

Our ref: [REDACTED]

17 March 2005

Tom Campbell
Chief Executive
Lennoxtown Initiative
51 - 53 School Lane
Lennoxtown
G66 7LX

STRICTLY PRIVATE & CONFIDENTIAL

Dear Mr Campbell

Upper Site, Former Lennox Castle Hospital, Lennoxtown

A draft missive offer for the upper site (c 48 acres) has already been intimated by McGrigors, on our behalf, to the NHS Board solicitors.

Our approach to this potential acquisition also has as a significant element, the economic benefit and additional value that Celtic can bring to the valuable community regeneration work spearheaded by the Lennoxtown Initiative.

We appreciate that there are certain processes which you are required to follow but wish to ensure that in your approach to valuation and assessment of the offer our valuation methodology and the additional economic benefit that Celtic may bring to this site are fully understood.

THE UPPER SITE

Planning issues

The area we have discussed is approximately 48 acres, referred to as the Upper Site, with the lower area, as we understand it, acquired or to be acquired by MacTaggart & Mickel for residential development.

According to the current Campsie View Masterplan, development of the Upper Site is restricted to a green belt compatible use. Discussions with East Dunbartonshire Council have confirmed that to be the case and that this policy will be adhered to.

On further investigation of the Local Plan we also believe that Celtic's proposed use is entirely compatible with that on the lower site. Indeed it is reasonably clear on reading the Local Plan paragraph UC 2E that the expectation of the planning authorities in being willing to consider planning for residential use on the lower site is that an appropriate green belt compatible use will be forthcoming.

While that is undoubtedly a matter for the NHS, its purchasers and EDC, it is inescapable that Celtic's involvement on the Upper Site for use as a training facility and ancillary purposes would meet the Circular 24/85 - 'Development in the Countryside and Green Belts' requirements and would in turn enable the NHS to demonstrate that its other proposals for the site are compliant. This in turn facilitates the generation of what we can only assume is a reasonably substantial capital receipt for the NHS from the lower site.

We would have thought that with stricter planning and development control being applied by local authorities, a proposal which assisted the NHS in generating a substantial capital receipt elsewhere on the same site, meeting other important community objectives, the local development plan and ultimately potentially reducing the risk of refusal, conditions or qualifications to a planning application would be most welcome and of considerable benefit to the NHS.

We would be willing to discuss timing our planning application to be complementary to the wider planning timetable that the NHS would wish to pursue on the Lennox Castle Development.

Approach To Valuation

As already explained on our behalf by [REDACTED] of Hg Consulting, we have examined the terrain on the Upper Site. Significant areas are covered in tree belt and under the protection of Tree Preservation Orders. Further areas have significant gradients and are best described as rough pasture that the NHS had also not exploited during its occupancy.

In our view, the net developable area is in the region of 17 acres, with about 31 acres of little or no use other than screening / shelterbelt. The site therefore divides into three segments as follows:

- Tree belt and boundary areas 16 acres
- Primary area 17 acres
- Secondary area 15 acres

A significant factor in our approach to valuation has been the planning restrictions. The Local Plan and local authority have made clear that permission for housing is not contemplated. Consequently, it would be entirely wrong in any valuation approach to base one of the assumptions upon potential residential use at some indeterminate future time. A valuation based on a hypothetical speculative purchaser willing to take a chance would be erroneous and incompatible with any grant of planning for residential use on the lower site.

We have assigned values to the three areas. For the tree belt and boundary areas these are in keeping with agricultural values (notwithstanding the existence of trees actually restricts that). On the secondary areas we have suggested values that are above agricultural value, although these areas are in essence the equivalent of rough pasture and on a steep gradient.

The primary area does attract a higher value but one that is still restricted by the permissible planning use, a fill requirement to provide development platforms (60,000 m³) and lack of services.

In reaching these values we have taken advice from two separate firms of General Practice surveyors and Hg Consulting.

ECONOMIC AND COMMUNITY BENEFIT

Celtic's intended use of the site is for the creation of a purpose-built training facility for first team, reserves and youth teams and as the base for Celtic's youth development or "Academy" operations. It would be the permanent home for those operations. Those are not anticipated to be income generating to any significant extent and the running costs will continue to require to be funded by the Company from other revenues.

We consider that there is substantial economic and community benefit to be derived from Celtic's development on the site as follows:

Compatibility with planning and development

We believe that Celtic's use would assist the NHS in complying with the Local Plan for the lower site, thus releasing a sizeable capital receipt.

Community benefit

Celtic works closely with the local community in Glasgow, with our coaches and employees engaged in coaching and teaching programmes in local schools. This work includes our activity in combatting sectarianism through such initiatives as Bhoys Against Bigotry, Sense Over Sectarianism, Old Firm United and our community soccer schools programme.

It is our intention, if this project proceeds, to consult with EDC's education department to establish whether and how our existing community programme could be expanded to include the local area. I would stress that this type of work is something that we already do with Glasgow Council.

Celtic is willing, where timetabling and operational requirements allow, to make the facility available for use by local schools. We anticipate the facility being used heavily by our own teams but nevertheless would expect there to be some quieter periods in the year when pitches may well be free or not undergoing maintenance. We have in mind, for example, youth soccer tournaments and local school sports days as potential uses.

For information, the cost of a full size natural grass pitch is in the region of £250,000 with an artificial surface costing up to £480,000, depending on specification. Consequently some use of our contemplated facility would assist in alleviating the burden on other community resources.

As a community partner and as part of efforts to integrate with and support the local community Celtic would also be willing, if the Initiative wished, to make available members of its senior management team to assist the Initiative. We would be pleased to encourage liaison with our public relations and marketing teams to assist in raising awareness and profile of the Initiative and community. We would be happy to facilitate discussions with our existing and future sponsors who may have an interest in community development opportunities in the area, linked with the training facility.

Investment

Construction cost

This facility will cost several million pounds to construct, in its initial phase. In future, additional pitches and supporting facilities may also be added. While that initial phase could also be accommodated on another site in which we have an interest, the ability to extend beyond that in years to come on the alternative site is more restricted.

We would expect that a proportion of the construction cost will find its way into the local community and businesses, whether simply for local shops, hotels, pubs, buses and catering or as business for local contractors.

Provided tenders from local businesses for sub-contract packages offer at least equivalent value for money, quality of work and ability to meet the build programme, we would intend to use local contractors wherever possible.

Relocation and job creation

This facility would be the hub of Celtic's youth development programme and also the base for its football administration. Once completed the football administration department, backroom staff and football management team would relocate from Celtic Park. At present that alone is likely to account for around 20 permanent skilled jobs. These include for example the first team manager, assistant manager and coach, team doctor, administrators, youth coaches, physiotherapists and dietician among others.

Other posts are also likely to involve an element of relocation or time shared between Celtic Park and the training facility e.g. grounds men and we would expect that a number of new jobs, whether directly or sub-contracted, will be created. Cleaning, catering, grounds maintenance and security are the most obvious examples.

The first team and youth squads would also be training regularly at the facility and it is therefore likely that at peak periods between 50 and 100 Celtic personnel are likely to be on site.

Running costs

Base running costs are likely to be in the region of at least £750,000 per year. Again we anticipate that amounts of this would filter through into the local economy.

Profile

Celtic attracts huge media interest on a daily basis that can only boost the profile of Lennoxton and the Lennoxton Initiative's work. I enclose a brochure on sponsorship opportunities that, although principally prepared for potential sponsors, indicates the sort of coverage that can be attained.

I do not suggest that Lennoxton will enjoy quite the same profile on a regular basis as Carling or NIKE but equally the Initiative would not have to pay the substantial (annual six figure) amounts that these sponsors pay to maintain an association with Celtic.

It may be of interest for you to note that an independent survey conducted by Sports Marketing Surveys Limited assessed the exposure received by Carling in the first half of the 2003/2004 season. On TV exposure alone in that period, Carling was estimated to have had almost £1m worth of exposure, with a cumulative viewing audience of 5.4 m viewers. Taken across all media platforms and over the whole of a contract lifespan the figures run into millions of pounds worth of exposure. This gives at least a flavour of the power of the Celtic brand.

We doubt whether many, if any, other potential occupant of the site could deliver that amount of media value.

Visitors

The existence of Celtic's training facility at this site would drive visitor numbers in the immediate area upwards, whether that is simply employees using the facility, Celtic's young players, opposing teams, parents or those visiting teams who may require some training facilities prior to European fixtures.

Celtic would also, for the first time, be in a position to stage youth tournaments whether on a UK basis or involving foreign teams at its own facilities. This again can provide economic benefit to the area and justify greater public investment in transport infrastructure and public services.

ENVIRONMENTAL AND PUBLIC HEALTH BENEFITS

Any green belt compatible use ought to have environmental benefit. Celtic's use, which is very much orientated towards an ongoing "greenfield" use, retention of trees as windbreaks and privacy barriers

and landscaping would be a positive one in environmental terms. Our design team are seeking to incorporate an attenuation pond within the design to deal with run-off from the pitch areas and hillside.

As a professional football club employing elite sportsmen Celtic encourages and promotes a healthy and sporting lifestyle. Those participating in our training programmes follow a specially constructed training, diet and exercise regime. We would hope that this activity would provide a stimulus for local children to adopt a healthier lifestyle, as well as potential role models.

LOST OPPORTUNITY

In all of these circumstances, while understanding of certain procedures that the NHS must follow we do wonder what alternative use of the site by another party would or could provide these benefits and meet the objectives of the NHS, local authority and Lennoxtown Initiative quite as well as the use contemplated by Celtic.

SUMMARY

We believe that Celtic's involvement on the Upper Site would:

- meet the requirements of the local planning and development regime;
- assist in facilitating the grant of planning on the lower site, leading to substantial capital receipts for the NHS;
- meet the objectives of the Lennoxtown Initiative, in which we understand the NHS Board is a "partner", in the short, medium and long term;
- drive substantial economic benefit and regeneration in the local community through relocation and job creation;
- raise the profile of Lennoxtown and the Initiative positively in a timeframe and to a level that it would be unlikely to achieve otherwise without investing very large sums on advertising;
- attract visitors and possibly other employers to the area;
- create community benefit through involvement with local schools and community organisations; and
- be a major boost for East Dunbartonshire in having two of the world's largest and best known football clubs within its boundaries

Several of these benefits could start within weeks or at most a couple of months. In all of these circumstances we believe that the offer made by Celtic is a fair and valuable one for both the NHS and local community. It presents a significant and unique opportunity to deliver investment, economic and community benefit and confidence where it is clearly much needed.

TIMETABLE

We are now working to relatively tight timetable. The Company's Board of Directors is keen to decide upon a preferred location at its next meeting on 23rd March in order that the necessary site investigation, economic appraisal, business plans, designs and tendering can get underway. Our objective is to have a new facility operational by the beginning of 2007. We have already engaged

architects, quantity surveyors, a project manager and engineer to assess both sites and have commissioned meteorological data reports as part of our initial appraisal.

Bearing in mind the reason for which Celtic Football Club was originally founded and our ongoing commitment to support those in need, you will have gathered that the Lennoxtown site is of considerable interest to Celtic. We would be delighted if the proposition suggested to us could be agreed and, subject of course to acceptable planning permission, completion of satisfactory economic appraisal and site investigations, Lennoxtown could become the new home for Celtic's training and youth development operation. Nevertheless, we are already behind schedule in our decision-making, while awaiting completion of your valuation process.

We wish to be in a position at our Board meeting on 23rd March to report that agreement to the conditional missive and value has been reached with the NHS Board and consequently enables a decision on preferred location to be made.

Your urgent response would therefore be appreciated.

Due to the importance of this issue, the matters referred to in it and timescale involved, I am copying this letter to Sue Bruce at East Dunbartonshire Council and John Morrison in his capacity as Leader of East Dunbartonshire Council in case there is any need to consult with them.

Yours sincerely



Enc.