

Santa Cruz de Tenerife, 22/05/2019

Ref.: New developments regarding the rental program agreement.

Dear Participation Holder,

We are contacting you to inform you of the serious incidents which affect the rental program agreement entered into with "SILVERPOINT VACATIONS, S.L.", through which it undertook to operate the assets of "PALM BEACH TENERIFE S.L." guaranteeing a return of 4.5% net from corporate income tax of the capital until its conversion into an accommodation unit.

With regard to this, please be informed that owing to the economic and financial situation that said company is facing it has not been in a position to operate under the pledged terms, so much so that during 2018 it was unable to honour the main obligations it was bound to, and it was also unable to pay the sums arising from the rental program or to bring about to any extent the conversion of the holiday certificates into the relevant apartment despite assurances that at the last time we communicated with you that it would be within a period of four months.

Being aware of the above and in order to prevent any greater detriment being caused to "PALM BEACH TENERIFE S.L." and consequently to you yourself, we hereby announce that "EXCEL HOTELS & RESORTS, S.A." has extensive experience in the operating of hotels and holiday resorts, and has been undertaking - in an unavoidable interim manner - the operating activities of the abovementioned assets during 2018, being fully capable to do so, as well as for bringing about the future conversion of the certificates into apartments, in accordance with the resolutions of the constituent bodies.

For this reason, we hereby inform you that at the next AGM of "PALM BEACH TENERIFE S.L.", which will be called shortly, the termination for breach of contract of the rental program agreement entered into with "SILVERPOINT VACATIONS, S.L.", will be put forward for decision, as a specific point on the agenda, as well as the pertinent analysis and, where appropriate, the formal acceptance of the economic proposal submitted by "EXCEL HOTELS & RESORTS, S.A." for the operating of the company "PALM BEACH TENERIFE S.L."

Owing to the sensitive nature of the matter, and insofar as the new proposed conditions will not extend as far as those of the old agreement, it is the intention of "EXCEL HOTELS & RESORTS, S.A.", as a company administrator, to obtain the express approval and/or ratification of the members, as well as the production of economic effects as from 1 January of the ongoing year, so that the profits obtained throughout this present calendar year can be distributed in the following year.

With this in mind, as from when the AGM is called, a draft of the contractual proposal of "EXCEL HOTELS & RESORTS, S.A." will be made available on request to all of the participation holders, so that it can be reviewed prior to the holding of the AGM.

Finally, regarding the sums accrued during the preceding year, we inform you that owing to the reasons set out above, these will not be in line with those agreed to in the Sixth Clause of the rental program agreement, and it will be left at the AGM's sole discretion whether legal action is to be taken for claiming payment.

Please take note that it is our desire as company administrators to amend this unpleasant situation insofar as possible, and despite the fact that we have worked unflinchingly to minimise the damage caused to the members during the present year, we will not, in an exceptional manner, be charging any sum for the tasks we have undertaken.

With kind regards,



EXCEL HOTELS & RESORTS, S.A.