

As sent today
the response. Re.

Flat
11 Basil Street
LONDON
SW3 1AX
TEL & Fax: C

11 January 2001

Dear Fellow Resident

IMPORTANT - DO RESIDENTS WANT TO BUY THE HEAD LEASE

As you know, the landlord of Jefferson House has offered the head lease (NOT the freehold) for sale and the residents have first refusal on that offer.

The Residents' Association cannot give legal or financial advice to individual residents about whether or not to take up the offer, but we are able to clarify any queries you may have and can give you such information as we have which will, we hope, help you make up your mind.

In order for the residents to buy the head lease more than 50% of the tenants who qualify to take up the offer must say that they want to go ahead. Tenants who qualify are all those who own fewer than three flats in the block.

The basic cost of the head lease is £131,000, which would be divided equally between all those who want to buy. It is estimated (only estimated) that the individual cost would be between £5000 - £10,000 per share, depending on the number of people wanting to buy. The more that do, the cheaper each share becomes. This sum of £131,000 INCLUDES a deposit of £6250 payable as soon as the offer is taken up. The deposit would again be divided equally between all those buying.

Those taking up the offer would need to set up a management company to bind them all together and limit liability. They would also need to appoint a solicitor to act for them. This would involve an upfront payment of money to meet the legal costs. Again this would be divided equally.

It may also be necessary to take legal advice on the positive obligation in the offer to build another floor onto Jefferson House, and if that is done, to pay the landlord a further £75,000. At present it is not clear whether such a clause is realistic in the circumstances.

If we choose to buy the head lease, we become our own landlords and take the decisions ourselves. If we do not buy the head lease, it will be bought by an individual resident who wishes to be the sole landlord of the block.

The Residents' Association has been contacted by this resident, who has described himself as a property developer. He has indicated that if he buys the head lease, he proposes to carry our extensive work to the block, including internal and external re-decoration and the possible building of a new roof, although the preferred option he has is to build the additional storey. The works are to be done as soon as possible. As the reserve fund will fall far short of the total costs of the work (estimated to be at least £300,000), the shortfall will be met by a surcharge on each flat owner and increased service charges.

Whatever decision we make, there are large sums of our money involved and we should all give careful thought to what we should do and seek legal advice.

You can always call me if you want to clarify anything or fax me on an answerphone - please leave a message if I am unavailable.

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Reserve fund currently = £108,000.

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Can I please stress to you the urgent need for us to let the landlord know our decision within the legal time limits. **WOULD YOU PLEASE SEND ME YOUR DECISION ON THE FORM ENCLOSED (by post or fax) AS SOON AS POSSIBLE AND NO LATER THAN MONDAY 5th FEBRUARY 2001.**

Thank you for the positive feedback you have given in response to my last letter and for the points you have raised, The Committee is very grateful. Thank you for helping us to help you.

With best wishes _____

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Secretary
Jefferson House Residents' Association

BUYING THE HEADLEASE