

Our Ref PE/jw

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Dear Mr Everitt

BATH WESTERN RIVERSIDE (WEST)

We have been asked to write to you in order to confirm our recommendations related to the proposed appointment of Crest Nicholson as Bath and North East Somerset Council's (B&NES) preferred Master Development Partner (MDP) for Bath Western Riverside (West). We understand this proposal is due to be considered by B&NES Executive on 5th April 2006.

As you are aware, Donaldsons are providing B&NES and it's public sector partner SWRDA with development consultancy advice on this project, whilst in parallel Berwin Leighton Paisner are providing B&NES and SWRDA with legal advice. Donaldsons and Berwin Leighton Paisner prepared a joint, comprehensive report for both parties in March this year outlining our analysis on the current position and recommendations related to the way forward. This report provides detailed background on our recommendation related to Crest Nicholson at this stage.

Context

In April 2005 B&NES approved the appointment of Crest Nicholson as joint Master Development Partner for Bath Western Riverside (BWR) overall, alongside the then current preferred MDP, Grosvenor. However, in July 2005 Grosvenor decided not to renew their existing contractual position with B&NES as preferred MDP (a Co-operation Agreement) for various reasons outlined in our March 2006 report. In parallel, the critical requirement for new housing, under both local and regional policy, emphasising the need to deliver 800 units by 2011 emerged, which both B&NES and Crest agreed could be satisfied on an element of BWR termed BWR West. BWR West encapsulates an area principally within five key landownership's – Crest Nicholson themselves; National Grid; Macquarie; Wessex Water and B&NES itself.

Potential Way forward with Crest

As stated above, Crest Nicholson have a key strategic land interest within BWR West and a strong desire to progress proposals in partnership with B&NES. Indeed, an informal relationship has existed since last July between Crest Nicholson, B&NES and SWRDA aimed at establishing an agreed masterplan for the area and



subsequent scheme proposals. In parallel the parties have, again to date informally, explored the way in which the principles to a contractual position between them, as landowners, might be agreed. Good progress is being made on both aspects, to the extent that we consider B&NES should now agree to the principle of preferred MDP status for Crest Nicholson on the BWR West project area.

Crest also seem to be making good progress with other key strategic landowners, and Officers from your Council and ourselves recently met with the other key strategic landowner, National Grid, who confirmed, verbally, their desire to create a partnership with Crest Nicholson and B&NES with Crest as preferred MDP on BWR West.

Dealing with procurement issues

Your legal advisors Berwin Leighton Paisner have commented separately on this aspect in the March 2006 joint report, and we understand will be writing separately to you to confirm their support in granting Crest Nicholson preferred developer status at this stage, respecting that they consider, as do we, that B&NES procurement position can only be finally established once any detailed Heads of Terms have been defined and the associated proposed legal agreements considered. BLP will confirm B&NES procurement position at that stage.

Basis of Crest Nicholson MDP status of BWR West

We recommend the appointment be made on a conditional basis and the key aspects related to this should be as follows:

- 1) B&NES and Crest Nicholson to agree comprehensive Heads of Terms for BWR West as soon as possible, but no later than the end of June 2006. I understand the latest draft is attached to your Officers Executive report.
- 2) As a key factor within 1. above, B&NES and Crest Nicholson to agree those aspects (termed Required Elements) which Crest Nicholson are to commit to deliver to B&NES within BWR West, and wider.
- 3) B&NES and Crest Nicholson to enter into an initial Legal Agreement between them no later than end September 2006 outlining the basis on which the parties will initially work together, together with what they intend to achieve ultimately. B&NES lawyers, BLP, are to advise on the appropriate legal structure in parallel with agreement (or otherwise) of Heads of Terms with Crest Nicholson
- 4) B&NES and Crest Nicholson to subsequently aim to enter into a Comprehensive Development Agreement based on 2. above no later than end March 2007. This Agreement will cover the strategic relationship between the parties and the basis on which BWR West will be developed out over the years to come.
- 5) Land Assembly. Crest Nicholson have a strong desire for B&NES to progress with a Compulsory Purchase Order (CPO) on BWR West. Progression of such a CPO is subject to a separate report from BLP.

We recommend that the preferred MDP position for Crest Nicholson should be reviewed after an initial 12 month period with a report back to B&NES at that stage. The intention would be to continue the relationship unless satisfactory progression of the project had not been achieved during the interim period.

Yours faithfully

A handwritten signature in black ink that reads "Donaldsons". The signature is written in a cursive, flowing style.

Donaldsons LLP