

ROKEBY JOHNSON BAARS LLP
Solicitors

The Leaseholders
Nell Gwynn House

Our Ref: RRJ/AWB/NEL0013

Your Ref:

1 February 2007

Dear Leaseholder

**Acquisition of the freehold of Nell Gwynn House Sloane Avenue London SW3
3AX**
The Company: Nell Gwynn House Freehold Limited
The Landlord: NGH Properties Limited

Introduction

As you will know from previous e-mail correspondence from the Nell Gwynn House Residents and Leaseholders Association ('RALA') Freehold Purchase sub-committee ('FPSC'), we have been instructed to assist with the purchase of the freehold of the building from your Landlord and act for Nell Gwynn House Freehold Limited. The FPSC have so far received 270 leaseholders expressing interest in taking part.

The deadline for acceptance of the Section 5 notice is Friday 9 March 2007 and we need at least 191 leaseholders to agree to participate to be able to accept the Landlord's offer. Please note that your **urgent reply** is required by **Wednesday 28 February 2007** as it will take time to collate the form of acceptance.

Subject to replies from at least 216 leaseholders, it is further intended to commence a claim for collective enfranchisement. The final decision as to which route to adopt will be taken by the RALA Committee after receiving legal and valuation advice. At this stage, we are missing key pieces of information (notably the recently granted lease of the basement) which are required before the final decision can be taken. We also await a barrister's opinion on a number of points.

The FPSC has therefore instructed us to draft documentation which allows for both options to be taken up at the discretion of the RALA Committee. However, you should be aware that Nell Gwynn House Freehold Limited is the entity which will actually acquire the freehold. Its directors will all be RALA Committee members.

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Members: AW Baars RW Rokeby-Johnson RH Barrett Consultant JJ Silverman
Incorporated in England & Wales under number OC304798

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Enclosures

We enclose the following documents:

- Your personal copy of the Initial Notice plus a signature page for signing and retaining (both on green paper)
- Initial Notice signature page for signature and return. (on white paper)
- Your personal copy of the Participation Agreement plus a signature page for signing and retaining (both on yellow paper)
- Participation Agreement signature page for signature and return. (on white paper)

Signature

It is vitally important that the Initial Notice and the Participation Agreement are correctly signed. Details are set out on a separate sheet. **We cannot accept scanned, faxed or photocopied versions of either document.**

The Participation Agreement (on Yellow Paper)

This document is a contractual agreement to be entered into in a common form between the Company and each of the leaseholders who wish to participate in the purchase of the freehold (these leaseholders are referred to as 'participants'). The purpose of the document is to bind each leaseholder who wishes to participate into the process and to oblige either them, or any purchaser of their flat, to join in and continue to participate in the process up to and including completion of the purchase. You will appreciate that if this provision was not included the number of participating leaseholders may fall below the 50% of qualifying tenants required. If this were to happen, all the time spent, costs incurred and effort put in could be wasted, as the purchase may be unable to continue.

The main points to note in the agreement are as follows:

- (a) The document is drafted in such a way as to allow for the Company (which in making this decision will be guided by the RALA Committee and its professional advisers) to decide whether to proceed down the route of accepting the Landlord's offer or starting a collective claim. In practice, the Company may well accept the Landlord's offer to keep it open and prevent a sale to a third party and withdraw from it at a later date in order to pursue the collective claim. Fundamentally, it will be a decision based on whether the certainty and costs savings of the section 5 notice outweighs the possibility of a substantially lower price being agreed by the LVT (but taking into account the longer timescale and risks as well as higher costs).
- (b) All participants agree with the Company that they will remain as participating leaseholders during the whole of the period covering the section 5 notice/enfranchisement process.

- (c) If any participant wishes to sell their flat during the process, then they can do so provided that it is a term of their sale that their purchaser takes their place in the section 5 notice/enfranchisement process (clause 7). The agreement simply requires that the statutory requirements are complied with in those circumstances.
- (d) On completion of the freehold purchase the Company will hold the reversionary interest in each flat as a Trustee for the participant who has paid the amount attributable for that flat or, in the case of non-participating flats, the Company of which all participants will be members.

Following completion, each participant will be entitled to be granted a new lease of their respective flat/s for 999 years at a peppercorn (ie nil) ground rent in satisfaction of that beneficial interest together with Membership of the Company (1 vote per flat). Until such time as they take the grant of that new lease the Company will continue to hold the beneficial reversionary interest arising in respect of each of the participating flats for the participating leaseholder(s).

- (e) There will be leaseholders who elect not to join in this process. This is entirely their right to so elect although the FPSC letter of 25 January has given many cogent reasons why everyone should take part. To ensure the purchase price is fully funded, RALA has decided that this will be by way of a loan to the Company divided equally among the participants. In addition, the loan will cover an amount of initial working capital for the Company which will not exceed £50,000.

The loan will be repayable out of the proceeds of selling membership of the Company plus new 999 year leases to non-participants. It is the Company's intention to ensure that non-participants pay more than participants to reflect the risks taken by the participants. After repayment of the loan, the remaining proceeds will be used by the Company as working capital and invested in the building.

- (f) At clause 4 you will see reference to the price and costs. Bruce Maunder Taylor, the valuer, has prepared a separate report advising the Company on the likely premium to be paid for your flat's particular share of the cost of the freehold and will be responsible for preparing a final report. In addition each participant will have to pay a share of the total costs involved in the process as well as the loan.
- (g) So that participants have some certainty, there will be a cap on the maximum expenditure which can be demanded from anyone. The balancing payment required prior to completion will be capped at £5,000.
- (h) The Agreement prescribes that an on-account payment of £1,000 is made on the return of the signed signature pages for both the Participation Agreement and the Initial Notice. The balance of the sums due will be payable on 28 days notice given by this firm. Please note that all payments must be made to Rokeby Johnson Baars LLP (NGH Account). If any participating leaseholder

does not make payments when due, then they may be unable to participate in the process.

- (i) The Participation Agreement will have contractual force and you should be aware that we only act for the Company in its preparation. We must advise that, as in any other case where you are asked to sign a contract, you should seek independent legal advice before signing the Participation Agreement. Any costs you incur in this respect will be your own responsibility. Please do not contact this firm.
- (j) The corporate structure of Nell Gwynn House after the acquisition of the freehold is currently being considered by the FPSC and the RALA Committee although it is envisaged that (assuming this approach is endorsed by the barrister who is currently preparing his opinion on various matters we have raised at the request of the FPSC) a management company owned by all the leaseholders in the building will take over the role of the Maintenance Trustee. Any proposals will obviously be open to consultation.
- (k) Many leaseholders may have already paid £250 in response to the first FPSC letter and questionnaire circulated in July 2006. Credit will be given for the sums paid when working out the final amounts due.
- (l) We will write separately to owners of three or more flats as they do not count towards the totals of 191/216 leaseholders above. However, we understand that many are keen to participate and if they do, they will be treated in exactly the same way as every other Participating Leaseholder.

This document has been produced in multiple duplicates. Please sign the yellow copy of the signature page to retain and return the signed white signature page to be incorporated on the principal duplicate.

Section 13 Initial Notice of Claim (on Green Paper)

This is the formal statutory notice by which the leaseholders of the building commence a collective claim to acquire the freehold from the Landlord.

- (a) The schedule to the Notice (the signature page) sets out the details relating to your flat. When served, the Notice will have annexed to it the schedules relating to all the flats. Please check these for accuracy.
- (b) The proposed purchase price will be inserted in the Initial Notice, as advised by Bruce Maunder Taylor, as being the appropriate figure to insert in the Notice. This will be less than £750,000.

The Next Steps

In order to become a participant please sign both copies of the Participation Agreement Signature Page and the Initial Notice Signature Page in accordance with the attached signing instructions. Please then return the hard copy **white** Signature Pages (faxed, scanned and e-mailed copies are not acceptable) to this firm by

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Wednesday 28 February 2007 at the absolute latest together with your cheque for £1,000 per flat made payable to Rokeby Johnson Baars LLP (NGH A/C).

Once the signed signature pages and payments have been received from enough participating leaseholders and arrangements to ensure the funding of the entire purchase price and costs are in place, the Participation Agreements will be completed and the Notices served on the Landlord. Only leaseholders who sign the participation agreement will participate in the claim.

In terms of procedure, it can often take 6-18 months to complete the purchase of a freehold if a collective claim is lodged. If a negotiated settlement is not achieved, either the Landlord or the Company may insist on the price being determined by the Leasehold Valuation Tribunal. In that case it is likely that a hearing will take place next year. If the Company decides to proceed via the section 5 route and accept the Landlord's offer then completion will take place over the summer and by early September at the latest as there is a firm timetable in place.

We look forward to receipt of the original signed signature pages and the cheque by **Wednesday 28 February 2007 at the latest**. Acceptance of the Landlord's section 5 offer must be served before 9 March in any event.

Yours faithfully

Rokeby Johnson Baars LLP

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