



LAKE ARGOS

— RESIDENTIAL DEVELOPMENT —



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Introduction

Spanish residential values rose by over 200% between 1995 and 2007. Whilst prices have dropped subsequently, the long-term investment argument remains a compelling one. Spain, the “Florida” of Europe, remains one of the fastest growing populations in Europe. The investment case is even more pronounced with the backdrop of the European economic downturn, with the opportunity to purchase at the bottom of the market requiring serious consideration.

Our goal has always been to highlight to our investors those opportunities we feel have the most significant potential for long-term profit aligned with viable exit strategies. This is why we believe buying a share of the Lake Argos Residential Development, with a low entry cost and established route to planning, proves an attractive investment proposition. It is one of very few land buying opportunities available with preliminary residential planning permission in place.

Why Invest In Land?

Land Prices

Land prices tend to be more volatile than house prices so they drop lower in a recession and rise higher in a boom, presenting an excellent investment opportunity if you are able to buy in at the bottom of the market. When house prices begin to increase, land price growth significantly exceeds the underlying growth in residential property prices.

In 2007 government statistics show that the average price paid in Murcia reached 423€/m² of urban land and have subsequently dropped to 235€/m² in 2009 reflecting a 44% drop in value. This is 3x greater than the drop in house prices.



“In ‘boom’ or rising markets growth in values of ‘raw’ developable land exceeds that of the finished houses and equally in a ‘down’ market the counter is true.”

 Savills Report

House Prices

While the level of sales activity in the Murcian property market has dropped, house prices remain solid with limited signs of distressed sales. Asking prices of completed new units are in the region of 2,000€/m² rising significantly on golf resort developments or adjoining the Mediterranean. The average price paid for dwellings less than 2 years old is around 1,500€/m² in 2010 having fallen from a peak of in excess of 1,800€/m² in 2007, a fall in line with the national average of around 14%. Plots with planning permission are being offered for sale between 150 and 750€/m².


Spain's property market appears to have surpassed its 2008/2009 lows and prices are picking up, growing by 16% in February 2010 compared to the same month last year, according to figures published by the country's National Institute of Statistics. And there is good news for Murcia in particular. According to Spain's leading property portal, Murcia posted the highest price rises in Spain in January 2010 at 0.24%.

The fact the Spanish property market appears to have got over the worst, provides further support to the strength of the Lake Argos Residential Development as an investment, which is still being offered for prices that reflect the worst of the recession.

“... the general consensus of opinion is that house prices in Spain have reached a bottom.”

 Savills Report



“the actual numbers of transactions and opportunities to buy at current ‘basement’ pricing are limited, as owners decide not to sell and endeavour to ‘wait out’ the downturn in the market.”  Savills Report

Land Availability

While it may be a good time to buy into the market, the limited availability of affordable land can be a problem. There is a finite amount of developable land available in Murcia, much of which is in the hands of banks who are in no hurry to sell it at today's prices. In addition, town planners in Murcia have learnt much from the overbuilding seen in the Costa del Sol to the South and the southern Costa Blanca to the North. This has resulted in very strict planning laws aimed at protecting the beauty of the region.

Diversification

Sensible investors take care to diversify across a range of different asset classes, some of which have little or no correlation to each other. The result is that overall risk is reduced and higher returns are possible with those returns being more robust as they are not dependent on the sentiments of any particular market. Land with development opportunity provides a good way of increasing your property portfolio for a relatively small level of investment and promises excellent returns.

Lake Argos Residential Development

Area

Set in the Llano de los Pinos nature reserve, Lake Argos Residential Development lies in the north of the beautiful Murcia region of Spain in the municipal district of Cehegin. Summers are long and hot and winters are mild. The region boasts over 320 days of sunshine a year and has the healthiest climate in Europe according to the World Health Organisation. Set in the rolling foothills of the Sierra Espuna mountain range and only a few hours drive from the Sierra Nevada, the area boasts a number of traditional historic villages such as Cehegin (10km), Calasparra (6km), Moratalla (14km) and Caravaca de la Cruz (15km).

Transport

The property is bordered in the west by the Cehegin-Calasparra road (the C-3314) and in the east by the Cehegin-Valentin road (the B-20), which both provide direct access to the land. The modern road network in Murcia provides quick access to airports and large towns. The property is about an hour away from the airport of San Javier (100km), which is popular with low cost airlines from the UK, and the international airport of Corvera (80km), which is to be completed in 2011.

Advisors

Savills was commissioned to produce a report on the land and the proposed development. The company, established in 1855, is a leading global real estate service provider listed on the London Stock Exchange. It has over 200 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

A leading International firm of lawyers with offices in Spain and the UK was commissioned to provide Spanish legal advice on the sale of the Lake Argos Residential Development project and to draft legal contractual documents under Spanish law.

Clavel Architects Associated is managed by Luis Clavel and Manuel Clavel. Their work is recognised internationally and has been published in numerous architecture magazines in Japan, United States and Europe. They have been commissioned to execute a diverse range of projects including the design and construction of both private and public buildings such as hospitals, shopping centres, marinas and residential properties. They have been and will continue to be responsible for managing the planning process and preparing all architectural plans.

Property

The property comprises a total area of 332,202m² (33ha). It is surrounded by land with non-intensive agricultural uses and nature reserve. Adjoining the property within the nature reserve is the attractive reservoir Rio Argos providing a range of recreational activities including fishing and rambling.

The property is currently dedicated to agricultural activity primarily the cultivation of almond trees.

The proposed development is a residential complex of 500 detached homes set within private gardens/plots with shared amenities such as green areas, shops, communal swimming pools and access roads. The scheme has been designed to take advantage of the natural topography of the land to maximise views of the adjoining reservoir and nature reserve and southerly orientation to benefit from the sun.

In general terms, whilst individual plot sizes may vary, the standard plot size is around 280m² with a projected average constructed area of around 100m², which allows for a 3-bedroom unit constructed on two floors. Each plot is sufficiently large to have its own swimming pool and garden.



Lake Argos Residential Development



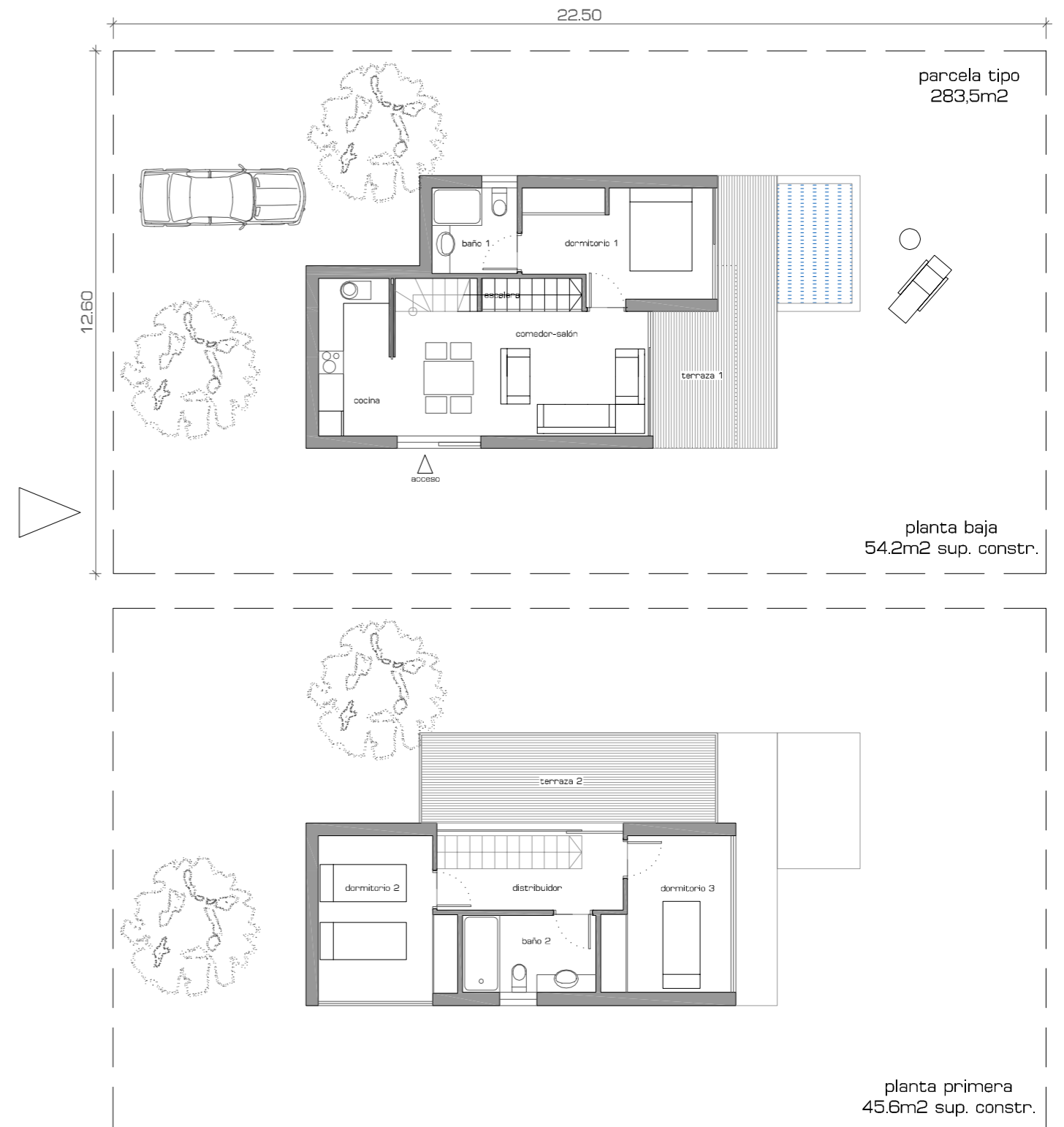
Design

Lake Argos Residential Development embraces contemporary design whilst appreciating its natural environment and historical setting. The design allows for enjoyment of living in a small village near a lake but with all the comfort and economies of a contemporary build.

Natural building materials will be complemented with the latest modern technology such as automatic awnings that unfold depending on the season to keep the ideal temperature in the interior of the property.

The properties have been designed to maximise energy efficiency. "Cross ventilation" will minimise the required use of air-conditioning. Solar panels will be used to heat the water. Taps will be specially equipped to reduce usage and cisterns will have special cut off systems.

Trees and shrubs will be planted to compensate for the carbon dioxide produced during construction and only materials from manufacturers that are striving to respect the environment will be employed. Road traffic will be separated from pedestrian areas, creating spaces where nature can be enjoyed safely.



The Investment Opportunity

Planning



There is already a planning agreement in place that provides for reclassifying the land as 'buildable' subject to certain conditions, which relate to the proposed development.

- Minimum of 10% of total build must have commercial uses
- Minimum of 5% of total build must be detached houses
- Build density of 0.18m²/m²
- Road construction and other infrastructure works
- Ceding of 'green' and public areas

The architects have designed a scheme to comply with all planning requirements. The project has also been endorsed by the Official College of Architects of the Murcia region.

In order for full planning permission to be granted, a total payment of €1,153,770.73 must be made to the Cehegin local authority. Substantial investment in the scheme has already been made by the current owners – legal fees, architects fees and 15% of the total planning payment having already been paid. The balance required to secure planning will be paid using a proportion of the monies received from investors. Therefore your investment will secure not only your plot but the planning permission needed to build on it. Granting of full planning permission will give investors an automatic uplift on the value of their investment.



“At our meeting with the Town Hall chief architect on 13th May 2010, it was confirmed that it was the intention to approve at the ‘Initial’ stage the Advance General Plan of Cehegin incorporating the reclassification of the Lake Argos Residential Development land as described in the Planning Agreement within the summer of 2010. It is then anticipated that ‘Provisional’ Approval of the General Plan will be achieved by March 2011. No timescale could be stated for ‘Definitive’ Approval which will follow the normal statutory processes. However, the financial incentives to the Town Council under the planning agreement are anticipated to be a positive encouragement to achieve definitive approval as quickly as possible.”



Savills Report

Investment Case



It pays to go counter-cycle if you get your timing right and can find the right opportunity.

Over the last year in the UK, we have witnessed some shrewd property purchases in early 2009 produce significant uplifts in values in 2010. For instance, London & Stamford Property Ltd purchased an office building in Leeds for £37.6million in 2009 and sold it for £51.3million in 2010, an uplift of 36% in less than one year.

It is difficult for the private individual to participate in these extraordinarily profitable investments.

In Spain, residential property has suffered a bad press with the bursting of the property bubble and land prices have been exceptionally badly hit. Many large developers are in the hands of the banks and unable to take advantage of current investment opportunities.

The proposed scheme enables private individuals to participate and acquire an interest which will lead to the allocation of a residential plot at a significant discount to the prices being demanded in the market currently for residential plots. Considerable investment has already been made into the Lake Argos Residential Development, securing a clear route to planning and providing you with investment with genuine development prospects available for purchase at today's distressed prices.

These opportunities are few in number at the moment and we believe this will continue to be the case in the future.

Exit Routes

The investment is a 3-5 year hold waiting on the return of the residential property market. In this period, all the necessary consents will be secured on the investor's behalf, so that the land can be sold at the end of this period at a much higher value with full planning permission in a 'sellers' market. Remember there are currently few opportunities and therefore on the 'bounce-back' of the market, supply will continue to be limited and demand will force prices to increase. If historical data is correct and common sense applies, land prices will increase faster and higher than the underlying residential dwelling values.

You can sell the interest in land you acquire either individually or collectively by agreement whenever you wish. This allows the individual to achieve the best exit route available to them at any particular time.

The probable exit will depend on market circumstances but is likely to be a sale to a developer once all necessary planning consents have been obtained for full development of the plots. For owners of plots who do not wish to hold residential property, it is the intention that arrangements will be made to dispose of the plots before they acquire the status of residential units.

There is no need to wait or be held back by the other owners but working together should produce additional benefit for all. In the case of an investor looking for an earlier than initially anticipated exit, it is probable that one or more of the remaining investors will be quick to acquire the additional interest.



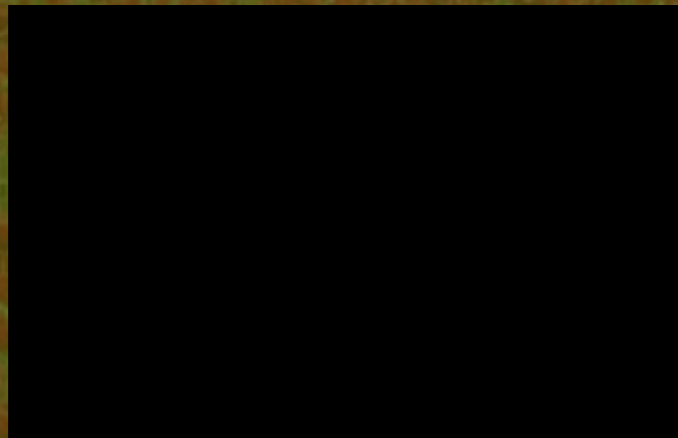
Role of Administrator

It is proposed to appoint an administrator for a 10-year period who will oversee the planning process and administrate the property on behalf of the owners as is necessary. Therefore, on a day-to-day basis, the Investors can be safe in the knowledge that a dedicated administrator is looking after their interests with regards to the planning situation and keeping them informed of progress.

It is intended that the costs of the administrator for the 10-year period will be met by the vendor of Lake Argos Residential Development. It is proposed that the administrator, in addition to a number of marketing agents, will have non-exclusive rights to receive 5% of the total sale price should he sell the property for in excess of €25,000,000 within a 10-year period.

How Do I Participate?

Please look at the other documents enclosed within this pack for further information on how to acquire your share of the Lake Argos Residential Development. Should you require any further information, please contact the UK Marketing Agent.



The information contained in this document has been prepared with reasonable care and is believed to be correct. The purpose of the document is to provide an overview of the development and the opportunity to purchase plots, together with the planning background. The document however is produced for guidance only and it does not provide a comprehensive description of the land or the relevant legal, planning, financial and taxation considerations. Any intending purchaser is recommended to obtain his/her independent professional advice and should make his/her own enquiries in relation to the land and all other matters arising from the possible purchase of a plot. No decision to purchase a plot should be made solely on the basis of this document. This document must not be taken as containing any warranty or representation relating to the purchase of a plot by the seller or by Prime Terrain Ltd or any of their Directors, employees or agents.

