

Guy Gothard Esq
Guy Gothard & Co
Holmcroft
La Grande Route de St Martin
St Martin
JE3 6JB

Our Ref: AO 0014 09

11th April 2011

Dear Guy

Re: Lime Grove House ("LGH"), Green Street, St Helier

I refer to our meeting on Thursday afternoon last when you informed me that you were now acting for the States in connection with its proposed acquisition of the above property from my client company Drumcoille Holdings Limited, not as yet another valuer but as a negotiator.

You told me that those instructing you were now seeking to renegotiate the terms of the freely negotiated transaction which had been agreed between my clients and the States' authorised representative over a year ago.

As I predicted my clients were quite astounded to hear of this and I am instructed to point out to you the history of this matter:-

- a) Early in 2009 our clients were approached by Jersey Property Holdings ("JPH") on the matter of leasing some or all of LGH and up to the autumn of that year there were detailed negotiations with regard to the Heads of Terms for such a lease. However by September of that year Mr David Flowers of JPH had confirmed that the States were more interested in acquiring the freehold of the property than in a lease. JPH carried out their necessary research and sought authority to progress the matter and finally the offer of £8.75m was set out in a letter from Mr Mark Grant of JPH dated 25th March 2010. The letter stated that the offer was subject to my clients meeting the cost of any remaining items on the snagging list and of providing an electricity substation.
- b) The offer was very disappointing to my clients and a meeting was convened at JPH premises on 31st March 2010 to discuss it. At that meeting my clients said that they had expected an offer of not less than £9m for the property, but Mr Grant said that once the States had made an offer it was set in stone and there could be no negotiations. My clients therefore

counter-proposed that the offer would be accepted provided that there was no whittling away of the amount by the cost of any remedial snagging works or of supplying an electricity substation. My clients were aware (and Mr Grant agreed) that the offer price had been arrived at after allowing a sum of £1.5m for the Category A fit out of the building. Mr Cameron of my client company stated that the minor snagging works which remained undone and the supply of a substation (if needed) could easily be contained within that £1.5m costing. Mr Grant agreed that if that was the case then the price would be a firm £8.75m. He would arrange for the figures to be checked. [Please refer to my letter to Mr Richardson dated 9th December 2010 (copy attached).]

- c) Thereafter there were interminable delays because JPH needed to progress what was apparently a very complex set of arrangements of which the acquisition of Lime Grove House was, so my clients were advised, the "key". At no time was there any intimation whatsoever that there was any concern about the correctness of the agreed price. JPH sent numerous letters to keep my clients informed as to progress and to confirm the intention to proceed with the transaction, and my clients were advised that all the interested ministers were in agreement.
- d) Although JPH itself was quite capable of carrying out valuations, having exceptionally well qualified surveyors within the department, and although previous valuations of the property had been taken into consideration, it was decided that an independent valuation should be acquired from BNP Paribas. We understand that this clearly supported JPH's original valuation on which the offer was based.
- e) Having been extremely patient throughout our clients were finally told that a decision was about to be made and that the matter would be progressed to completion before the end of last year. There then came the news at the eleventh hour that it had been decided that there should be an independent review of the whole project by Mr John Richardson. My clients' understanding is that, incredibly, an uninformed opinion had been expressed that the valuation on which the offer had been made was not sound, and most insultingly to all concerned, that the BNP valuation was part of a kind of conspiracy! So it had been decided to remove JPH from the scene and for Mr Richardson to carry out an independent audit.
- f) At a meeting with Mr Richardson and Mr Izatt on 30th November 2010 Mr Richardson apologised for the further delay which he accepted must be most frustrating. He particularly stressed the fact that his priority was to ensure that there had been a full appraisal and specification of the fit out requirements of the States Police for the building. It was not suggested at that meeting that there was to be any attempt to renegotiate the price for LGH.

g) Mr Richardson and Mr Heald subsequently kept me and my clients informed of progress. We were very surprised to hear that the States had commissioned yet another valuation of the property, this time by Messrs Drivers Jonas. We believe that this valuation is in line with the earlier valuations.

I am sure you can appreciate how utterly frustrated and let down my clients are feeling at what they consider to be unconscionable behaviour by the States. They cannot accept that those instructing you have any possible justification for suggesting that the price for LGH should now be renegotiated.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Lock', with a large, sweeping flourish at the end.

Richard Lock BSc MRICS
Associate Director
Buckley and Company Limited

Encl

cc Senator Le Sueur
Senator Le Marquand