

**UNDER THE UNCITRAL ARBITRATION RULES AND
SECTION B OF CHAPTER 10 OF THE DOMINICAN REPUBLIC -
CENTRAL AMERICA - UNITED STATES FREE TRADE AGREEMENT**

CASE NO. UNCT/13/2

BETWEEN:

**SPENCE INTERNATIONAL INVESTMENTS, LLC, BOB F. SPENCE,
JOSEPH M. HOLSTEN, BRENDA K. COPHER, RONALD E. COPHER,
BRETT E. BERKOWITZ, TREVOR B. BERKOWITZ,
AARON C. BERKOWITZ AND GLEN GREMILLION**

Investors/Claimants

AND:

THE GOVERNMENT OF THE REPUBLIC OF COSTA RICA

Party/Respondent

**FIRST WITNESS STATEMENT
OF ROBERT REDDY**

Submitted April 25, 2014

Introduction/Personal Background

1. My name is Robert Reddy. I am a citizen of the United States of America and reside in Fair Oaks, California, a suburb of Sacramento, California
2. I submit this witness statement on behalf of Spence International Investments, LLC ("Spence Co.") and Bob Spence in support of the Claimants' First Memorial in connection with a DR-CAFTA claim brought by the Claimants against the Republic of Costa Rica (the "Respondent" or the "Government") pursuant to the UNCITRAL Arbitration Rules and seated in Washington, D.C.
3. This witness statement was prepared in collaboration with the attorneys for the Claimants in this proceeding, following several meetings and consultations with me. This statement accurately reflects my knowledge and recollection of the facts described herein. This

testimony was drafted in English, which is my native language and which is the language that I would be prepared to testify in, if necessary.

4. I have an undergraduate degree in Business (concentration Accounting) and a Masters in Business Administration (concentration Finance) from the University of Washington in Seattle, Washington, USA. I am a Certified Public Accountant (CPA). I worked for five years at Touche Ross & Co. (a Big Eight Public Accounting Firm) in Seattle, Washington. I then joined private industry and held successive jobs as an Assistant Controller for PACE Membership Warehouse, Inc., and Controller of Colorel Blinds, Inc., before joining Bob Spence in 1993 as his Chief Financial Officer at Pick-N-Pull Auto Dismantlers, which grew to be the largest self-service auto dismantler in the United States. In 2003, Bob Spence's ownership interest in Pick-N-Pull was purchased by Schnitzer Steel Industries, Inc. Since then, I have acted as the Chief Financial Officer of Spence Enterprises, LLC, as well as a number of other private companies owned by Bob Spence, including Spence Co.

Background to the Investments

5. In 2004, Bob Spence asked me to go to Costa Rica to perform due diligence with the intention of purchasing a number of beachfront and beach view properties for development in Guanacaste, Costa Rica. I made contact with a number of real estate agents, including Penny Wheeler and Bob Davey, who helped us to locate a number of properties that were for sale. I also engaged local counsel to assist with due diligence and to assist with the eventual purchases.
6. In the course of my due diligence and as a result of my discussions with others both in the US and in Costa Rica, I discovered a number of things:
 - (a) Titled beachfront property in Costa Rica is extremely rare and valuable. Less than five per cent of Costa Rica's coastline is privately titled property. The remainder can be leased through a concession agreement with the local municipality. In my experience, US investors are wary of concession property and the possibility that they could lose their property rights, and thus highly prize and value the rare privately titled properties.
 - (b) White sand beaches are few and much more highly prized by buyers. Playa Grande enhances this value with its long white sand beach (more valuable than brown, black or grey sand beaches, or rocky beaches).
 - (c) There are few great surfing beaches, and those beaches are highly prized by surfer investors. Playa Grande is also one of Costa Rica's best surfing locations. Playa Ventanas, which is adjacent to Playa Grande, is a similarly beautiful white sand beach. However, an estuary envelops Playa Ventanas, which made each beachfront lot even more attractive, exclusive and valuable to potential buyers.

- (d) Few beaches had adequate infrastructure (accessible by paved road, many roads were rough, dirt and pot holed), had readily accessible water and electricity, were within a reasonable commuting distance of an international airport, and had adequate access to other services (quality restaurants and grocery and stores etc.) demanded by US tourists. To have all of these in one location made Playa Grande a rare opportunity.
7. The combination of so many attractive features in one location, on the northwest coast of Costa Rica, represented an extremely rare investment opportunity. The fact that Costa Rica offers only a very limited supply of titled beachfront property, as contrasted against the very high demand that continues to exist for such beautiful, conveniently located and accessible land, presented Spence Co. with a tremendous investment opportunity.
8. The lots purchased by Bob Spence on Playa Ventanas (V30-V33) bordered on the 50 meter “inalienable zone”, which is the first 50 meters above the high tide line, an area of public property throughout Costa Rica. There was also a park created in 1995, which had as its stated purpose the protection of the Leatherback turtles that nest on Playa Grande and Playa Ventanas. According to the wording of the Park Law, its boundaries were described as being 125 meters seaward from the mean high tide mark. The beachfront properties that we purchased had their western property boundary at the “mojones” or the property markers, which marked the transition from the inalienable zone to private property. In other words, I (and the other property owners whom I spoke with in Playa Grande and Playa Ventanas) did not consider the properties to be inside the Park. In addition, the Park Law stated that private property needed to be expropriated in accordance with the Expropriation Law before it became part of the Park. The Expropriation Law provided for compensation in the unlikely event that the Government decided to expropriate any property. We relied on these provisions in making our investments.
9. Furthermore, I had seen and reviewed catastros (property surveys) on Playa Ventanas properties that had been stamped by MINAET as outside of the Park. Playa Grande remained very undeveloped at this time. In our view, it was readily apparent that the decrease in the Leatherback turtle population was not due to development (of which there was little), but rather changes at sea (long line fishing practices, etc). Expropriating undeveloped property would provide little to no help to the endangered turtles, and thus expropriating valuable, white sand, great surfing, beachfront property would make no sense as there was no benefit to the endangered turtles. The turtles nest on the sandy beach where they are able to dig, and do not nest on the private properties that have bushes and tree roots where the turtles cannot dig. Expropriating the private property would not increase the turtle nesting grounds, but solely provide an additional buffer zone of limited benefit. For business people such as ourselves, for the Government to spend hundreds of millions of dollars to expropriate undeveloped land that would not substantially benefit the endangered turtles made no sense whatsoever. Thus we always expected that we would eventually be able to responsibly develop and sell these beautiful and rare properties.

10. We were only interested in valuable privately titled properties (beachfront, beach view, or walking distance to the beach). We did not want to compete with low value properties, and farmers who had little cost basis in their land. Our target market for the developments were US investors and we knew that concession properties, such as those that were available in Mexico, were less desirable to investors.
11. Bob Spence had purchased five properties on Playa Ventanas personally in 2003. The market after that date started to heat up dramatically and we needed to act fast in order to acquire properties at prices that would justify our investment and generate sufficient returns. Accordingly to MSNBC, this area of Costa Rica was the hottest real estate market in the world in 2007.
12. In 2004, we made a bulk purchase of a number of properties in Playa Grande and a few in Playa Ventanas from the same seller. We also made investments in Playa Flamingo and Playa Prieta. We also picked up other beachfront lots as they became available and our final property was purchased in 2007.
13. We knew that we would need to improve access to Playa Grande if we were to attract international buyers. At the time of our purchase, the road to Playa Grande was a bumpy dirt road that was at certain times of the year almost impassible. In about 2006, we built a paved road at our own cost in order to improve the value of our properties in Playa Grande.
14. Once the road was paved, both Playa Grande and Playa Ventanas were within one hour's drive from the Liberia International Airport, and within half an hour of the commercial centre of Tamarindo, and of the exclusive Playa Flamingo resort. Playa Grande's proximity to these towns provided access to restaurants, grocery stores and other desirable services.
15. In preparing our lots for sale, we made a number of improvements that benefitted the local community as well as our eventual buyers. We fixed holes in water lines; improved drainage to reduce water pooling, which reduced the risk of dengue; installed fire hydrants; and built a new bathroom for the local elementary school. We also donated money to the school and to other community causes.

The Purchases -- Playa Ventanas and Playa Grande

16. In 2004, I negotiated the purchase of a number of lots in Playa Ventanas, Playa Grande and Playa Flamingo from one seller. Spence Co. organized its corporate affairs in Costa Rica in order to minimize the tax implications arising from its property development business. In general, legal and beneficial title to the properties was vested in a trust, which transferred title to the properties to new owners through the use of special purpose vehicles.
17. Later, Spence Co. purchased a few additional beachfront and beach view lots in both Playa Ventanas and Playa Grande from other sellers.

18. Of all of the Spence Co. properties purchased, only eleven are involved in this claim, as they are the only properties that are wholly or substantially within the 75 meter strip that the Government has now said is in the Park.
19. Acting through two wholly-owned subsidiaries,¹ Spence Co. owned and controlled a number of enterprises established under the laws of Costa Rica, including Grande Beach Holdings, Ltda.;² Keeping Track, Ltda.;³ Caminata En Pleamar, SA;⁴ Guanacaste Sea Gull, SA;⁵ Longboard Surf, SA;⁶ Wake Up Call, Ltda.;⁷ Forever Hold Your Peace, Ltda.;⁸ and Building A Ruin, Ltda.⁹
20. On 4 February 2005, Spence Co. acquired Lot C71¹⁰ on Playa Grande. On 22 October 2007, Spence Co. sold Lot C71.¹¹ The buyer did not honour the terms of the contract and possession of the lot reverted to Spence Co. on 10 December 2012.¹²
21. On 22 February 2005, Spence Co. acquired two adjacent lots on Playa Grande, Lots A39¹³ and A40.¹⁴
22. On 28 June 2005, Spence Co. acquired Lot C96¹⁵ on Playa Grande.

¹ Costa Rica Investments LLC, a Delaware corporation and Bromtence Investments Limited, a Cyprus company. See Appendices B.1 and B.2.

² Appendices B.12, B.14.

³ Appendices B.3, B.6.

⁴ Appendix B.26.

⁵ Appendix B.27.

⁶ Appendix B.18.

⁷ Appendix B.28.

⁸ Appendix B.19.

⁹ Appendix B.20.

¹⁰ Folio Real No. 5-043073-000. Following the transfer and subsequent transformation of a company called Counting the Stars, SA to Grande Beach Holdings, Limitada, a company established under the laws of Costa Rica, which was owned and controlled by Spence Co., Grande Beach Holdings, Limitada, became the registered owner (as trustee) for Lot C71. Appendix B.25. Also see Exhibit C-20b.

¹¹ Grande Beach Holdings, Limitada sold Lot C71 to a third party. A Guaranty Trust was signed between the parties to secure the debt the buyer acquired with the seller, pursuant to which the collateral was the capital stock of the company Building A Ruin, Limitada, which was in turn the recorded owner of Lot C71. Appendices B.21, B.22, B.25.

¹² Appendix B.23.

¹³ Folio Real No. 5-042781-000. Lot A39 was purchased through Caminata En Pleamar, SA, a company established under the laws of Costa Rica, which was owned and controlled by Spence Co. Appendix B.26. Also see Exhibit C-17b.

¹⁴ Folio Real No. 5-042783-000. Lot A40 was purchased through Guanacaste Sea Gull, SA, a company established under the laws of Costa Rica, which was owned and controlled by Spence Co. Appendix B.27. Also see Exhibit C-16b.

¹⁵ Folio Real No. 5-043133-000. Lot C96 was purchased through Grande Beach Holdings Ltda. (as a trustee), a company established under the laws of Costa Rica, which was owned and controlled by Spence Co. Appendix B.16. Also see Exhibit C-18b.

23. On 4 February 2005, Spence Co. acquired Lot V61 on Playa Ventanas.¹⁶ On 6 February 2006, Spence Co. sold Lot V61, subject to certain conditions, including the availability of a building permit for the lot.¹⁷ Lot V61 was subdivided into three lots and assigned new *folio real* numbers in December 2006.¹⁸ These lots are referred to in this claim as Lot V61a,¹⁹ Lot V61b²⁰ and Lot V61c.²¹ As the buyer was unable to obtain a building permit for Lot V61, on 31 March 2008, ownership of the lot reverted to Spence Co. and the purchase price was refunded to the buyer.²²
24. On 11 May 2007, Spence Co. acquired Lot V59 on Playa Ventanas.²³
25. All six (eight after subdivision of Lot V61) of the aforementioned lots lay entirely within a distance of 125 meters from the mean high tide point east of the Pacific Ocean. As will be discussed in more detail, below, Spence Co. also purchased three large lots in south Playa Grande with the intention of creating a low density residential development.
26. In the intervening period, Caminata En Pleamar, SA; Guanacaste Sea Gull, SA; Longboard Surf, SA; Wake Up Call, Ltda.; Forever Hold Your Peace, Ltda.; and Building A Ruin, Ltda. and all of their assets were consolidated into Grande Beach Holdings, Ltda.²⁴ Thus, Lots A39, A40, C96, V61(a, b and c), V59 and C71 are all owned by Spence Co. today through Grande Beach Holdings, Ltda.²⁵

¹⁶ Folio Real No. 5-042833-000. Lot V61 was purchased through Counting the Stars, SA, a company that was transformed into Grande Beach Holdings Ltda. Grande Beach Holdings, Limitada, became the registered owner (as trustee) for Lot V61. Appendix B.32. Also see Exhibits C-13b, C-14b and C-15b.

¹⁷ Lot V61 was sold under certain conditions, to Wake Up Call, Ltda. Appendix B.29.

¹⁸ Appendices B.32, B.33, B.34.

¹⁹ Folio Real No. 5-144808-000.

²⁰ Folio Real No. 5-154432-000.

²¹ Folio Real No. 5-154433-000.

²² See Appendices B.30, B.31. The registered owner of Lot V61 was Wake Up Call, Ltda. The buyer purchased Lot V61 by acquiring the entire stock of Wake Up Call, Ltda. When the buyer was unable to obtain a building permit, the entire stock of Wake Up Call, Ltda. was transferred back to Spence Co.

²³ Folio Real No. 5-089606-000. Spence Co. acquired Lot V59 when it purchased the shares of Longboard Surf, S.A., a company established under the laws of Costa Rica. Lot V59 was subsequently transferred to Forever Hold Your Peace, Ltda., a company established under the laws of Costa Rica, which was owned and controlled by Spence Co., and later merged, with all of its assets, into Grande Beach Holdings Ltda., a company established under the laws of Costa Rica, which was also owned and controlled by Spence Co. Appendices B.13, B.17, B.18, B.19. Also see Exhibit C-12b.

²⁴ Guanacaste Sea Gull, SA, Caminata En Pleamar, Longboard Surf, SA were merged into Grande Beach Holdings, Ltda in 2007. Appendices B.11, B.18. Wake Up Call, Ltda., and Forever Hold Your Peace, Ltda. were merged into Grande Beach Holdings, Ltda in 2012. Appendix B.13. Building A Ruin, Ltda. was merged into Grande Beach Holdings, Ltda in 2013 Appendices B.24, B.25.

²⁵ See Exhibit C-2c for the Spence Co. company structure at time of purchase and presently.

After the Investment

27. We sold a number of lots between 2006 and early 2008 and the market increased steadily during that time. The buyers were generally what we had anticipated, upper middle aged Americans (many of them surfers) looking for a quiet vacation development in which to build high end homes. The buyers in Playa Grande and Playa Ventanas liked the secluded nature of the developments and were not interested in a high-density, Tamarindo-style development. Many of the buyers were attracted to Costa Rica because of the beautiful nature and wildlife and they found the proximity to the Park and the fact that turtles nested on the beach extremely attractive.
28. Although we planned to sell lots rather than homes, we applied for a number of building permits and received them. One of the first steps in the building permit process is to submit an environmental impact assessment to SETENA for review. The purpose of this assessment was to ensure that the proposed development would not have a negative impact on the environment. There were also a number of restrictions related to the proximity of the properties to the estuary. For example, no development is permitted within a certain distance of mangroves. We were aware of these restrictions and happy to comply with the various regulations. In order to get a building permit, it was also necessary to get a certification from MINAET that the property was outside the park.
29. In about 2005, SETENA started refusing to review environmental impact assessments for any properties within 75 meters of the inalienable zone. They also refused to review assessments for properties within 500 meters until an environmental study was performed. I then started hearing about the Government having issued notices of expropriation for some of the lots within 75 meters of the inalienable zone.
30. In both Playa Grande and Playa Ventanas, there were a number of houses in this area already. The Park Law said that the area protected was “seaward” from the high tide mark. There were a number of newspaper articles saying the Government had said on many occasions that they could not afford to expropriate land to expand the Park. It did not make sense to us that they would expropriate private property that they could not afford to pay for rather than find a way to ensure that the development proceeded in a manner that would not impact the turtles that they were trying to protect.
31. Neither Bob Spence nor Spence Co. submitted building plans for beachfront lots (other than the SPG Lots, discussed below), as it was considered prudent to await the resolution of the issues surrounding the Park boundaries and the Government’s intentions. I expected these to be resolved in a short or at least reasonable period of time.
32. At that stage, I began to reach out to the other Playa Grande landowners in order to discuss the creation of a mixed use nature refuge that would allow for the type of environmentally responsible development that we were planning in Playa Grande and Playa Ventanas. I recall that I first met Brett Berkowitz in the context of this initiative. We wanted to lobby the Government with respect to this idea to see if expropriation

could be avoided. I also heard at the time that there were other bills being presented to congress in order to clear up the confusion related to the Park.

33. Although I had met Reinhard Unglaube socially before this time, as he ran a restaurant in South Playa Grande that I used to frequent, and I knew him as the developer of Palm Beach Estates, I had not discussed any issues around the Park with him until the fights over the Park began in about 2006. I did not meet Glen Gremillion until after the Claimants decided to bring this claim.
34. I had met Ronnie Copher and Joe Holsten through Bob Spence, but I had no reason to discuss any issues related to property in Playa Ventanas or Playa Grande until after 2006 or so.

The South Playa Grande Lots and Plans

35. In 2006, Spence Co., also acquired three very large estate lots in south Playa Grande, which have been identified on the map as SPG1, SPG2 and SPG3 (collectively the “SPG Lots”).²⁶ Approximately 15,000 m² of these three lots is situated within a distance of 125 meters from the mean high tide point east of the Pacific Ocean.
36. We planned to consolidate and develop the SPG Lots into a single residential development divided into 44 lots. Eight of those lots would have been beachfront properties, each with about 25 meters of beachfront, as the parcels combined had approximately 200 meters of beachfront.²⁷ Given the confusion around the Park boundaries at that time, we thought that we might have to proceed with our development in two phases, developing the non-beachfront properties first.
37. We engaged a local engineer, Jim Renalde, to prepare the plans and we prepared an environmental impact assessment.²⁸ In total, our records indicate that we spent about \$111,000 in initial development costs for the SPG Lots.²⁹
38. When we applied to MINAET for a certification that the property was not within the Park, which was required to receive a building permit, MINAET refused to issue a certification at all. We eventually brought an administrative action requiring MINAET to issue a certification and won, but we were awarded only negligible damages. By then the

²⁶ These lots were purchased when Spence co. acquired the shares of Field on the Beach, S.A. and Sendaluz, S.A., both are companies established under the laws of Costa Rica. These two entities were subsequently merged with all of their assets into Keeping Track, Ltda, a company established under the laws of Costa Rica, which is also owned and controlled by Spence Co. See Appendices B.4, B.5, B.6, B.7, B.8, B.9, B10. See Exhibit C-2d for a diagram of the company structure at the time of purchase and presently. Also see Exhibits C-20b, C-21b, and C-22b.

²⁷ Exhibit C-40, Development Plan for SPG Lots - Condominio Montesol.

²⁸ Exhibit C-41, SPG Lots SETENA Correspondence.

²⁹ Exhibit C-42, SPG Lots Development Costs. The engineering bid for the entire project was \$157,000.

development rules had been revised and the minimum lot size increased, so our original development plan no longer met the new requirements.³⁰

The Expropriations

39. Lot A40³¹ was the subject of Public Decree No. 32 950-MINAE, which was issued on 1 February 2006 - declaring that the lot was subject to expropriation.³² An administrative appraisal was issued for this lot on 22 September 2006, which offered Guanacaste Sea Gull, SA approximately \$54/m² for the involuntary surrender of its land.³³ The administrative appraisal itself notes that the land portion of the Park includes only the beach at Playa Grande. Spence Co. disputed this absurdly low appraisal.³⁴ On 12 April 2007, an expropriation decree was published for this lot (No. 004-2007-MINAE-SINAC).³⁵
40. The Government commenced the judicial phase of the process in respect of Lot A40 on 17 April 2007,³⁶ with physical possession being asserted over the land by 12 March 2008. It would take until 21 July 2011 for the Court to issue a final determination (under *Expediente No. 07-000438-0163-CA*).³⁷ The Court assigned a value to the lot of approximately \$350/m², plus interest. In my experience, this valuation, although better than the initial administrative appraisal, does not come close to reflecting the fair market value of the lot as of the date Spence Co.'s ability to enjoy its property rights in it effectively ceased.
41. To date the Government has still only paid the principal amount owing under the Court's decision for Lot A40.³⁸ As of June 2013, it still owed approximately \$105,466.51 in interest, which continues to accumulate until final payment is received. Even after all amounts owing are eventually paid, In my view, they will not have been nearly enough to provide fair market value for the expropriated lot.
42. Two of the SPG Lots have also been subjected to expropriation proceedings. The expropriation proceedings for both lots were commenced with the publication of two

³⁰ Exhibit C-43, New Playa Grande Zoning Regulations.

³¹ Folio Real No. 5-042783-000.

³² Exhibit C-16c.

³³ Exhibit C-16d. Although we dealt in both US dollars and Costa Rican colons (CRC), I usually refer to amounts in US dollars and use a convenient currency exchange rate of 500 CRC to the USD.

³⁴ Exhibit C-16d1 - A40 Objection to Administrative Appraisal.

³⁵ Exhibit C-16e.

³⁶ Exhibit C-16f.

³⁷ Exhibit C-16h.

³⁸ The Government deposited principal payments of for 132,107,770 CRC; (approximately \$264,215 USD) on 14 December 2011 which was effectively paid on 15 February 2012 and deposited 24,100,740 CRC (approximately \$48,201 USD) on 25 September 2012 which was effectively paid on 13 December 2012. Exhibit C-16i.

decrees declaring the properties “of public interest” on 17 April 2007.³⁹ The initial amount offered for lot SPG1 in the administrative appraisal was approximately \$32/m².⁴⁰ This amount was rejected within the terms established in the Expropriation Law. Judicial proceedings were initiated by the Respondent in April 2008⁴¹ and a judgment was issued on 26 February 2013.⁴² This decision was appealed and admitted by the judge on 10 May 2013.⁴³ A final determination has not yet been reached for Lot SPG1.

43. For Lot SPG2, subsequent to the administrative appraisal⁴⁴ and the issuance of the Decree of Expropriation⁴⁵ for this property, judicial proceedings were commenced by the Government in 2008.⁴⁶ It was not until 14 December 2012 that this matter was finally decided in a final appeal decision where the court overturned a first judgment dated 29 February 2012, and assigned a value to the lot of approximately \$350/m².⁴⁷ To date the Government has paid only a small fraction of the amount owing under the Court’s decision for Lot SPG2.⁴⁸
44. I note that Reinhard Unglaube’s property, which is similar in location and use to Spence Co.’s SPG Lots were valued by an international tribunal at \$3.1 million as of January 2006 (or \$413 per square meter before interest) noting that this was less than the value at the peak of the market (identified as \$5.19 million in July 2006). I understand that the Government has now fully paid for the Unglaube’s property.
45. The expropriation proceedings have also been initiated for the four lots that were acquired by Bob Spence (Lots V30, V31, V32 and V33). Decrees declaring the properties “of public interest” were issued for these lots in October 2007.⁴⁹ An administrative appraisal has been issued for Lots V30, V31, V32 and V33. The value of Lot V30 was appraised at approximately \$406/m²;⁵⁰ Lot V31 was appraised at approximately \$403/m²;⁵¹ Lot V32 was appraised for approximately \$407/m²;⁵² and Lot

³⁹ Exhibits C-20c and C-21c, respectively.

⁴⁰ According to the administrative appraisal for the partial expropriation of Lot SPG1, this amount is comprised of: 24,842,414 CRC for the value of the lot and 17,783,34 CRC for compensation for dividing the lot, resulting in a total of 42,625,961 CRC. Exhibit C-20d.

⁴¹ Exhibit C-20f.

⁴² Exhibit C-20g1.

⁴³ Exhibit C-20g2.

⁴⁴ According to the administrative appraisal for the partial expropriation of Lot SPG2 this amount is comprised of: 36,393,912 CRC for the value of the lot and 30,418,000 CRC for compensation for dividing the lot, resulting on a total of 66,811,918 CRC. Exhibit C-21d.

⁴⁵ Exhibit C-21e.

⁴⁶ Exhibit C-21f.

⁴⁷ Exhibit C-21h.

⁴⁸ The Government deposited a payment of for 42,625,961 CRC (approximately \$85,250 USD) on 24 December 2012 which was effectively paid on 14 February 2013. Exhibit C-21i.

⁴⁹ See Exhibits C-3c, C-4c, C-5c and C-6c.

⁵⁰ Administrative Appraisal AA-79-2008 set a value of 203,300 CRC per square meter for Lot V30. Exhibit C-3d.

⁵¹ Administrative Appraisal AA-77-2008 set a value of 201,400 CRC per square meter for Lot V31. Exhibit C-4d.

V33 was appraised at approximately \$390/m².⁵³ Those appraisals were objected to, but to my knowledge, no further steps have been taken by the Government in the expropriation of these lots.

46. All of the valuations thus far provided by the Government are below not only the fair market values, but also the property tax values for the properties on which Spence Co. has been paying property taxes to the municipality. I list in the following table the most recent valuations and property tax amounts.⁵⁴ I have not included Lot A40, as it has now been registered in the name of the Government, but until this was the case, we also paid similar taxes on that lot.

<u>Lot #</u>	<u>CRC</u>	<u>\$</u>	<u>Tax Rate</u>	<u>Taxes \$</u>
A39	430,404,706	860,809	0.25%	2152
C71	115,000,000	230,000	0.25%	575
C96	501,000,000	1,002,000	0.25%	2505
V61a	618,000,000	1,236,000	0.25%	3090
V61b	489,250,000	978,500	0.25%	2446
V61c	489,250,000	978,500	0.25%	2446
V59	567,600,000	1,135,200	0.25%	2838
SPG1	358,150,055	716,300	0.25%	1791
SPG2	721,289,945	1,442,580	0.25%	3606
SPG3	875,500,000	1,751,000	0.25%	4378

47. Last year, Spence Co. paid approximately \$25,827 to the municipality in property taxes for these properties.
48. In April 2008, Sala IV, the Constitutional Court in Costa Rica, issued a decision that required the Government to either allow development of the beachfront properties or proceed expeditiously to expropriate the private land. I learned of this decision from my attorney shortly after it was issued. I was hopeful that this would put an end to the confusion and mean that the Government would get on with the expropriations so that Spence Co. would be compensated for its investments that the Government had taken.
49. Instead, despite its commencement of the expropriation process, the Government has still failed to take the steps necessary to advance the administrative phase of its municipal expropriation proceedings in respect of each lot. There has been no progress with respect to lots that have been notified as being in the public interest and only slow progress on the lots that had proceeded beyond this point. Spence Co. has only received some compensation for two of its eleven lots entirely or substantially within the 75 meter strip.


⁵² Administrative Appraisal AA-76-2008 set a value of 203,500 CRC per square meter for Lot V32 Exhibit C-5d.

⁵³ Administrative Appraisal AA-75-2008 set a value of 195,700 CRC per square meter for Lot V33. Exhibit C-6d.

⁵⁴ See Exhibit C-44, Spence Co. Lots Property Tax Values.

50. With respect to the application for building permits for other lots, the process has been equally frustrating. As part of the application process, SENARA is now requiring a piezometer study in addition to other requirements.⁵⁵ It is not clear that there is any authority to require such costly studies for development of single family dwellings.
51. Now that the Constitutional Court has determined that the beachfront properties are within the boundaries of the Park and the Government has resolved to expropriate them, I would like to see the Government promptly pay fair market value for the properties taken.

I confirm that the facts stated in this witness statement are true.

Signed: 
Robert Reddy

Date: 4/21/14

⁵⁵ Exhibit C-45, Recent Requirements related to Piezometer Studies.