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I would like to introduce you to Martinez Echevarria Perez Ferrero Abogados Law Firm (www.martinezechevarria.com) which are issuing this communication which has been prepared on specific request and with full financial support of IPS Srl, in its role as intermediary agent of the PWR Resort, in order to present to you the current legal and construction situation of the PWR Resort of El Sery in Marsa Alam Egypt. This communication intention is to highlight IPS Srl activity in protecting clients interest in the past few month and also in order to clear up key aspects of the difficult situation that clients find themselves in today in relation to the PWR Resort in Marsa Alam.

Having reviewed the latest Due Diligence Report issued by IPI/El Sery, whom are the legal representative and owner of the PWR Resort in Marsa Alam, document dated March 2011 for the Pure Wellbeign Resort- Marsa Alam ([please click on this link to download the document](#)), plus also having viewed other legal documentation that we have been able to access to in relation to this resort, we would like to highlight the following observations based on the documentation available and also on specific verifications that have been carried out by the Martinez Echevarria Perez Ferrero Abogados Law Firm in both Egypt and Holland.

LEGAL COMMUNICATION ON THE SITUATION OF THE PURE WELLBEING RESORT

BUILDING PERMITS AND LICENSES

Since IPS Srl informed us this issue of “building licenses and permits” was of some concern for certain clients and also based on the fact that IPS Srl and other agents for a long period of time had requested but never received from IPI/El Sery clear and definite clear documentation, Martinez Echevarria Perez Ferrero Abogados Law Firm has looked into the legal documentation and would like to make the following comments:

- The official letter n.3670 issued from the Ministry of Tourism TDA to El Sery dated 15/11/2009, which you can see attached in the Due Diligence Report Schedule 8 referring specifically to second and third paragraph of the letter, it clearly states that the decision n.3670 is not a building permit as such but an administrative authorization from the Ministry of Tourism to start the construction, therefore it is not technically a building permit **but it has the same binding legal effect under the drawings plans and project subject to the TDA at the time of the original application. Therefore El Sery is allowed to build a resort of two phases composed of 1434 units (966 hotel rooms + 468 touristic housing units).** Since the land where the PWR /El Sery resort is been



developed, the document n3670 states, is located in “in the desert land, outside city cordons” and “consequently the executive drawings certified by the TDA for touristic projects that is constructed on these sites is not subject to building license that is issued from the engineering management of the provinces” **it is thus subject to TDA building regulation hence the existence of the document n.3670 that gives the legal authority from TDA to El Sery to build 1434 units.**

- The time schedule for delivery of the resort is between 2 to 5 years as per TDA regulations. As stated in article 3 of the Due Diligence Report the risk is not a loss of the building permit for El Sery to build the resort but a penalty placed on El Sery to be paid on top of the land price to the TDA. Therefore this has only an impact on El Sery by reducing their financial margin on the operation thus it is in El Sery interest to deliver and finish the construction in the shortest period of time possible. As an alternative guarantee it is important to remember that the Egyptian authorities has the ability to take over the PWR project (or any other touristic project in Marsa Alam) in case there are serious doubts of bankruptcy of the developer or in case the project is blocked without

progress for a long time. In this case only and for public interest the Egyptian authority would collect back the project either to finish it himself or to allocated it to another developer. Although we feel that this is not the current situation in which EL Sery finds itself today, as work although slowly has continued even the past few weeks and significant progress has been made in phase 1, we feel it is important to remind you of these safe guards that are in place by the Egyptian authorities to protect and safeguard your interests as investors.

DIFFERENT CODIFICATION NAME OF UNITS

- IPS Srl has indicated to us that there has been some concern amongst certain clients over the name differences between the various types of units in the PWR Resort of El Sery (apartments, suites, hotel units, hotel rooms....). This confusion has also been caused by IPI/El Sery and we feel IPI/EL Sery should have been clearer in their explanation to IPS Srl and their investors on this situation. The situation is quiet simple. Since this project PWR in Marsa Alam is a touristic resort in a touristic coastal area, for this purpose and also to justify a touristic license for operation, El Sery have chosen to use names such as hotel rooms as it will be a touristic resort and managed as such by them. **What matters is that the TDA approved the project of 295 Apt and 1142 hotel rooms and that both these types of units have full title ownership and are free of any restrictions thus they can be purchased by Italian investors, registered as full title ownership by Italian investors, rented to third parties through the management company by Italian investors and eventually sold on by owners. Thus if they are called apartments or hotel rooms it makes no difference, the client has exactly the same legal rights as explained above on both types of units.**



FINANCIAL STABILITY OF EL SERY

- It was noted to us by IPS Srl that there were some agents in Italy publicly stating in various websites and blogs that IPI had only a capital of €18.000 and it could put at risk the financial stability of the PWR Resort. It must be made clear that the **financial responsibility for the PWR Resort is based on the economic situation of El Sery and not IPI** thus we have acquired at costs of IPS Srl the Financial Book (Commercial Book) of El Sery from the Egyptian authorities which states clearly that as of today El Sery has a capital of 36,875,000 LE deposited which at today's currency exchange rate is about 4.2 million euro thus somewhat a different figure (18.000 euro) which was been discussed by other non-official and badly informed sources.

CONCLUSION

At present Martinez Echevarria Perez Ferrero Abogados Law Firm is also reviewing with the assistance of IPS Srl the current situation in relation to the IPI/El Sery decision in claiming "force majeure" and blocking the penalty payments that should have been due to clients for delays that occurred in the delivery of the project as IPS Srl is not in full agreement with these decision been taken by IPI/El Sery. Although IPS Srl can understand and appreciate the difficulties that IPI/El Sery may face considering the public

revolution in Egypt and the current market situation, which was based mainly in Cairo but which had a negative effect on a national level in Egypt, IPS srl are of the belief that a better client management process could have been put into place from IPI/El Sery. IPS Srl are in negotiations with the directors of IPI/El Sery at present looking to suggest and implement a more positive management of the current situation of the IPI/El Sery italian clients and looking at various alternatives in order to hopefully improve the situation of the Italian investors in the coming weeks.

Martinez Echevarria Perez Ferrero Abogados Law Firm will also release its own Due Diligence Report (legal report) on the IPI/El Sery PWR Resort which has been commissioned and economically supported by IPS Srl and we hope to have this presented to you in the coming weeks which will include all the information as mentioned above plus further verifications and comments which are been finalized and are been prepared at present.

Wishing you all the best,

Louis- Xavier Huguenin-Vuillemin (L.L.M)
Regional Director Egypt & Italy