

PAVILION COURT LIMITED

Registered Number 1509144 (England)

Registered Address:

**Pavilion Court
Marine Terrace
Folkestone
Kent, CT20 1QB**

Correspondence Address:

**28 Mercia Road
Cox Green
Maidenhead
Berks. SL6 3DR**

Admin: (01628) 32181

NEWSLETTER

Much has happened since the AGM and your Directors and I have been fully engaged in dealing with events as they arise. A number of big issues have arisen and I intend dealing only with those in this newsletter:

THE AGM

Those of you non-resident shareholders unable to attend will find enclosed the Directors' Report presented at the AGM on 18th January and all of you will find enclosed the minutes of that meeting. I apologise for the delay in circulating these documents and can only claim in my defence that I have been firefighting full-time the many problems that still plague PC.

Please take the time to read both documents very carefully as the report tells you exactly what has been happening in PC. Also resolutions have been passed at the AGM which directly affect you, particularly if you have chosen to ignore my letters chasing your service charges.

At the AGM everything was open for discussion and was discussed fully in a frank and increasingly harmonious manner. You will note the changed wording for the resolution to negotiate the purchase of the Freehold and the withdrawal of the resolution approving the accounts. All resolutions were passed unanimously.

The accounts were withdrawn on my recommendation as it is clear from the papers handed over by Broughton further and better particulars should be sought from him, although he is refusing to respond. Given the circumstances Companies House have agreed an alternative basis for submission of accounts, which I consider to be unsatisfactory given that the information is available from Broughton and under the Companies Acts as a former Director (legal or not) he is obliged to provide it. We are pursuing this matter with him.

THE FREEHOLD

Given Broughton's disregard for your right of first refusal to purchase the Freehold of Pavilion Court and his stated intention to sell it on Monday, 24th February, your Directors decided to seek an injunction to prevent the sale. Counsel's advice was that there were several grounds for an injunction, including that the new (second) s.5 notice issued by Clive Emson (considered under the Housing Act 1996 to be an expert adviser) was itself incorrectly worded and served. On this basis we instructed solicitors to proceed urgently to prevent the sale. After frenetic activity a Circuit Judge in Canterbury granted an interlocutory (interim) injunction against any sale late on 20th February. Before the full hearing on 19th March Broughton's solicitor advised ours that they acknowledged that the s.5 notice was invalid and would have to be served yet again.

However, we decided to proceed with an action for costs as we considered the undertakings given by Broughton's solicitor to be unsatisfactory and not a bar to the unlawful sale going ahead. The legal penalty for breaching your rights would have been a measly £5,000 which is nothing compared to the loss of right you would have suffered. Sadly, the judge felt that a solicitor's word is good enough and we failed in our application for costs. We feel that the judge was deeply flawed in his judgement and our legal advisers concur that we would have been negligent in our duty to you not to have pursued the injunction.

It therefore follows that Broughton will be issuing yet further s.5 notices with another minimum two-month notice period. You can expect these to arrive sometime in the immediate future.

Counsel is currently compiling our case for cancelling the lease to the caretaker's flat which was issued without your knowledge or consent and currently giving rise to ground rackrent of £4,800 pa. The 100 flats produce a total ground rental income for Broughton of £2,500.

SERVICE CHARGES

A group of you have just completely ignored all requests for payment. A significant section of that group is seriously in arrears. This hard-core of arrears is seriously prejudicing the security of all leaseholders as both the Roof Fund and funding for carrying out urgent repairs is at risk. Until this is resolved all but the most essential work must go on hold.

Because of this unacceptable behaviour approval was given at the AGM for a system of collection as set out in the Directors' Report. In the absence of any response from you we must assume that you have relinquished all interest in your lease and are just awaiting the day when someone asks for the keys. We cannot permit such disinterest by the few to prejudice the rights of the many. There is now no alternative but to:

Proceed to your mortgage lender for payment. We regret that this may give rise to the risk of repossession by your mortgage lender, or

Proceed for foreclosure of your lease on the grounds of arrears of service charges. Under your lease we shall have to ask the Freeholder to undertake this work for us and you can be sure that he will milk the situation for all it is worth.

We consider any act of foreclosure iniquitous and contrary to our stated purpose for being Directors. However, if the alternative is the failure of Pavilion Court Limited and the seizure of the service charge function by the Freeholder then we shall do it.

Please make any contact with me or David Price on the above numbers within the next seven days to avoid this action.

The service charge demand for the second half-year will be despatched in the next few days with a supporting schedule of projected expenditure.

DISCIPLINE IN PAVILION COURT

Day to day care, control and custody of the buildings comprising Pavilion Court is vested in the caretaker, John Wright. He has clear guidelines issued to him on discipline issues in PC.

All enquiries should be directed to him during the times allotted, except in an emergency. His duty times are to be found on the notice board outside his flat.

John is found at Flat 101 or by telephone on (01303) 258059.

John answers to Jim Allen on a daily basis and has either another Director or myself available telephonically as back up.

The Directors have been giving much thought and effort into resolving the discipline problem within PC. It is clear that no amount of security will protect the residents if we permit the troublemakers legally inside as tenants in the first place. Therefore, the Directors are imposing criteria for and a pre-letting vetting system on all tenants and all letting agents are being required to deliver a copy of the questionnaire to PCL before a tenant can take up residence. If they don't fill key boxes they will be refused entry; if they are found to have given false information they will be evicted; if they refuse to give photographs to the caretaker they will be refused entry. Needless to say a number of tenants are finding disclosure of any personal details unacceptable and instead are choosing to leave.

A number of existing tenants have been given notice to quit for a wide range of misconduct caught on the CCTV, both overt and covert, and are serving out their statutory notice periods. In law a leaseholder could be held liable for unlawful eviction of a tenant, except in the most extreme circumstance. However, a very firm hand is pushing these people out of the door.

Regrettably, there are as many keys to PC in circulation in Folkestone as there are UB40s. Any change in the locks will deter intruders for only a short time until yet further duplicates are made. Therefore, we must quickly move away from such an insecure access media. We are looking to install an electronic proximity card system in the very near future which will afford us enhanced access control. All this matters not a jot unless the door is itself a barrier. The doors and frames to PC are made of poor quality wood which has been much delapidated through abuse. We intend installing good-looking stout doors to all access points, built into strong frames.

There are a number of blind areas to the CCTV coverage of PC and many of the incidents and intrusions occurring are possible because of these blank spots. We are therefore installing a select number of carefully located cameras to eliminate these problem areas. Significantly, these areas were identified in the original site survey by the installer but were told not to bother.

In addition we are sending out a very clear message to the Folkestone community that if they are caring, peaceful and respectable and seeking accommodation then PC is the place for them. If they are not then they had better not bother us.

MARKETABILITY OF LEASES IN PC

We are currently losing leaseholders at the rate of one every six weeks to old age, repossession or insolvency. It therefore follows that there is a market in the leases of PC.

To protect the interests of the executors, beneficiaries, mortgage-lenders or anyone with an interest in the proceeds of a sale the Directors have accepted my advice to set up a register of potential buyers of leases. A draft is already in existence.

Thereby not only are we ensuring the maximum potential income from the sale but we are underpinning the value of the leases in the mind of existing mortgage lenders. We are strongly of the belief that the value of the flats in PC is rising as a direct result of our collective efforts.

I believe that the value of the flats will shoot up significantly if the Freehold is purchased by the leaseholders. This does not give license to making Broughton a silly offer as the block is worth only so much to an external Freeholder, particularly as the management of the block has been removed.

Therefore, I shall be pleased to hear from anyone interested in purchasing a lease in PC. I shall also be pleased to let anyone seeking to sell have a copy.

It must be clearly understood that the production of this list in no way endorses any one party on the list nor claims to be a definitive list. It does not encourage you to or discourage you from dealing with anyone on the list or restrict your access to external professionals whether for access to properties or the valuation thereof.

It must also be clearly understood that the value of a lease is dependent on a variety of factors. Therefore, even within either North or South blocks differing values will prevail.

You may wish to advertise in the local press or appoint a local estate agent, all of whom are familiar with PC. Conversely, you may wish to keep an eye on the local press for estate agents' advertisements where all repossessed properties are displayed as a matter of course.

SHARE CERTIFICATES

We have now prepared the new share certificates for PCL and we intend issuing these with the half year service charge statement later this week. We shall be holding back certificates where we are unsure of the true ownership of a flat until such time as full enquiries have been completed.

If a certificate is received which does not reflect the true beneficial ownership of the flat, eg first name on deeds or joint ownership not recognised to your satisfaction, we shall be pleased to replace them at no charge. However, we cannot change something contrary to the lease.

Stephen Wright
Company Secretary
1st April 1997