

Stirling Mortimer Property Fund PCC Limited (the “Company”)

Stirling Mortimer Majestic Village No 1 and Majestic Village No 2 (the “Funds”)

**SPAIN
OCTOBER 2016 NEWSLETTER**

At the last Board meeting of the Funds it was concluded, with much reluctance, that these Funds should be placed into liquidation. A suitable liquidator is being sought. This decision has not been taken lightly but despite the Fund being successful with its cases in Spain the developers are not in a position to repay the Fund and the Fund is in a position where it will not have sufficient liquidity to continue to operate.

Despite this decision the Property Manager has continued to investigate whether any form of recovery will be possible and has dealt with an enquiry for a potential buyer of the La Heredia site which is still ongoing.

The Property Manager has also exchanged correspondence with Spanish Legal Reclaims the firm of lawyers who were highlighted in a BBC article reporting on how they had won a ruling in the Supreme Court in Madrid against the banks providing finance to the developers. The ruling placed the liability for repayment of deposits on the bank where the developers were unable to do so. Unfortunately, this is a route that cannot be pursued as the ruling only allows for individuals to take a case and does not cover investments but only those who were purchasing a main residence or second home.

A ruling has been received for the case against the Funds former lawyers in Spain and an order has been issued for them to repay the Fund. They have appealed this decision so unfortunately it will be some time before there is further news in this respect. If a recovery is ultimately made from this source it will be distributed by the liquidators in due course.

Once the liquidator has been appointed further information will be provided to shareholders.