



Urgent update on the Aheloy Beach Residence

Dear Investor,

I am writing to you now to advise you of the serious difficulty we have encountered with the Aheloy Beach Residence development which requires immediate, urgent and positive action.

The Bulgarian developer and Bulgarian management team of Aheloy Beach Residence made me aware that they have tried unsuccessfully over the last 18 months to raise the necessary capital needed in order to complete the project. Having failed to achieve this in the midst of the current economic climate and with the support of the owners of the commercial area's I have moved to take over the company with the sole aim of protecting all the investors in the project by completing the development based on an agreed rescue plan.

On the 2nd March 2010, I, Neil O Reilly (A shareholder in Sunset Resort and one of the main selling agents of Aheloy Beach Development) took over Tremex OOD, the main developer of Aheloy Beach Residence phase 2 with the cooperation of the developer and as a result the company has been changed from Tremex OOD to Aheloy Residence OOD. Edge Capital Norway will support me during the restructuring process and positively assist with the backing of the many the Norwegian buyers.

Some of you may remember that I was centrally involved in rescuing Sunset Resort when the original developers went bankrupt which is now fully completed and has in the intervening period received several awards for the standard and quality of the finish to the development.

Following a review of the company finances we have discovered there are 3 main reasons for the shortfall behind the delays:

- 1. Termination of a package deal** The deal, with a value of 22 million euro, concluded with an investment fund for the purchase of residential and commercial areas within Aheloy Beach Residence has been cancelled.
- 2. Cancellations:** Over 200 buyers cancelled their booking deposits.
- 3. Outstanding payments:** Balances due on completed units have not been received.

Current Situation:

Aheloy Beach Resident has been built to an excellent standard and remains a unique water front development in an excellent location. With only 4 other front line projects of this scale located on the entire Black Sea Coast we have confidence that when the market recovers in time the buyers will see returns on their investments going forward.

Buildings A, B, C, D, E, F, G, and H are fully completed and are operational this summer. Phase 2 is 75% completed with building P 100% completed, building N 90% completed, building M 75%, L 65% and K 35%. To date over €36 million has been spent on Aheloy phase 2.

Surveyors have confirmed that to finish the development a figure of €12 million is required and can be broken down as follows

Description	Estimated Cost
• Completion costs for building N & M	€2M
• Completion costs for building L	€3M
• Completion costs for building K	€6M
• Landscaping & finishing works	€1M

The construction contractor is currently owed €7m for his work completed. **The contractor has now initiated action to get the outstanding balance paid and has placed a legal charge against all the assets of the company including the units in Phase 2.** These funds are required to be paid by the 1st of May 2010 in order to release the charge on the apartments and commercial areas. **Only when the charge is released can title deeds for the apartments be transferred to the buyers**

Currently we have outstanding payments of €7.5m for 2nd and 3rd stage payments. Our unsold areas are 32 000 sqm equating to 30% of the project. If we sell these units at cost price €525 per square meter the income will be €16.8m

Following our discussions with our legal and financial advisors we realise the only two options available to us which can be summarised as follows;

<u>OPTION 1 – Do Nothing</u>	<u>OPTION 2 – Rescue Plan</u>
<p>Do nothing – the company will bankrupt because of the charge from the main contractor. In this case the company will go to court and the liquidation is likely to take between 3-5years. The buyers may receive a small portion of their original investment back at the end of this process.</p> <p>The buyers will have to go to court and look for their money back but this will only exacerbate the situation and force the company in to bankrupt.</p> <p>Ranking order of Claims</p> <ol style="list-style-type: none"> 1. Secured Claims - Mortgage or pledge 2. Other secured claims – Contractors etc 3. Bankruptcy costs to cover long term process 4. Outstanding Salaries (Employee Claims) 5. Alimony 6. Taxes (Public Claims) 7. Costs incurred after bankruptcy commences 8. Apartment Buyers 9. Other (Shareholder Loans) 	<p>Complete the development.</p> <p>Our proposal as the new owners is to sell all the units at a significantly reduced price in order to complete the project.</p> <p>In order to achieve this we require support from all existing investors and have therefore agreed to offer these units to the existing clients of Aheloy Beach Development. In order to secure any additional payments by the clients and protect them from any exposure we have decided to establish a fund where the new monies paid over by clients will be held. If we do not achieve our goal of raising the required amount to save the company, release title deeds and finish the project, we will return all monies invested to the clients and allow the company will bankrupt. According to the current figures we can reach that minimum if all the clients invest €125 per square meter according to their contract into the new fund.</p>

We believe that by selling the remaining units at a greatly reduced price representing a terrific and attractive investment opportunity that option two is achievable and as a direct consequence of your intervention we will have secured the required investment to fund and complete the entire project, meet the payment schedule agreed with the building contractor and the subsequent transfer off all title deeds to the buyers.

Option 2 – working example:

John purchased an apartment of 70 sqm for €91 000.

Now John should pay the investment company 70 sqm X €125 = €8 750

For this money John is the new owner of 16.6 sqm of property in the fund.

To calculate this you divide the €8 750 by €525 per square meter = 16.6 sqm.

Please note that when the fund sells on the apartments in the future at a higher price, John will receive back his original investment of €8 750 + the uplift.

In your case your apartment No is X sq.m, and when we multiply with 125 euro the amount you are required to transfer is X euro.

The transaction to raise the €7.5m must be completed by the 1st of May 2010.

The conditions listed below will be met before any funds are released.

1. Register the new investment company named 'Aheloy Owners' (Bulgarian limited company)
2. Each investor requested to invest a minimum of €125 per square meter of the units according to his/her contract into the client account. *(if existing clients wish to take advantage of this very attractive offer they can put more money into the investment fund and secure a larger share).*
3. A client account will be established for the investors in each country. The administrator of each account will be instructed to release the funds to Aheloy Owners only when a specified set of conditions have been met.
4. On the 1st of May we will see how much money has been raised and then;

Next steps if Rescue Plan financing is successful

1. We will sign a contract with the main contractor according whereby he will cancel the court case and remove the charge against all the assets and in return we will pay him €4 million within 30 days and the balance after 12 months.
2. At that point we will transfer the individual title deeds to the buyers who participate in the rescue plan according to their contract. We can also transfer title deeds to the clients with unfinished units at this point.
3. The new company named 'Aheloy Owners' will purchase units from Aheloy Residence for €7.5 million subject to receiving the title deeds for all the units being purchased.
4. Having paid the contractor the initial €4 million we will use €2 million of the remaining funds to finish building N & M and €1 million for all outside works and the last €500k to finish building L exterior. At this point buildings P, N & M will be operational.
5. On completion of building N & M we will collect the final payments of €3.5 million due from clients.
6. From this €3.5 million we will use €2.5 million to finish building L and €1 to finish building K rough construction.
7. On completion of building L we will receive €1.5 million from final payments which we will use to finish the exterior of building K.
8. During this time we will continue to sell units at cost price in order to raise the funds needed to complete building K (€3.5million) and pay the balance to pay the contractor (€3 million) totalling €6.5 million.

9. During this time Aheloy Owners will release the payments for the purchased apartments in stages, such that Aheloy Owners will monitor the construction progress in each stage before releasing the next stage payment available for construction works.

Having reached the required funding level investors can expect:

- The value of the unsold units purchased by your fund represents a discount of 50% on the original market value of the units.
- The units can be sold over the following 18 months and see all profit from sales going into the fund which will be paid to investors on a pro rata investment basis.
- If all units are not sold after 18 months the remaining units will be retained and rented with the rental income going into the fund until all the apartment have been sold at acceptable prices.

Advantages to you, the investor:

1. Protect your investment to date and avail of discounted properties.
2. All investors who participate in the rescue plan will receive their title deeds first when the charge has been lifted.
3. Once the economy recovers investors will receive a profit upon resale of the units
4. You will be the new part owner of the discounted units.
5. The purchase of the units by the fund provides protection of the second hand market values.

We would ask all owners and clients to give serious consideration to the investment proposal detailed above, we will be happy to answer any questions you have with regard to the rescue and investment opportunity and can assure you that no effort will be spared to achieve the successful delivery of what is an excellent development for the benefit of all investors and owners.

We do strongly recommend that all investors should consider participation in this unique offer which will help to secure their investment and enable us to ensure that the development is completed.

Payments should be made to the following Lawyers account. The funds will be held until the required amount is received.

SOLICITOR'S /CLIENT'S/ ACCOUNT:
COMMERCIAL BANK ALIANZ BULGARIA AD
Branch Bourgas,
20, Geo Milev str.
8000 Bourgas, Bulgaria
SWIFT CODE: BUINBGSF
IBAN CODE: BG17BUIN95615100206077- in euro
Bank code 56178556
Beneficiary Attorney at law Valcho Ivanov Cholakov
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21, Georgi Kirkov str., fl.1
8000 Burgas
Bulgaria

Yours Faithfully

Neil O'Reilly (Owner)
Aheloy Residence OOD