio	26,610,000	1,799,003	1,842,138	6.76%	112,319
Portland Place	14,750,000	902,458	930,000	6.12%	24,015
Fulwong Portfolio	10,070,000	567,500	570,500	5.64%	16,625
Ocean Park Portfolio	9,775,000	575,562	721,124	5.89%	60,976
St Mary's House	4,950,000	323,622	323,622	6.54%	17,797
Total	666,305,000	39,844,759	48,944,738	N/A	1,787,081

Valuation:

In relation to each Loan, as a condition precedent to making an advance to the Relevant Borrowers, the Seller or (in respect of the Ashbourne Portfolio Whole Loan) The Royal Bank of Scotland plc obtained an independent valuation of the relevant Property or Properties constituting security for that Loan (each, a Valuation and together, the Valuations). In this Prospectus, the Valuer means the valuer in respect of each Valuation, as applicable.

The circumstances in which additional valuations will be obtained under the Credit Agreements are limited.

All references to valuations (including related concepts, such as LTVs and property values) are references to, or are taken from, references in, the Valuations, unless otherwise specified.

See further "The Loans and the Loan Security" below.

Loan Security:

As security for the repayment of each Loan, the relevant Obligor or Obligors and the Relevant Security Agent have, on or about the closing date in respect of the

¹ All figures adjusted to take account of the 50 per cent pari passu portion of the Ashbourne Portfolio Priority A Whole Loan that is not being acquired by the Issuer

**Information Released Under the Freedom of
Information Act by the
Crown Estate Commissioners**

FOI Release Published by CEC on 23 November 2009

- Brazier, Martin, The Crown Estate 23 November 2009

Thank you for your Freedom of Information request. However, it not clear from your request the exact nature of the information you require.

The European Convention on Human Rights was made part of UK law by the Human Rights Act. The Crown Estate is not a government department but is subject to the Human Rights Act. We are a real estate business, do not exercise any regulatory or government functions and therefore the actual application is very limited. As a statutory body we are mindful of our duties under this legislation.

Martin Brazier
Freedom of Information Officer

The Crown Estate
16 New Burlington Place
London W1S 2HX
Tel: 020 7851 5259
Fax: 020 7851 5125
Email: [\[email address\]](#)
<http://www.thecrownestate.co.uk>

Please think - do you need to print this email?

[show quoted sections](#)

CONFIDENTIAL

UN-RESTRICTED MINUTES, OMITTING ITEMS 12 & 13

MINUTES OF MAIN BOARD

CE(2009)9th MEETING

Minutes of meeting of the Main Board held in the Board Room of The Crown Estate, 16 New Burlington Place, London, W1S 2HX, on Tuesday 20th October 2009 at 2.00 p.m.

Present :-

Ian Grant	- Chairman
Roger Bright	- Chief Executive
Martin Moore	- Crown Estate Board Member
Dinah Nichols	- Crown Estate Board Member
Jenefer Greenwood	- Crown Estate Board Member
Christopher Bartram	- Crown Estate Board Member
David Fursdon	- Crown Estate Board Member
Gareth Baird	- Crown Estate Board Member
Paul Clark	- Director of Investment & Asset Management
Vivienne King	- Legal Director & Company Secretary
Rob Hastings	- Director of Marine Estates
Chris Bouchier	- Director of Rural Estate
John Lelliott	- Director of Finance
Paul Bryant	- Health & Safety Manager (item 5 only)
Richard Nowell	- Rural Estates (item 8 only)
James Cooksey	- Head of Asset Management (items 9 & 10 only)
Duncan Clark	- Marine, Commercial Manager (items 12 & 13 only)
John Burnham	- OESC Board Adviser (items 12 & 13 only)
Dipesh Shah	- OESC Board Adviser (items 12 & 13 only)
Jason Golder	- Development Manager (item 14 only)
David Purkis	- Secretariat

ITEM 9: SALE OF ROYAL MINT COURT, EC1

Paper CE(2009)70

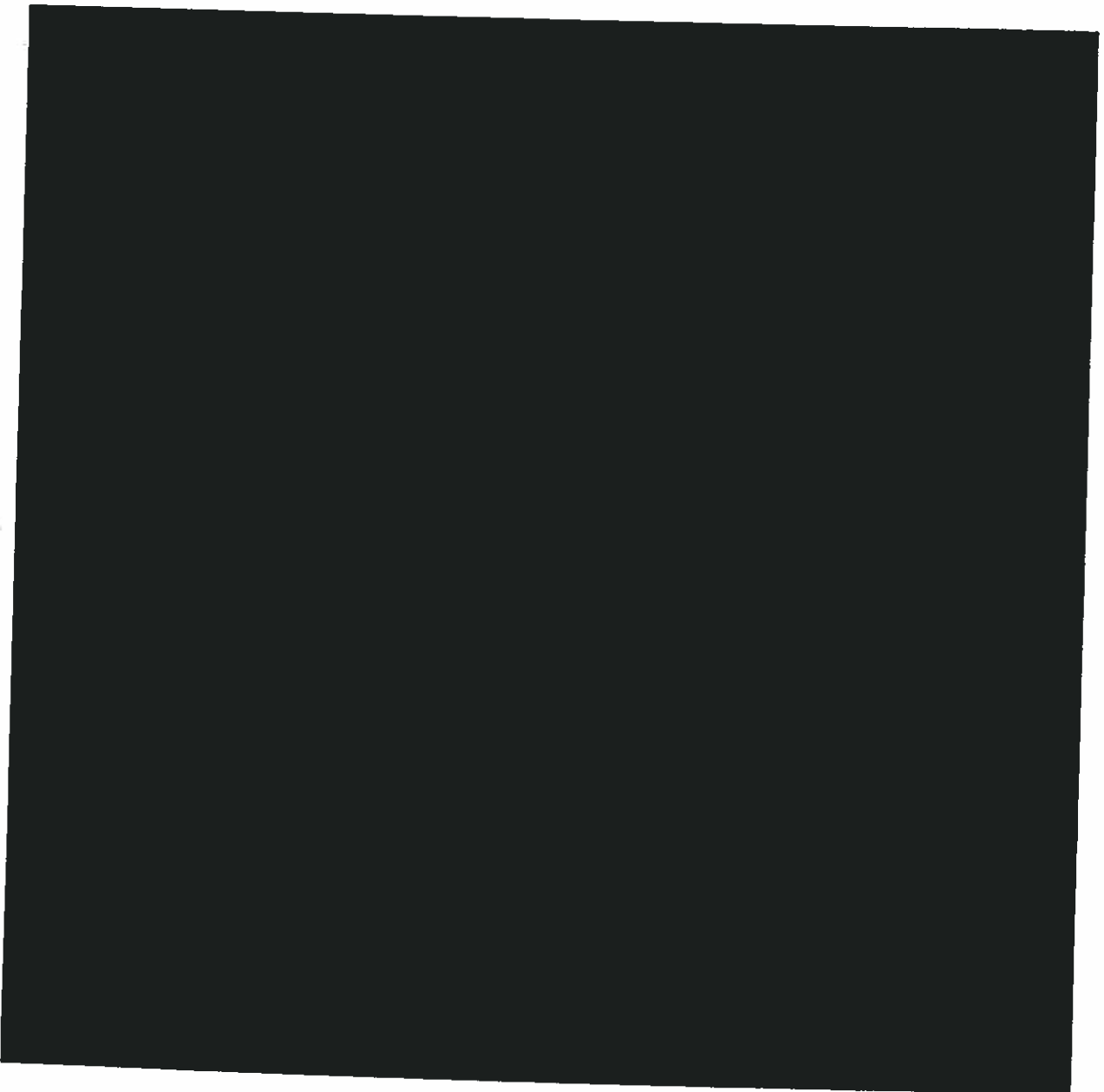
- 9.1 James Cooksey introduced the paper, inviting the Board to approve the freehold sale of Royal Mint Court for a figure of not less than £51m (gross of sale costs), with completion deferred until June quarter day 2010.
- 9.2 Royal Mint Court was an asset that we had been seeking to dispose of for a considerable time, but due mainly to income-led constraints, we had not been able to achieve this objective. This was an obsolete building in a difficult non-core location, over-rented, with income dropping away rapidly in the next few years. The IRRs presented a compelling case to proceed with the recommended sale. The 'do nothing' scenario gave the worst return whilst the 'purchase and redevelop' scenario involved c£180m of capital expenditure on a non-core asset, with very considerable additional risk in terms of planning, construction costs and re-letting. The proposed sale to Delancey and the deferred completion until June 2010 had the benefit of providing a further 9 months/c.£6m of rent, along with a swift move to exchange of contracts to a party who were known to us.
- 9.3 In discussion, the following comments were made:
- a. A sale would bring to an end a dysfunctional relationship with a highly geared head lessee with our having limited ability to influence the management of the asset.
 - b. The main occupier, Barclays, saw no long term future in the property.
 - c. It was unfortunate that the value of Royal Mint Court had fallen considerably over the last few years.
 - d. We would redeploy the capital more effectively in pursuit of the investment

strategy.

- c. We would agree a joint press release with Delancey about the sale.

9.4 Following discussion, the Board approved a sale of Royal Mint Court for a figure of not less than £51m (gross of sale costs), with completion deferred until June quarter day 2010.

Action: James Cooksey



CONFIDENTIAL

MAIN BOARD

CE(2009)70

ROYAL MINT COURT, LONDON EC3

[Annex A - Location plan](#)

[Annex B - Heads of Terms](#)

[Annex C - Investment Proposal Form](#)

Paper by James Cooksey, Head of Urban Asset Management

RECOMMENDATION

The Main Board is invited to approve the freehold sale of Royal Mint Court for a figure of not less than £51m (gross of sale costs), with completion deferred until June quarter day 2010.

BACKGROUND

1. This asset is held freehold by The Crown Estate, subject to 6 head leases which expire in 2114. The headleases are held by a single party, Gulldale, which in itself is a JV between two Irish investors. The Crown Estate receives 50% of the occupational income, on a side by side basis, with deductions allowed for management costs (£7.9m currently receivable). The management arrangements are poor and provide The Crown Estate with little control over the estate, and thwart proactive asset management. In addition, the partners to the Gulldale JV are in dispute, which amplifies the inadequate structure and hinders sensible decision making.
2. The property comprises an estate of c.5 acres on the eastern fringe of the City of London, close to Tower Bridge, as highlighted by Annex A. The site provides c.470,000 sqft of office accommodation, with the majority being in two buildings constructed in the 1980s, which are rapidly approaching functional obsolescence. The remaining accommodation falls within two listed buildings, which are both poorly suited for commercial use.

3. The valuation at 30th September 2009 is £50,000,000, which reflects 15.03% NIY, 8.24% RY and 10.85% EY. The current net rent in the valuation is £7.9m.

4. An approval to dispose of the freehold interest of Royal Mint Court was received from the Main Board in June 2008 to pursue the sale for a minimum net sum of £88.65m. That approval has lapsed through the effluxion of time and unfortunately the target was not achieved as we were attempting to sell in a falling market.

5. The Stock Selection Committee has considered this paper and approved the disposal on the terms proposed.

DISCUSSION

6. Royal Mint Court is significantly over-rented, and our view is that it will remain so until the lease expires in 2014. Fundamental to the risk of this asset and the downward pressure on the valuation is the shortening income stream which has an average weighted unexpired term of c4.5 years. The principal rent passing equates to £35-£40psf, while our view of current ERV is £20psf. In 2014 our revenue will fall away appreciably, if not completely, due to the lower rents and potentially lengthy void periods. Further, it is likely that substantial capital sums will need to be expended in order to replace obsolete plant and refurbish the empty space. Assuming costs of £150psf, our potential exposure is £35m (capital expenditure split 50:50 with headlessee).

7. These issues are compounded by the inefficient management structure, which is an obstacle to taking prudent decisions to protect the value of our interest, and the aforementioned dispute between the principals of our partner.

8. An exhaustive campaign by our appointed agents, BH2, initially failed to identify a purchaser for this asset. Unprecedented market forces in the months following the June 2008 approval meant that a sale in line with the approved price was unattainable.

9. In the interim, attempts have been made to engage with the head leaseholders in order to proactively manage the occupational lease expiries which fall at the end of 2013 and throughout 2014. This exercise has highlighted again the difficulty with the current management arrangements, as well as the complete lack of alignment of our interests and the headlessees. The headlessee's primary interest is to service the debt secured on this asset, and as such they have

not been willing to engage with the occupiers with a view to securing income beyond the lease expiries.

10. A recent shift in investor sentiment has produced two noteworthy offers for the freehold interest:

- Delancey have offered £51m, with completion deferred until June 2010 giving The Crown Estate the benefit of a 15% income return for a further 9 months (c£6m).
- Carlyle have offered £52.5m, with completion within 6 weeks and the purchaser to pay us a 7% coupon until June 2010 (c£2.75m).

FINANCIAL

11. As a sale had been contemplated, the budget for the financial year 2009/2010 shows an income receipt of £4m from Royal Mint Court, which assumes a sale in September 2009. We then assume that the proceeds, £60m, are reinvested three months later at 6.5%, which shows a total income of £4.975m for 2009/2010.

12. For the financial year 2010/2011 the reinvested income is £3.9m, showing a total over two years of £8.875m.

13. The recommendation is to accept the Delancey offer (Heads of Terms in Annex B), i.e. to agree a disposal of Royal Mint Court now for £51m but retain the income through to the June quarterday in 2010. This produces an income stream of £8m for the 2009/2010 year and £2m for 2010/2011. We then assume the proceeds are reinvested after a 3 month delay at 7%, which produces £2.7m for the remainder of 2010/2011.

14. Under the recommended scenario, the total income for 2010/2011 is £4.7m and the two year total is £12.7m

15. The Worth Model has been run to cover a variety of scenarios, and the 10 year IRRs are shown below:

- a) Do nothing – 6.13% (capital expenditure of £100psf on expiry)
- b) Purchase headleases and redevelop – 7.04% (£180m total expenditure and very high risk)
- c) Sale at £51m, completion June 2010 – 10.61%

d) Sale at £52.5m, 7% coupon paid until June 2010 – 10.03%

16. The IRRs present a compelling case to proceed with the recommended sale. The 'do nothing' scenario throws off the worst return whilst the 'purchase and redevelop' scenario involves c£180m of capital expenditure on a non Core asset, with very considerable additional risk in terms of planning, construction costs and re-letting. Of the two sale proposals on the table, scenario c) is the more appealing showing a 10 year IRR of 10.61%, along with a swift move to exchange of contracts to a party who are known to us.

17. The assumptions made in these scenarios are shown fully in the attached Investment Proposal Form (Annex C).

18. The proposed sale price shows a margin over the September valuation.

CONCLUSION

Royal Mint Court is a non Core asset located in a fringe City location. We do not have sufficient control over the management, and with a headlessee reluctant to take any action we are unable to effectively mitigate the challenges thrown up by the lease expiries in a little over 4 years time.

We are achieving a price ahead of current valuation and are recommending that we dispose of this asset in order to re-position the capital in an asset(s) that will perform more effectively going forward, whilst protecting our income return for a further 9 months.

Date: 14/10/2009

Originating Author: Andrew Nutt

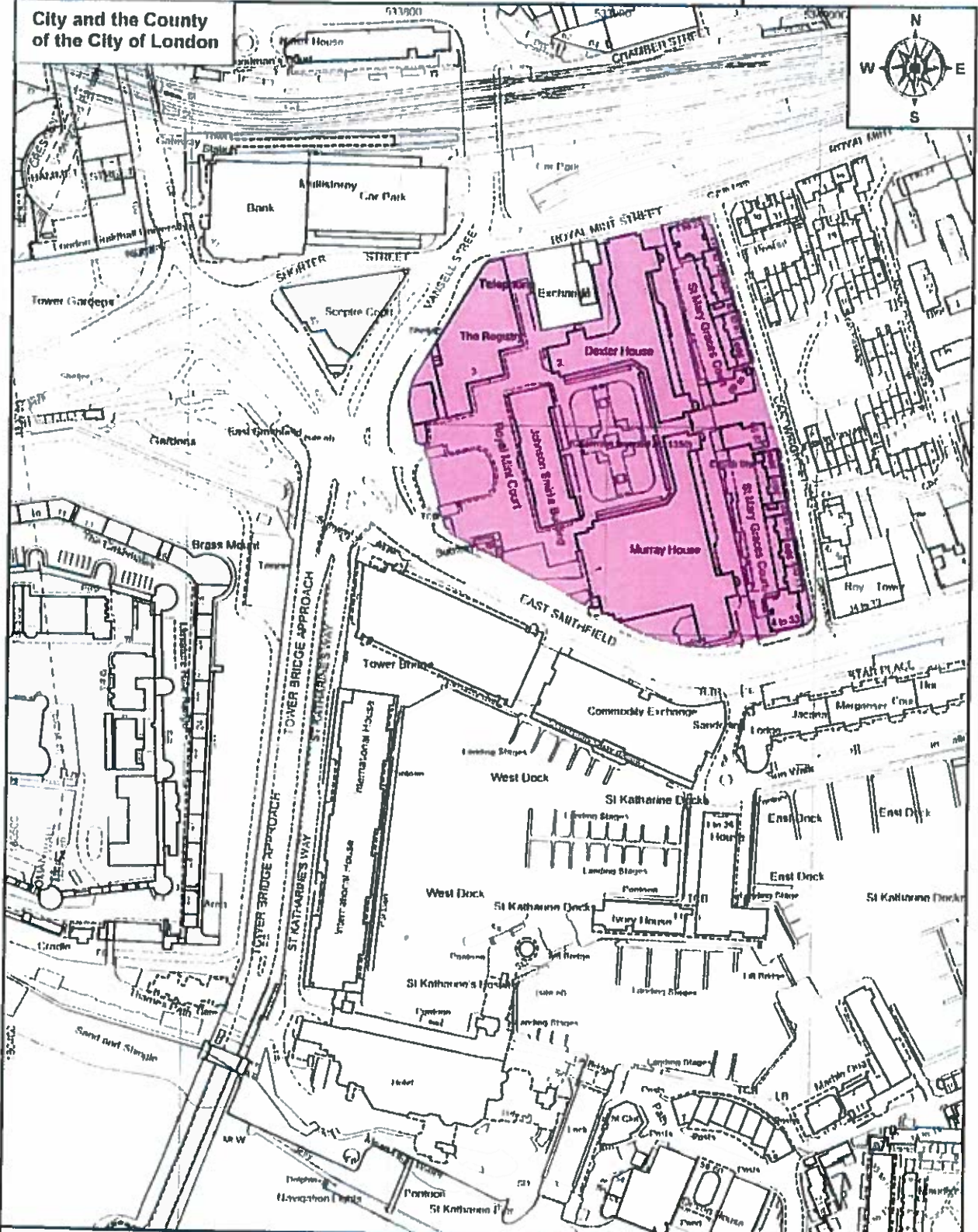
The Board/Committee Secretary should be advised if the contents of this paper give rise to any conflict of interest

The Royal Mint
Greater London

TQ 3380 NE
Tower Hamlets LB

THE CROWN
ESTATE

City and the County
of the City of London



SCALE 1:2,500
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STRICTLY PRIVATE & CONFIDENTIAL

SUBJECT TO CONTRACT

**HEADS OF TERMS RELATING TO
ROYAL MINT COURT ESTATE, LONDON, EC3**

1. **VENDOR**

The Crown Estate ('TCE').

2. **PURCHASER**

A wholly owned subsidiary of DV4, a Fund advised by Delancey Real Estate Asset Management Limited ('Delancey').

3. **THE PROPERTY**

The building is held, let and underlet in accordance with the attached schedule.

4. **CONSIDERATION**

£51.00 million (FIFTY ONE MILLION POUNDS ONLY).

5. **EXCHANGE OF CONTRACTS AND COMPLETION**

An unconditional exchange of contracts is to take place within ten working days following receipt of a full package of legal documentation or TCE's formal board approval (whichever is the later) at which point a deposit equivalent to ten per cent of the consideration is to be paid. A suitable guarantee is to be provided by the Purchaser in connection with the completion. Completion is to occur on June quarterday 2010 or sooner, if so elected by TCE, on providing one months written notice to Delancey.

6. **CONDITIONS**

The transaction is subject to:

- a) Contract.
- b) TCE and Delancey Board approvals. It is understood that the latter will be obtained within five working days of these heads of terms. The former will be sought on 20th October 2009.
- c) Verification of the information contained within the attached tenancy schedule.
- d) Satisfactory surveys.
- e) Satisfactory due diligence.

7. **VAT**

The VAT election has been waived and VAT is therefore payable on the rents reserved and the agreed consideration. It is envisaged that the transaction will take the form of a TOGC.

8. **VENDOR'S & PURCHASER'S SOLICITORS**

The Vendor's solicitors are:

S J Berwin
10 Queen Street Place
London
EC4R 1BE

Attention: Mark Mallon/Joanne Footitt
Tel: 020 7111 2989
Email: Mark.Mallon@sjberwin.com / Joanne.Footitt@sjberwin.com

The Purchaser's solicitors are:

Olswang LLP
90 High Holborn
London
WC1V 6XX

Attention: Tim Westhead
Tel: 020 7067 3627
Email: tim.westhead@olswang.com

9. **CONFIDENTIALITY**

These heads of terms and the purchase price are to remain confidential at all times until the Vendor and the Purchaser shall otherwise agree in writing.

10. **COSTS**

The Vendor and the Purchaser shall be responsible for their own legal, agents and other costs.

11. **OTHER AGREED MATTERS/FACTS**

- (a) It is understood that Delancey do not require debt finance.
- (b) It is understood that Delancey do not need to have recourse to Gulldale. A condition of this agreement is that no representations are made to the headlessee.

- (c) Delancey will assume interim management of the Estate between exchange of contracts and completion although they may not implement anything ahead of completion which would adversely effect TCE's cashflow (refer to d below).
- (d) In the normal manner, TCE will retain all income derived from the asset between exchange of contracts and completion.

12. EXCLUSIVITY & CONFIDENTIALITY

Subject to strict adherence to these heads of terms it is agreed that no further marketing of the asset will take place from today through until the agreed date for the matter to be contractual.

Ref: LR25263ADG
09/10/09

Investment proposal (sales) {5017a}

Inv/2009/27

ANNEX C

to be completed by project sponsor

Project sponsor

James Cooksey

Date 8/10/2009**Portfolio**

Central London – non Core

Segment(s)

Mixed use buildings may include more than one segment.

Office**Property address**

Royal Mint Court, London, EC3

Attach location plan and photo

Recommendation

It is recommended that the Stock Selection Committee approve the freehold sale of Royal Mint Court for a figure of not less than £51m (gross of costs), deferred until June quarterday 2010

Project description

Minimum should be type of deal and why it is being proposed. More complex deals may warrant attaching a more standard board paper and an agent's report.

Freehold sale, with deferred completion until June quarterday 2010, unless The Crown Estate serve (one month's) notice beforehand.

Property description

Whom are we dealing with? What is the nature of the interest? Size of the building? If mixed use a broad split in the capital values.

c440,000 sqft of office space across 4 principal buildings on a 5 acre island site, and c30,000sqft of leisure space. Two of the buildings are listed.

How does the proposal further the investment strategy?

Disposal of a non Core asset in a fringe City location with a poor management structure, high risk to income return in medium term and very high capital expenditure required within 5 year timescale to make it perform, is in line with strategy. By deferring completion we are able to make a positive contribution to the revenue position and ultimately dispose of a poor asset with poor performance prospects.

Current valuation (as at 30/9/2009) £50,000,000

Target sale price £51,000,000

Worth – 20 year PV of purchase at Crown Estate discount rate (currently 7.5%) £47,900,000

10yr Sale IRR	10.61%	10 yr Do nothing IRR	6.13%	10yr Invest heavily IRR	7.04%
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Initial yield 15.03%

Loss of revenue £7,900,000 pa

VAT status Elected wef June 20002

Comments on financial appraisal The sale to Delancey produces the highest return, significantly outperforming a 'hold' of the asset. As a further comparison a 5 year IRR for the property is 1.37% compared to PMA City forecast of 6%

Opportunities for reputation enhancement This demonstrates our implementation of the agreed strategy and desire to progress the enhancement of the portfolio.

Customer focus opportunities As this is a sale the opportunities are limited. It is however an opportunity to strengthen our relationship with Delancey, and in so doing the Ritblat family.

Contribution to corporate responsibility/ sustainability targets This is an unsustainable set of buildings that will require significant capital expenditure. By pursuing a sale we will remove the impact from the portfolio

External advisors Agency - BH2
Legals - SJ Berwin

Annexure to IPF

Investment Appraisal - Royal Mint Court

Scenario 1 - Do Nothing

18 month income void on all lease expiries

12 month rent free period

At first lease expiry, refurbishment costs of £100psf are assumed

New lease for 5 years assumed

Void cycle then continues, however, no refurbishment assumed

Exit yield after 20 years of 9.00%

IRRs

20 Year	10 Year	5 Year
7.12%	6.13%	1.37%

Scenario 2 - Buy Guldale Interest and Re-Develop

Guldale Interest is purchased for £50,000,000 and 100% of income received

Re-development of site starts on Sep-14

Total re-development costs of £130,440,134

Sale of site on Mar-17

IRRs

20 Year	10 Year	5 Year
7.04%	7.04%	NA

Scenario 3 - Sale to Delancey

Sale to Delancey for £51 MM, however completion delayed to June 2010

Proceeds from sale reinvested at 7% at September 2010

IRRs

20 Year	10 Year	5 Year
10.79%	10.61%	10.45%

Scenario 4 - Sale to Carlyle

Sale to Carlyle for £52.5MM, however, completion within 6 weeks

Carlyle to pay us a 7% coupon until June 2010 (amounting to £3.65 MM pa)

Proceeds from sale reinvested at 7% at March 2010

IRRs

20 Year	10 Year	5 Year
10.41%	10.03%	9.44%

