

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

Stirling Mortimer No 4 Fund Cape Verde and Stirling Mortimer No 7 Fund Cape Verde II (the “Funds”)

CAPE VERDE
OCTOBER 2016 NEWSLETTER

The Property Manager has been in discussions with Paradise Beach to ascertain the current position of property sales being handled by International Resort Group (IRG). IRG have been paying the monthly community fee to Paradise Beach and have reported that they intend to make a further large payment by the end of October which we are not able to verify at this stage. Paradise Beach have stated that they have confirmation from IRG lawyers that this payment was available and this should help the installation of facilities once the payment is made.

Whilst the contract with IRG is in place the only action the Fund can take is to remove IRG as the sales agent and take the role on itself. Therefore, and given the lack of property sales to date, the Property Manager is looking to further the discussions with alternative sales agents and other groups to determine if there is a more successful way to fulfil this role.

Tourism continues to boom in Cape Verde following the troubles and terrorist attacks in North African and Middle East countries. There is a shortage of accommodation and this provides an opportunity to travel companies seeking solutions.

There has been no news about the Fortim Mindelo site (No 7 Fund only) but the embargo in favour of the Fund remains in place. No building has taken place on the site.

LEGAL

The case against the auditors of ELS continues. The lawyers representing the Fund filed a revised particulars of claim with the Court in July and the defendants were due to serve their defence to this by the end of September. However, the lawyers representing the defendants wrote to the Funds lawyers late in September requesting a month's extension to file their defence. If this was not granted then they suggested they would apply to the Court for an Order granting them such an extension and as a result the costs of this would be borne by the Fund. It is also likely that it would be six to eight weeks before an application could be heard by the Court regarding the month's extension and so granting their request seemed the most time and cost efficient decision. However, obviously the months delay pushes any possibility of a resolution back in time. This course of action was agreed with the litigation funders.

The Fund has now been provided with Litigation Funding from one of the largest providers in the market and this allows us to move the case forward. Whilst this delay is frustrating it yet again indicates reluctance on the part of the other side to actually show the Fund a defence to the claims against them.

The Property Manager has spoken with the SFO and the investigation and interviewing of various parties continues. The SFO are liaising with the lawyers of one of the alleged main perpetrators of the fraud about organising a time to interview them. The SFO apologised for the time it is taking to charge the culprits but this is due to them working on another large case which is now reaching a conclusion.

The Fund claimed compensation from the Solicitors Regulatory Commission Compensation Scheme back in 2011 when the secondary insurer of ELS voided their policy from the original 15% penalty payment claim. The SRA have been painfully slow in concluding their report. This hasn't been helped

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by them losing the file on two occasions! The Fund has complained to the Chief Executive of the SRA in an effort to bring the claim to a conclusion. A draft, but extremely inaccurate, report was received by the Fund from the SRA Compensation Scheme which indicated a reluctance to settle the claim while other recovery options are pursued. Owing to advice received on the merits of the other recovery options open to the Fund, and also the cost implications of pursuing such cases, the Fund have made representations to the contrary and await the outcome of the final report. The Board of the Fund appreciate that these delays are frustrating for the shareholders but can assure you that they are trying to bring matters to a conclusion as soon as possible.