

THE NELL GWYNN HOUSE
RESIDENTS' AND LEASEHOLDERS' ASSOCIATION

Nell Gwynn House, Sloane Avenue, LONDON, SW3 3AX
info@nellgwynn.com, www.nellgwynn.com

February 1st, 2007

Dear Leaseholder

PURCHASE OF NGH FREEHOLD

URGENT - PLEASE GIVE THIS LETTER AND ENCLOSED LEGAL DOCUMENTS YOUR IMMEDIATE ATTENTION – TIME IS VERY SHORT FOR US TO BE ABLE TO ACT!

We are writing following our two previous letters to you about the freehold purchase, dated January 18th and 25th. **This is the crucial letter!** We are enclosing a package of documents from our solicitors, Rokeby Johnson Baars, comprising:

- Covering Letter
- Participation Agreement and Annexes

Please read these carefully and as soon as possible. Time is very short for us to be able to keep open the option of buying the freehold using a 'Section 5 Purchase' ('S5P').

As we have previously explained, and as set out in detail in the legal documents, RALA wants to keep open both options for the freehold purchase, *S5P* and *Collective Enfranchisement* ('CE'). We will decide which option is better for Leaseholders when we have all the relevant legal, valuation and costs information. By signing this *Participation Agreement*, you agree to take part in either or both of *S5P* or the *CE* purchase.

BUT, in order for you to participate in the *S5P* option, our solicitors MUST receive your signed original signature pages and your cheque for £1000, **by Wednesday, February 28th, 2007, at the very latest**. If you miss this dead-line then you will not be able to participate in the *S5P* freehold purchase and, if we do not receive the minimum necessary number of signatures, the *S5P* option will be lost.

If you chose not to participate now in the initial *S5P* freehold purchase, but this purchase goes ahead anyway, and you then later want to convert your flat to a 999 year lease, you will have to pay a substantial premium to do so.

If RALA decides on balance that *CE* would be preferable, then by signing the enclosed *signature page for the Initial Notice*, you will also be able to take part in this option. Signing both signature pages is the **ONLY** way to be part of the initial purchase of the freehold of NGH, whether this is done by the *S5P* or the *CE* process.

At its meeting on Tuesday January 30th, the full committee of RALA:

1. **Approved** the draft documents prepared by our solicitors for sending to leaseholders.
2. **Agreed** that all members of the RALA Committee will be appointed as initial directors of *NGH Freehold Limited*, ('NGHF') the company that will buy the freehold.
3. **Agreed** that all members of the RALA Committee, will participate in the freehold purchase, acting on behalf all the 20 flats own or represent.

We will only proceed with *S5P* if we are satisfied by the legal and valuation advice we receive over the next month or so that this option will be better value for Leaseholders than *CE*. Based on the level of Leaseholder support we received for our preliminary *CE* proposals, we expect the maximum total cost of the *S5P* option will be about £3500 for a 1974 Leaseholder and £5000 for a 2002 Leaseholder, per participating flat. The freehold reversion value of a 2002 Lease is higher than a 1974 Lease because of the higher ground rents paid under a 2002 Lease. These cost estimates include all fees and taxes.

Your actual cost of purchase will depend on (a) whether you own a 1974 or a 2002 Lease (b) the total number of participating leaseholders and (c) balance between 1974 and 2002 participants.

Those who participate in the purchase now will become members of the company buying the freehold, *Nell Gwynn House Freehold Limited* ('NGHF'). NGHF will need to pay for the freehold of the flats of both the participants and the non-participants. We have decided that the simplest way to finance the cost of the non-participants' flats is for the participants to make Loans to NGHF. Depending on how many non-participants there are, we estimate that the Loan would be about £1500 per participating flat, and this is included in the maximum *S5P* figures above of £3500/5000. The constitution of NGHF will provide for these Loans to be redeemed as and when this becomes affordable. Please remember that this Loan is being made by Leaseholders to their own company as NGHF will be 100% owned by the Leaseholders who participate in the freehold purchase.

Many of you have already contributed £250 towards this total (for which you are being credited) and you will be paying a further £1000 when you return the *Participation Agreement*. If we achieve the level of support we expect, the balance payable should be under £4000. In the RJB documents, the balance payable in May 2007 is capped at £5000.

Many of you have already replied to our letter of January 25th, saying that you agree with the proposed purchase and will pay the £1000 first instalment. We very much appreciate your support – please make sure you return the signed document and your cheque by February 28th! No-one's cheque for £1000 will be cashed until we have achieved the minimum necessary level of participation.

There will be an open meeting for all Leaseholders at St Luke's Parish Hall (St Luke's Street, Chelsea, London SW3 6NH) **February 12th from 6 – 7.30pm.** Do please come to this if you can.

Please remember that if you participate now in buying the freehold of NGH you will receive the following benefits:

- You will be granted a 999 year lease on your flat, which should increase the capital value
- You will cease to have to pay any ground rent
- You, and your fellow participating leaseholders, will own the company that controls the management of the building.
- You, and your fellow participating leaseholders, will own the reversionary interest in any non-participating flats.

We have been advised by Malverns, the agents specialising in the sale and purchase and letting of flats in NGH, that your participation in the freehold purchase should increase the capital value of your flat by about 5% - i.e. c£12,500 on a typical £250k flat.

Any Leaseholder who does not participate in the purchase of the freehold now, but then wishes to acquire the freehold of their flat later on, will have to pay a substantial premium to do so, and this premium will increase over time.

Please support RALA in taking this opportunity to buy the freehold of NGH so that together we can increase the value of our flats and improve the management of our building.

Do please contact us (and not our solicitors) by email if you have any questions,

Tony Howe

Chairman, RALA Freehold Purchase Sub-Committee

Tony Howe: canthonyhowe@aol.com
Robin Dunipace: robin.dunipace@dial.pipex.com
Tonianne Dwyer: tonianne@pobox.com