



22nd March 2022

Dear fellow Owners,

I am writing to update you on the repair work for the Phase 2 apartments and Leisure Centre. Firstly, I am pleased to report that the essential work on the Phase 2 block of apartments started on March 21st and is planned to last ten weeks. This important work addresses some of the key issues with the structural fabric of the building and allows us to meet insurance obligations.

However, this leaves the question of what we do with the Leisure Centre. This has been debated by the Committee and a proposal will be presented at the Annual General Meeting (AGM) in June 2022 to raise a levy to refurbish the Leisure Centre. Let me explain the Committee's thinking.

The Committee has duties to carry out the objects of the Club and its general management. In the Club's Constitution this includes "maintenance, decoration, cleaning, repair, and where necessary renewal of the structure exterior and interior of the apartments, roadways and facilities enjoyed by the Members at The Lakelands".

As you are aware the Leisure Centre has been out of commission for some time now. Over this period the Committee engaged professional building consultants to assess the work necessary to solve the damp problems in the Phase 2 building and to get the Centre up and running again. They reported that the Centre needs a major overhaul, replacing the pool plant, the jacuzzi, the windows, the ventilation, together with structural work on the supporting beams.

The Committee therefore went out to tender and obtained a price for these works of £753,000. As we were not confident that this would be supported by sufficient members, in 2021 we issued a levy to raise the funds to carry out the essential structural repairs to the building and separately canvassed members to assess the level of support for three options. The options were the full refurbishment of the Leisure Centre on a like for like basis, or the replacement of the pool with a Club room and play area, or the managed closure of the Resort.

The results were:

Would support a full refurbishment:	363
Would support a Club House	147
Would support the managed closure	145.

Clearly the full refurbishment is favoured however the other options have substantial support. The position is clouded because a further 125 members who own 156 weeks did not respond to the survey.

In parallel with the building assessments and the surveys the Committee has been exploring various funding options to find a way to spread the cost over a number of years and make it more palatable to members. Whilst commercial loans are available the security and bank covenants attached would increase the annual maintenance levy to an unacceptable level, for example a 30% increase for 10 years. The Committee has reached the conclusion that we should follow the option favoured by members and propose a levy to refurbish the Leisure Centre. This would restore the facilities of the Club as originally provided and enhance the capital value of the Club. It would also increase the Club's ability to market sales and rentals.

It is important to remember that the Lakelands is an independent timeshare resort and that you are an owner of the Club. To put this in perspective, there are 16 apartments which are used 50 weeks of the year each, totalling a maximum of 800 owner weeks. Over time there have been repossessions which are held as Club stock and offered for sale or rented out. These total 149 leaving 651 active owner weeks. The Resort has a substantial property value which is owned on a shared basis by the 651 owners. As a guide a single independently owned property, Apartment 21 in Phase 3, was sold in 2021 for £280,000.

Refurbishing the Leisure Centre will increase the value of the Club. As an analogy, if you have a house with a conservatory that needs replacing you can either knock it down or renew it. The house will be worth less without the conservatory, but with it rebuilt the house value is restored and you can enjoy the benefits of a sunny room. In a similar way we can restore the value of the resort and enjoy the leisure facilities.

As you all know, the Lakelands is in a fantastic location in the heart of Ambleside and close to local amenities. The views from the balconies are stunning. The Committee believe that by providing a Leisure Centre the Resort's position in the competitive rental market is improved and the long-term viability of the Club is maintained. It makes the Resort more attractive, encourages the sale of the repossessed properties and enhances our position in the rental market. Without it, families are discouraged from coming and the number of repossessions will increase year on year. Currently we have a 2.5% default rate each year leading to a higher annual levy across the lower number of owners.

A requirement of membership is that owners contribute to all reasonable costs incurred by the Club. If levies are not paid, then the owner week is repossessed, and the owner's share of the Club's capital is given up.

The work on the Leisure Centre cannot go ahead until the necessary funds are collected. We intend to collect the levy and ringfence the funds in an account (allowing return if the project does not go ahead) until the required funds have been received. Any default or request for payment terms leads to a shortfall that delays the works unless replacement funding can be found. On a positive note, a number of members have come forward and offered to support the Club via personal loans or advance payments of maintenance fees

We are in the process of seeking an update on the tender received in April 2021. Once we have an updated costing it is our intention to put forward a full proposal to a formal vote at the 2022 AGM. Proxy forms will be included within the AGM notice so every owner regardless of whether they can attend the meeting, or not, will be able to

have their vote. The Committee encourages you to support this proposal which we believe will maintain the value of your investment in the Club and improve the long-term viability of the Resort.

A handwritten signature in cursive script that reads "L Taylor". The signature is written in black ink and is positioned above the typed name.

Yours Sincerely,

Laurence Taylor