

ARRANGEMENT PROPOSAL

FORMAL REQUIREMENTS

Mr Jesús Ruiz Casado, in his capacity as Sole Administrator, in the name and on behalf of the Spanish company, **AIFOS ARQUITECTURA Y PROMOCIONES INMOBILIARIAS, S.A.**, incorporated for an indefinite period of time under the name “ PROMOCIONES GONZÁLEZ GIL, S.A.” in accordance with the deed executed before the Notary of Malaga, Mr Francisco Javier Misas Barba, acting as a substitute for Mr Luis Benjamín Escolá Corchero, on 25 September 1989, under number 2,130 of his protocol. Entered in the Malaga Mercantile Register, volume 1,943, book 798 of the Companies Section 3, page 52, sheet number 9,735, entry 1. The Company, with registered office located in Malaga, calle Generación 48, Polígono Industrial La Huertecilla (D.P. 29196), and with tax identification code A-29403052, has been declared in a situation of voluntary insolvency in the ruling delivered on 19 July 2009 by Malaga Commercial Court No. 1, in proceedings 947/09, hereby presents this ordinary arrangement proposal.

The ordinary arrangement proposal is filed within the period of five days following the notification of the report issued by the Official Receiver established in Article 191.5 of the Spanish Insolvency Law 22/2003, of 9 July 2003.

The ordinary arrangement proposal complies with the requirements as to form under Article 99 of the Spanish Insolvency Law 22/2003, of 9 July 2003, and is signed by the debtor and the creditors advancing the proposal (or their legal representatives), whose signatures are duly authenticated.

Specifically, the following is proposed:

1. Objectives

Permit Grupo Aifos to pay its creditors and continue to carry on its business activity under the new supply and demand circumstances.

2. Creditors and definitive balances

For the purposes of this arrangement, the individuals and companies whose creditor status is recognised in the definitive list presented to the Court in these proceedings by the Official Receivers, shall be considered as creditors of the company Aifos Promociones Inmobiliarias.

For the purposes hereof, the balances which appear on the definitive list of creditors, whose balances can only be altered by means of a court ruling in accordance with the relevant legal formalities, shall be considered as definitive balances.

3. Scope of application of the Arrangement

3.1 Subjective

The arrangement shall be binding on the insolvent company and on all the creditors stated on the definitive list that is approved by the Court or who, by virtue of a non-appealable ruling, are added to the list.

The arrangement shall also be binding on privileged creditors, creditors with special or general privileges, who expressly adhere to the same. Although their privileged credits shall remain covered by the in rem guarantee, they shall not be able to request liquidation of their secured assets during the term of the Arrangement and always provided that the latter is complied with.

The following shall be excluded from this Arrangement:

- Credits against the insolvency estate
- Creditors with special or general privileges that have not adhered to this Arrangement

3.2 Effective date of the Arrangement

This arrangement shall come into effect the moment there is a ruling that approves the same.

4. Payment proposal

4.1 Payment proposal with respect to ordinary creditors

50% of the amount of ordinary credits shall be paid in accordance with the payment schedule indicated below.

4.1.1. Payment schedule with respect to ordinary creditors

50% of the ordinary credits shall be paid in accordance with the following payment schedule as from the effective date of the arrangement:

- 40% of the amount shall be paid at the end of the ninth year and 60% at the end of the tenth year.

4.2. Payment proposal with respect to creditors with special privileges

On 21 September 2011, a document containing the procedure for reaching bilateral agreements with the insolvent company was presented and delivered to the creditors with special privileges.

Basically, the insolvent company hopes to reach bilateral agreements with each of the creditors with special privileges which shall subsequently be judicially ratified.

Such agreements are based on the release of assets by each privileged creditor in favour of the insolvent company in exchange for and/or the dation in its favour of the remaining assets and/or conclusion of the legal proceedings instigated against the privileged creditor by the insolvent company.

4.3 Payment proposal with respect to creditors with general privileges

The arrangement shall only affect creditors with general privileges who have expressly adhered thereto. And only in respect of credits for which the creditors have adhered to the arrangement maintaining the following privileges and obligations:

- The creditors with general privileges shall be secured with assets or assignments of credit
- The interest rate that shall accrue shall be the legal interest rate.
- No enforcement action shall be taken with respect to the guarantees in rem as long as the insolvent company complies with the Arrangement.

4.3.1. Payment schedule with respect to creditors with general privileges

The amounts owed to creditors with general privileges shall be paid in accordance with the payment schedule as from the effective date of the arrangement:

- Interest on the principal amount of the debt shall be capitalised and paid at the end of years 5 to 8.
- The principal amount of the debt shall be paid annually, in equal parts, at the end of years 5 to 8.

4.4. Payment proposal with respect to creditors with preferential satisfaction and realisation

The creditors agree to the preferential payment of amounts received in respect of advance payments from customers plus the relevant legal interest, to any individual (i.e. non-corporate) purchasers who have acquired a dwelling and who have not been delivered their dwelling before the first nine years of carrying out this arrangement.

4.4.1 Payment schedule with respect to creditors with preferential satisfaction and realisation.

These creditors shall collect 100% of their debt claim at the end of year 9.

4.5. Payment proposal with respect to subordinated credits

Subordinated creditors shall collect payment in the terms and conditions of ordinary creditors; although the waiting periods shall be computed as from the full compliance with the Arrangement with respect to the ordinary and privileged credits that have adhered to the same and after these have collected full payment of their debt claims and interest.

General Clause

The waiting periods are established for the benefit of the debtor. The insolvent company shall be able to bring forward the payment of the ordinary credits once the privileged credits have been paid. Likewise, the payment of the subordinated credits may be brought forward once the ordinary credits have been paid in full.

In all cases, the above shall be carried out in the same proportion for each one of them.

4.6. Manner of payment

The insolvent company shall make all payments to the creditors by bank transfer to the account indicated by each one of them using any means with acknowledgement of receipt.

The creditor that has not made this communication prior to the payment of the first instalment or subsequent instalments shall bear the consequences of the default and shall receive the payments in the following annual instalment.

The failure by any creditor to make the above communication shall not be considered as a breach of this arrangement and late-payment interest may not be claimed.

5. Adherence

The creditors shall adhere purely and simply to this arrangement without any possibility of altering any clause.

In the adherence, the amount of the debt claim or claims held by the creditor as well as the class of claim shall be indicated, by appearing before the Court Clerk of Malaga Commercial Court Number 1 or by means of a public deed.

6. Information relating to compliance with the arrangement

Pursuant to the provisions of Article 138 of the Spanish Insolvency Law, the judicial body shall be informed on a six-monthly basis of compliance with this arrangement.

7. Restrictions

There shall be no dividend payments.

8. Continuation of the business activity

In order to meet the obligations envisaged in the arrangement, Aifos shall continue to carry on its business activity in same form and manner as up until now, and shall comply with the payment periods established herein.

9. Effects of the approval of the arrangement

9.1. General effects

As from the effective date of the Arrangement, all the effects of the declaration of insolvency shall cease to apply and shall be replaced by those which result from the arrangement.

9.2. On the debtor company

With the exception of those arising from the Arrangement, as from the effective date all measures which had in any way affected the powers relating to the assets of the insolvent company shall cease to have effect in accordance with the ruling on the declaration of insolvency.

9.3 On the credits in particular

Pursuant to Article 135 of the Spanish Insolvency Law, the collectability of debt claims held by privileged creditors that have adhered to the arrangement and those held by ordinary or subordinated creditors, shall be deferred for the waiting period, and, shall, in general, remain affected by the content hereof.

However, with respect to the special privileged credits that adhere to the insolvency, the other special characteristics envisaged and contained in Clause 4.2 of this arrangement with respect to the maintenance of their guarantees in rem, the conservation of the ranking for registration purposes and the prohibition in respect of enforcement action shall apply as long as the Arrangement is up-to-date in its compliance.

Payments made in compliance with this Arrangement shall, to all intents and purposes, be presumed lawful unless evidence is presented of fraud, non-compliance or alteration to the equal treatment of the creditors.

10. Authorisation to overstep limits

Although this arrangement proposal oversteps the limits on rescheduling envisaged in Article 100 of the Spanish Insolvency Law, paragraph two, section one of the same Article envisages that the Judge in the bankruptcy proceedings shall be authorised to overstep such limits under special circumstances. We consider such circumstances arise in these proceedings.

In our opinion, such factors are:

- The fact that, according to the report issued by the Receiver, the liabilities in insolvency recorded by AIFOS exceed 100 million euros. This reason alone is already of special relevance. As a result, the actual ruling of declaration of insolvency classified the insolvency as being “of special importance” and, additionally, as result of the Court considering that there is a cause of public interest in the same, it appointed the Tax Administration State Agency as creditor official receiver.
- Likewise, in this respect, this arrangement should come under the framework of the global insolvency proceedings of other Group companies, all instigated with the Malaga Commercial Court and which, taken as a whole, comprise a liability of over 900 million euros.
- On the other hand, the economic sector in which AIFOS operates, the property sector, has suffered with special virulence both the crisis in the international financial markets and the decline in the national economy in recent years. Therefore, in our opinion, this sector should be the object of special protection given that it is essential for the recovery of the national economy owing to the number of direct and indirect jobs it generates and its correct development is a social necessity.
- Additionally, the hotel sector, in which the Group also carries on its activity, is considered of national interest given its importance to this country’s tourism and economy.
- Lastly, it should be borne in mind that AIFOS and its Group directly employ more than 50 persons, in addition to the indirect jobs that may be generated when carrying on their activities.

In the light of the foregoing, judicial authorisation is requested to overstep the limits on recomposition and rescheduling contained, in general, in Article 100 of the Spanish Insolvency Law, given that there are reasons of special importance for the economy that justify the same, both from the viewpoint of the implications which the winding up of the company and its Group could have on the creditors of the same, given the level of the debt, over 900 million euros, and the importance of maintaining over fifty direct jobs given the current situation of this country with almost six million unemployed.

11. Compliance with the Arrangement

With the judicial declaration of compliance with this Arrangement all the creditors shall be considered as having received payment of their debt claims, being fully satisfied and having no further claims or amounts to claim from the debtor.

12. Domicile for notification purposes

For all legal purposes, the creditors fix as their domicile for all notices, summons and requirements the domiciles stated on the List of Creditors presented by the Official Receiver to Malaga Commercial Court Number 1 or the domicile which appears on the definitive text of such List, if this is another.

Any change in domicile shall be notified to Aifos using any means whereby acknowledgement of receipt may be obtained.