

Letter to all Thistle tenants, factored owners, shareholders

6 November 2020

IMPORTANT: PLEASE READ CAREFULLY

Proposed transfer to Sanctuary Scotland Housing Association

We are writing to inform you firstly of the results of the ballot of Thistle tenants on our plans to transfer all engagements to Sanctuary Scotland Housing Association (Sanctuary) based on the very attractive package of benefits that we have secured from them and that we consulted with you on during the Stage 1 consultation.

The brilliant news is that tenants voted in their numbers with an amazing 70.1% of all our tenants casting their vote. Of these, 92.4% voted YES to the transfer. This is a tremendous result and we now have a clear mandate from our tenants to make this transfer happen so that tenants, factored owners and the wider community can start enjoying the promised benefits from Sanctuary once the transfer takes place.

With the ballot result so positive, in the normal course of events, we would now be issuing a calling notice to Thistle's 165 shareholding members inviting them to the first of two special general meetings (SGMs). At the first meeting, we would seek the approval of 2/3rds of those attending or represented to a special resolution on the transfer of engagements to Sanctuary. Shareholders would then have to attend a second SGM two weeks later at which over 50% of those present or represented would need to confirm their decision. These meetings are usually required to finalise a transfer of engagements*.

However, we are now concerned that a small minority of shareholders are likely to try to block the transfer through the SGM process, irrespective of the clear wishes of our tenants as expressed in the ballot. We remain of the firm view that the transfer is the solution to all the problems at Thistle and that this will be the best outcome for Toryglen.

Based on this, we have now written to the Scottish Housing Regulator (SHR) to ask that they consider using their legal powers to direct the transfer of all of Thistle's assets to Sanctuary Scotland Housing Association under Section 67 of the Housing (Scotland) Act 2010. The SHR is considering our request. If SHR agree to do this after they have completed their own inquiries, this directed transfer would then be the means to deliver the wishes of our tenants, instead of the transfer of engagements route that needs shareholder support (see above*). To be clear, we would not seek or need shareholder support to complete the transfer.

The Management Committee are of the firm view that a directed transfer by the SHR is necessary to achieve the outcome wanted by the vast majority of Thistle tenants and factored owners. Whilst we ideally would have wanted to complete the transfer in the manner we planned, i.e. a voluntary transfer of engagements where shareholders would play their part in the process, we feel there is a high risk that this could be blocked by the actions of this small group who are against the transfer.

Why does the Management Committee think a directed transfer is necessary?

We intended to hold the two SGMs on the transfer resolutions on 19 November and 9 December 2020. Based on recent experience, we believe a small group of shareholders may

use these meetings to vote against the required transfer resolution that need to be passed by shareholders. Such action could not only delay the transfer taking place on 1 February 2021 as planned but could put the whole transfer at risk. This would mean the host of extremely attractive benefits for tenants and owners that were negotiated with Sanctuary Scotland being lost to Toryglen. This includes resolving the long-standing E.ON major works contract issues, starting delivery of the much-needed kitchen, bathroom and heating programme in tenants' homes, being able to apply the rent increase promises from 2021 and the host of other benefits set out in the Stage 1 document you received. With such a clear mandate from tenants to deliver the transfer, we hope that you agree that this is simply not acceptable.

Whilst we sympathise with the issues these shareholders have had historically with Thistle, we believe we must act now to deliver the democratic decision made by tenants.

If the transfer to Sanctuary is stopped despite the overwhelming support of tenants, SHR would have to consider its next steps which may include directing a transfer – crucially this may not deliver the benefits for tenants which have been agreed with Sanctuary. Given the problems Thistle faces, interest from other housing associations was extremely limited when we advertised at the start of the year for a transfer partner. With this, finding another willing transfer partner that not only has the capacity to fix the problems at Thistle, but is also able to promise a package of benefits like those now on the table from Sanctuary is going to be difficult and take time.

Scottish Housing SHR Consultation

Before deciding to make a direction to transfer, the SHR will need to consider the situation fully, including all of Thistle's problems and how best to resolve them. The SHR would also need to consult with Thistle tenants to inform their decision on whether to direct in line with their Statutory Guidance on Consultation where the SHR is directing a transfer of assets. Should the SHR decide to consider making a direction and to consult tenants about this, more information on the process will follow directly from the SHR. They have indicated that given their close regulatory engagement with Thistle, they would expect to make their initial decision on whether to consult quickly. If they do decide to consult, your next contact would be directly from the SHR, we hope in early course. We will of course keep you updated.

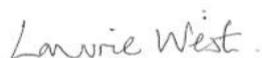
Will the Sanctuary transfer promises still be delivered if the SHR directs the transfer to them?

Yes. Sanctuary Scotland have confirmed that they remain committed to Toryglen and that in the event of a directed transfer to them by the SHR, they will still deliver the full package of promises set out in the Stage 1 Notice, including the significant reinvestment plans. As before, our local office and staff team will also transfer to Sanctuary.

Subject to SHR directing the transfer to Sanctuary, both Thistle and Sanctuary remain keen that the transfer takes place on 1 February 2021 as planned. This is subject to all matters being concluded by that date. We will continue to focus on your best interest as we work through these next stages.

If you have any questions about the above, please call our offices or email us at transfer@thistle-ha.org.uk

Your sincerely



Lawrie West
Chairperson on behalf of the Management Committee