



Tony Malpass, Brian and Mags Dornan arranged meetings with Herrada del Tollo director, Almudena Rodriguez Gascon, two Administrators, Abraham Garcia Gascon and Jose Antonio Pascual Navarro, their associates in the administration process and Francisco Abellan, The Mayor of Jumilla, his Abogado and Planning associate.

These meetings were held over a 24 hour period and there were two main meetings.

The attendees for the Purchasers were Tony Malpass, Brian Dornan, David and Linda Needham.

I would like to make it clear at this point that we were there purely on a fact finding mission and at no time were we asked whether we wanted our house or not. The dialogue was two way and Almudena answered questions.

Almudena made the point that she and they as a company wanted a medium whereby the facts could be relayed to clients without personal interpretation or distortion and felt that a Santa Ana del Monte Residents committee (SARC) website would be a good way to undertake this customer relationship exercise. She acknowledged that in the past they had fallen short of their own expectations and others and fully intended to try to redress this situation as far as possible. She felt that Tony and Brian had given the company this opportunity and had therefore decided to include them in the above mentioned meetings.

Meeting 1. 8th July 2008 - 4.30pm - San Jose office - Orihuela -
Attendees - Almudena, Tony Malpass, Brian Dornan, David Needham, Linda Needham.

Almudena started by explaining why the administration process was necessary.

- a. A bank had agreed a line of credit of 30 million Euros some time ago.
A bank had a get out clause in the contract, which they initiated.
Due to the timing, when H del T tried to get the funding from other banks, 4 in total, it was not forthcoming.
- b. The expropriation of the land was finalised and the payment was required in this respect. An amount of 4.5 million Euros. In total 30 million Euros is required to complete the works already initiated. This funding could not be raised without the banks charging what H de T considered to be extortionate interest rates and infeasible guarantees.
- c. At this point, as a company, it was felt that they needed the help of the court, judge and administrators because they have assets but not cash flow. The new laws for companies who wanted to avoid liquidation if at all possible were introduced in 2004.

The administrators are there to help them find the funding for the project, to help in the negotiations for funding, to help them manage their way out of this crisis and will be in situ for the minimum of one year.

d. H de T have been approached by several investors and have several options open to them. The administrators are helping them to study all the possibilities and are actively looking for a better financial package.

Almudena explained here that once the expropriated land was paid for the land is fully urbanised and is therefore extremely valuable. She also stated that there were 1600 families (as she called them) that were affected and providing half stayed with the project it was still feasible. She said a fixed cost contracts for materials are in place for 3 years. She said the Spanish creditors were not an issue that they preferred inland locations and that there were 80 more purchasers placed on a list waiting to buy at SADM.

e. All decisions and agreements with would be lenders or partners must be made and agreed by, approximately, the end of October.

f. This is approximately, when the judge will make the decisions required and this is probably when you will be given the opportunity to state whether you want to stay with the project or retreat.

g. The continuation of purchase contract will be given with a new completion date and bank guarantee as the Court will require it.

h. The administrators require sight of the documents from each client affected in order to ratify the amount H dell T have stated are owed to creditors. Almudena had asked the administrators if copies will do and they had said yes. If you do not get your documents or copies to the court within the stated time it means that the court will accept that the amount stated by H del T is the correct amount of the credit.

i. If the funding is agreed and the judge finds that H del T can proceed then there are two scenarios with regard to timing for a completion of phase 1:

1. House, Roads and 18 hole Golf Course . 12 months if they use all teams. 15 months if they go step by step.

2. Club house with bar and pro shop plus 25 commercial units that they will probably sell rather than let out.

The course designer assures H del Tollo that because most of the land clearance is finished that this can be achieved. He said the time consuming part was constructing the greens but with modern technology this is not insurmountable and can be achieved.

j. The bank account where depositors' money is held is audited, as is the whole company as the law requires. Audited accounts are in the public domain.

The court administrators know where the money is invested and it can all be accounted for. Everything has been done legally and properly.

Money has been spent, a figure of 12 million Euros was mentioned for a bank guarantee bond, other expenses included:-

Bank Guarantees to the Ayuntamiento

Taxes

Clearing land

Purchasing land

and other things and it is 100% clear where the money has been invested within on the project.

- k. Moving deposit to another property was discussed and it was explained that this is possible but problematical. Both sets of administrators have to agree and the deposit cannot be used to down size to a property where the balance to pay does not cover the building costs. The administrators of the key in hand properties are trying to maximise income for SJ.

L. Regular communication and updates were requested to be supplied to SARC for placement on the website for all purchasers to access. Brian, Tony and Almudena agreed to continue with the dialogue.

9th July 2008 -12 Noon - Santa Ana del Monte Site office

All dialogue from this point on was spoken in Spanish with the exception of conversation between ourselves. I therefore state that what is written below is our understanding to the best of our ability.

Introductions were made by Almudena to Court Administrators and their assistants/associates, Jose Rodriguez Murcia, his son Damian and several associates including the company auditor. The group made a brief inspection of the site and facilities and proceeded to the Jumilla Ayuntamiento.

Meeting 2. 9th July 2008 - 1.15

Francisco Abellan, Mayor of Jumilla, his planning, and legal representative were in attendance and introductions were made all round the table. David spoke for us all. We were introduced as purchasers who wished to be part of the process for information and support purposes..

Jose Rodriguez Murcia, explained briefly the predicament they found themselves in financially.

The Abraham Garcia Gascon for the Court Administrators, reiterated to the Mayor the issues San Jose had and asked a number of questions relating to land acquisition, finance requirements and asked the Ayuntamientos point of view.

I would mention here that Francisco Abellan is a lawyer by profession and was a judge.

He stated that he had always felt very positive about the development and had always had good situations and good relationships with H del T.

He pointedly stressed that there was no problem with the water as Jumilla in the past had supplied water to other regions and now those regions were reciprocating and agreements had been reached to bring a pipeline directly into Jumilla, which would service the community for a good number of years.

He stated that the company H del T was clearly sincere but finance was necessary and he was under increasing political pressure to grant licences to other companies. There were five in total at present but none of these had golf courses or full licences. He had expected the SADM development to be far more advanced at this time. He had required a golf course in order to monitor the growth in the town and would then be in a position to grant other urbanisations in a timely fashion.

We did not ask any questions of the Administrators or the Mayor at this meeting, as it would not have been appropriate. However, Tony and Brian asked David to give the mayor a gift of a T-shirt, which he did. This made everyone laugh and all was concluded on a merry note.

This meeting concluded at around 2.15pm

As is normal in Spanish culture lunch followed.

Prior to leaving for the airport, Tony asked Almudena about time scales on the Villas. He was told that building the villas is not as problematical as building the multiples. Almudena said she would inform Tony of the schedule and that it would be possible to move to an earlier phase, as there would be cancellations.

Most of the discussions around the table, following lunch, were in regard to the options available for financing the project. These Almudena had discussed with us the previous day.

Observations and comments

We attended these meeting to find out if the goal of wanting your property is achievable and to get the facts directly rather than through the rumour factory. We believe that this is the first time that purchasers have been able to participate in this type of process

After the meeting at the Town hall we presented letters, written in Spanish to the Mayor, Head of Urbanisations and the Administrators from SARC members in support of SADM.

The information gained and the body language plus positive spoken support for SADM by all at the Town Hall meeting was noted. We now believe that the current problem is the removal of the line of credit by the bank and that there is a realistic time frame for the build once funding is sourced.

It has also become apparent that SADM is the only licensed development in Jumilla and if it does not go ahead then other developers have more of a chance to get a licence for their developments. It is therefore, possible that there could be some efforts being made to destabilise the purchasers, as there is the potential for large profits to be made.

With regard to the time frames if the funding is sourced phase1 with its facilities should be completed by either October or December 2009.

October is the date when all purchasers may have to decide whether to go through the courts to get their money back, with an unknown time frame or continue with their purchase and have a new completion date and a bank guarantee for their deposit.

All of this considered it is felt that the probability of SADM being built is very high and that for most purchasers they could have their property next year.

In conclusion the probability of being able to have your house is considered to be high and please note that we are a purchasers group trying to help purchasers and willingly share this information with all.

A..D.Malpass / B. Dornan

13/07/2008