

HEADS OF AGREEMENT

between

Alpha Bank Cyprus Limited

("the Bank")

and

Developers/Vendors/Guarantors

("the Developer")

and

Purchasers/Borrowers

Represented by Maxwell Alves, Solicitors

("the Client")

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Authorised and regulated by the Solicitors Regulation Authority (SRA No. 570838).

Its partners are Dr Alan Ma and Daniel T.Y. Cheung.

Full details of personnel can be viewed on its website.

WHEREAS

- 1.1. The parties to this Agreement have entered into contractual obligations in relation to the purchase and financing of properties in Cyprus.
- 1.2. The Client claims misselling by the Bank and/or the Developer and seeks compensation and/or nullification of the Contracts.
- 1.3. The Client may also have claims against the Developer for rent guarantees, unpaid service charges and other direct and implied undertakings by the Developer.
- 1.4. The Bank demands repayment of the money advanced for the purchase from the Client and/or from the Developer who has in each case guaranteed the Client's loan to the Bank.
- 1.5. The Developer may also have a claim against the Client for balances outstanding to the Developer under the terms of the Sales Contract but withheld by the Client.
- 1.6. The Bank has or is contemplating legal action against defaulting Clients and the Developer as Guarantor.
- 1.7. The Client is contemplating legal action against the Bank and the Developer.
- 1.8. The parties recognise that recourse to the courts may not provide a swift and effective resolution of their disputes.
- 1.9. The parties also believe that a satisfactory solution may be reached through dialogue and that at the very least, certain peripheral issues may be resolved in this way even if ultimately the main issues may have to be litigated.

IT IS AGREED AS FOLLOWS

- 2.1. The parties agree to have honest and frank discussions in the spirit of fairness with a view of resolving some or all disputes between them but without prejudice to their legal position.
- 2.2. The parties agree to use commercial considerations and the realities of the market today in order to resolve disputes between them.

- 2.3. Each of the parties undertakes not to abuse its position in order to gain unfair advantage over another.
- 2.4. The parties agree to withhold or suspend legal action pending conclusion of these discussions.
- 2.5. The parties agree to take whatever steps are necessary to ensure that time does not prejudice the right of the parties to ultimately resort to legal action.
- 2.6. The parties agree that where the Client has agreed to retain the property the Client shall be granted absolute title to the property with its own separate title number by the Developer and any charge by the Bank on that title shall be limited to the Client's liabilities to the Bank only. The same principle shall be honoured pending the issue of a separate title number.
- 2.7. All parties acknowledge that there may be legal strengths and vulnerabilities in their individual positions and have agreed not to exchange legal opinions and contemplate possible outcomes of legal action in order to avoid a breakdown of discussions.

PROPOSED BASIS FOR SETTLEMENT

The following remedies are not intended to be applied on every case. They are a set of remedies intended to address any situation that arises and are subject to agreement by all parties concerned in each case.

3. Developer/Client

- 3.1. Where the Bank has financed both the Developer and the Client the Bank will apply the adjustment in liabilities that have been agreed between the parties.
- 3.2. Properties that are not fit for purpose should be taken back by the developer and the Client should be compensated for his outlay.
- 3.3. Properties that do not meet the standard promised by the developer should be brought up to the promised standard or their value should be written down to compensate.
- 3.4. All other peripheral claims between Developer and Client should be settled in line with 3.1 above

4. Bank/Client

Subject to the application of Heading 3 above and its sub-clauses, all cases involving a dispute between the Client and the Developer can be cleared leaving only issues between the Bank and the Client. These fall into two categories:

- (a) Foreign currency appreciation; and/or
- (b) Substantial fall in value/income.

4.1. Where the Bank has lent in foreign currency in breach of regulations, the Bank should recalculate the loan in Euros and apply the difference as a write down.

4.2. Where the right-down is not sufficient to allow the Client to service the loan, the Bank should consider a further write down on the basis that adding more unwanted properties to an already stagnant market should be avoided if at all possible by encouraging the Client to retain the property.

4.3. Where even after a write-down the Client is unable to service the loan, the Bank should consider applying a further write down to a level that the loan can be serviced even if this means a level well below the forced sale value of the property. To compensate for this, the Bank may have shared ownership of the property at percentages to be agreed, with a view that, in due course, the Client may be able to buy-out in stages the Bank's share and/or the property may be sold and the Bank's share may be repaid from the proceeds.

4.4. Where the Client is unable to service a loan, whatever the balance outstanding, the Developer should facilitate its sale in order to maximise the sale proceeds.

4.5. For any remaining balance after the sale of the property, the Bank should apply mortgage debt forgiveness in line with current practice in other parts of Europe.

NEXT STEPS

- 5.1 Maxwell Alves will submit a list of clients they represent classified into the following categories:
 - (a) Foreign currency dispute only;
 - (b) Property/sale process dispute only; and
 - (c) Foreign currency dispute and property/sale process dispute.
- 5.2 Maxwell Alves will also provide for each case an information matrix with details of the Developer, the state of delivery of the property/development, the average net rental income per annum, the ability of the borrower to contribute to repayments from own resources and similar flags to facilitate assessment.
- 5.3 Where the dispute involves foreign currency lending, Maxwell Alves will submit with each account a recalculation of the loan on the basis that it was taken out in Euros from inception in order to provide a comparison with the current balance and indicate the amount that needs to be written off.
- 5.4 Where the case involves amounts due from the Developer to the Client or vice versa, Maxwell Alves and the Developer will each provide details for inclusion and adjustment of the liabilities under the provisions of 3.1 above.
- 5.5 Where the borrower is unable to maintain part of the repayments, Maxwell Alves will propose what further amounts need to be written-off or credited under a shared ownership scheme in order to make the loan serviceable.
- 5.6 Where the borrower is unable to service any repayments, the Developer will propose the net proceeds that can be realised from a sale and/or the book value that the Developer will take in the property and maintain the repayments in place of the Client in settlement of the Developer's guarantee liability.
- 5.7 The Bank may optionally, also offer a further discount for a lump sum settlement.

CONSIDERATION AND AGREEMENT BY THE PARTIES

- 6.1 The completed folder for each case will then be circulated to each of the parties for consideration and counter-proposals.
- 6.2 Proposals and counter-proposals may be circulated as many times as necessary to reach agreement.
- 6.3 Where agreement cannot be reached the parties will be free to take whatever steps each considers necessary to satisfy their respective claims.