



PROJECT ADRIATIC: FREQUENTLY ASKED QUESTIONS

The following was prepared for investors based on common questions asked to Adriatic Resorts management about the project. Please note that Adriatic Resorts enjoys very strong relationships with the US Embassy, Albania National Government and the Municipality of Tirana. Should the reader require verification, or have further questions on any of the below, management will arrange meetings with the key stakeholders in Tirana who are positioned to provide additional detail. In reading this, it is important to remember that Albania has been a member of NATO since 2009, is currently in accession talks with the EU to become a member nation, and is considered an upper-middle income country by the World Bank and US Department of State.

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Is Albania a Poor Country?

According to the World Bank, “Albania has transformed from one of the poorest countries in Europe to an upper-middle-income country. The country is implementing important reforms to revitalize growth and job creation, while advancing the European Union integration agenda.” However, few statistics are available to determine the actual average income. According to CEIC, the reported monthly earnings is \$620 as of March 2022. Assuming this represents 60% of total income, the average worker makes over \$1,000 per month. (With approximately 40% to 50% of the country’s economy traded in cash, identifying the exact average income is not possible.) According to the US State Department, total bank deposits at the end of 2021 approximated USD 17 billion, mostly based on customers deposits. This equates to an average of \$22,000 per household. (This compares to the United States that has a median bank account balance of \$5,300 and an average savings account balance of \$41,600, among those that have savings accounts.)

Unlike Americans, Albanians carry very little debt. According to Trading Economics, Albania’s national debt is only 78% of its GDP. In comparison, the United States debt equates to 137%, nearby Italy is 151%, and Albania’s neighbor, Greece, debt to GGP ratio is 193% of its GDP. As house mortgages and car loans are nearly non-existent in Albania, Albanians enjoy a comparatively high amount of disposable income. Most Albanians do not pay rent as they inherited the home in which they were living when the dictatorship fell in 1991.

Tirana

This label as “upper-middle-income country” is evident when walks through the capital city, Tirana, and sees the number of people driving luxury cars and going out on a nightly basis to dine and enjoy the cafes and nightlife. (During the pandemic, Albania overtook Spain as having the most cafes per capita.) According to Euronews statistic, household income within Tirana prefecture is nearly double the national average for household income. Car ownership is high as well. At the end of the 2021, there were 539,000 cars registered in Albania, with 40% of those (215,600) registered in Tirana prefecture. Assuming 2.2 adults per household, this equates two 66.6% of the households owning

a vehicle. This percentage is in line or above other major cities across western Europe, including London and Paris. The two most popular brands are Mercedes Benz with 18% of the market, followed by Volkswagen at 10%.

Based on the above statistics, the following chart was assembled illustrating the likely economic breakdown of Tirana prefecture, the capital city whose population represents 1/3 of the total population. The following is based on the reported 2021 GGP of \$17.8 B, and the assumption that 40% of the economic activity in Albania goes unreported. The breakdown by income class is based on discussions with local Albanian and Tirana Municipality government officials, and typical income distributions by class experienced in developed cities across the world. Overall, it is estimated that the average wages per adult are \$27,981 per annum, with half of the population averaging \$7,500 per year, and the other half averaging over \$50,000 USD per year which allows for a substantial level of disposable income given the lack of debt.

Estimate of Tirana Prefecture Income Breaddown 2021						
	Annual Wages Per Person		AAHI	% Population	Adult Population Tirana	Total Income
Lower	\$	7,500	\$ 10,800	50.6%	382,845	\$ 2,871,335,439
Middle	\$	30,000	\$ 48,000	43.5%	309,771	\$ 9,293,127,876
Upper	\$	175,000	\$ 275,000	5.8%	43,505	\$ 7,613,389,423
Rich	\$	750,000	\$ 2,050,000	0.25%	1,135	\$ 851,186,395
TOTAL	\$	27,981			737,256	\$ 20,629,039,133

Sources: [World Bank](#), [Euronews](#), [Trading Economics](#), [US State Department](#)

Is Albania a safe place for US investors to invest money?

Albania’s legal framework is in line with international standards in protecting and encouraging foreign investments and does not discriminate against foreign investors. The Law on Foreign Investments of 1993 outlines specific protections for foreign investors and allows 100 percent foreign ownership of companies in all but a few sectors. The U.S.-Albanian Bilateral Investment Treaty, which entered into force in 1998, ensures that U.S. investors receive national treatment (US investors are to be treated no differently to Albanian national investors) and most-favored-nation treatment. Albania

and the United States signed a Memorandum of Economic Cooperation in October 2020 with an aim of increasing trade and investment between the two countries. Since the signing multiple U.S. companies have signed agreements for major projects in the country.

Source: US State Department

How is the project protected by property right issues?

At the recommendation of the US Embassy, Adriatic Resorts is going through the AIDA process for its land acquisition, which is currently owned by the Municipality of Tirana. This process ensures the land is free of any claims. If any claims were to arise, the national government of Albania takes on all responsibility for the claim and any financial restitution that the courts determine should be paid by the Government to the claimant, with no recourse to the investor. It cannot, by law, impact the status of the land held by the recipient (here, Adriatic Resorts). More information on strategic investments and the AIDA process can be found here: <https://www.aida.gov.al/en/>

Does Albania have a tax treaty with the United States?

No, Albania and the United State have yet to enter into a tax treaty. For this reason, Adriatic Resorts Albania is fully owned by Adriatic Resorts LTD (UK Company), which is fully owned by Adriatic Resorts, LLC (US Company) to avoid double taxation. Albania has a tax treaty with UK and the UK has a tax treaty with the US. This structure was recommended by Anderson Advisors, one of the world's leading international tax practices.

How has Albania dealt with its reputation of corruption?

Prime Minister Edi Rama and his administration speak openly about their reputation as being corrupt and have been aggressively implementing laws to tackle these issues. For example, in 2019, the administration formed the [Special Anti-Corruption Structure](#) (known as SPAK). SPAK is an independent judicial entity tasked with investigating corruption

and organized crime at the highest levels of government and society in Albania. It consists of the National Bureau of Investigation, the Special Prosecution and the Special Courts. This task force has received strong support from the US Embassy and its European allies. The work of SPAK is evident with SPAK issuing 32 arrest warrants and detaining 18 people in 2021. In addition, a number of judges and others resigned their positions upon the SPAK being authorized to begin their vetting.

Another example includes the government of Albania committing to proactively implement the anti-corruption strategy as part of the National Strategy for Development and Integration (NSDI). According to the [Council of Europe](#), of which Albania is a member state the adoption of the new Crosscutting Strategy for the Prevention and Fight against Corruption and for Transparent Governance 2008-2013 aims at the progressive and sustainable reduction of corruption, boosting of the institutions' integrity and promotion of good governance and transparency.

The above initiatives and others have allowed the Rama administration to make significant strides in its bid to enter the EU. In July 2022, the EU officially voted to begin accession talks with Albania to join. No country that has begun accession talks has been refused entry to the EU.

Sources:

Council of Europe: <https://www.coe.int/en/web/tirana/project-against-corruption-in-albania>

Special Anti-Corruption Structure: <https://en.m.wikipedia.org/wiki/SPAK>

European Council: <https://www.consilium.europa.eu/en/policies/enlargement/albania/>

Why does 40% to 50% of the economic activity in Albania go unreported?

When the dictatorship fell in 1991, a number of corrupt private citizens and government officials started a number of wide-scale pyramid schemes, whereby local Albanians would invest their savings and were guaranteed unrealistic returns. These schemes were able to flourish as they received wide support by the National Government of Albania. The schemes finally blew-up in 1997 with total liabilities of \$1.2 billion, a year

in which the country's total GDP was only \$2.3 billion. Due to nearly two-thirds of the country's citizens investing in these schemes, the population became very weary of trusting financial institutions with their money. However, times are changing, according to the US State Department, the banking sector now is sound, profitable, and well capitalized. Customers are becoming more comfortable with leaving their money in banks, particularly in any number of the international banks setup in the country. This is facilitated by the ability for customers to keep their deposits in LEK, Euros and USD. Credit card use is also becoming more widely used and the government is increasing its oversight of tracking customer spend and working to move away from a cash dependent economy.

Source: [International Monetary Fund](#), US Department of State

Does Albania have a strong tourism industry?

Tourism in Albania has been exploding over the past 5 years. In the second quarter of 2022, tourism grew 60% over the same period in 2021, from 1.2 million arrivals to 1.9 million arrivals. In addition, this figure represents a 31% increase over pre-pandemic, 2019 levels. Based on discussions with the Ministry of Tourism, these figures continue to be strong into the third quarter.

In July 2022, Conde Nast Traveller rated Tirana as the 2nd most underrated city in Europe. Conde Nast's recognition of Albania for its beaches and as a foodie destination continues to help propel the growth in the tourism sector.

Sources:

CondeNastTraveller : <https://www.cntraveller.in/gallery/the-most-underrated-european-cities-according-to-seasoned-travellers/>

Trading Economics: <https://tradingeconomics.com/albania/tourist-arrivals>

Albania Ministry of Tourism

What are the risks of a new political party negatively impacting Project Adriatic?

Prime Minister Edi Rama won this third term in September 2021 with 79% of the vote. The next election is September 2024. With Adriatic Resorts receiving Strategic Investor status, which requires parliamentary approval and enjoys bipartisan support, an attempt to derail the project is highly unlikely. As stated by the US State Department, the Government of Albania has generally not engaged in expropriation actions against U.S. investments, companies, or representatives.

Furthermore, Albania has also ratified the World Bank's Multilateral Investment Guarantees Agency (MIGA) Convention. MIGA provides investment guarantees against certain non-commercial risks (i.e., political-risk insurance) to eligible foreign investors for qualified investments in developing member countries. MIGA's coverage covers the risks of currency transfer restriction, expropriation, breach of contract, war, terrorism, civil disturbance, and failure to honor sovereign financial obligations. MIGA frequently covers hospitality developments and Adriatic Resorts is in discussions with MIGA to gather additional information. For more information on MIGA, please see: <http://www.miga.org/>

How is Albania impacted by the war in Ukraine?

Economically, Albania is experiencing an increase in energy prices, as is the rest of Europe. However, as the electricity in Albania is primarily provided by hydroelectric plants in Albania, it is far more insulated from the impacts of increased energy costs than the rest of Europe. As most of the food in Albania is sourced locally, the decrease in grain exports and other agriculture from Ukraine has not impacted Albania.

Politically, in the history of Albania, the country has never been part of the Soviet Union or any other country. When the war in Ukraine broke out, the Municipality of Tirana renamed the street where the Russian Embassy is located "Rruga Ukraine e Lire" (Free Ukraine Avenue). Furthermore, Albania has been a full member of NATO since 2009.

With what ease can the profits from the project be repatriated to America?

The government of Albania has adopted policies to promote the free flow of financial resources and foreign investment in Albania. The Law on “Strategic Investments” is based on the principles of equal treatment, non-discrimination, and protection of foreign investments. Foreign investors have the right to expatriate all funds and contributions of their investment. In accordance with IMF Article VIII, the government and Central Bank do not impose any restrictions on payments and transfers for international transactions.

Source: US State Department

Does Albania have a stable banking environment?

According to the US State Department, the banking sector is sound, profitable, and well capitalized. The Bank of Albania, the country’s Central Bank, is responsible for the licensing and supervision of the banking sector in Albania. By law, all banks must keep 12% of deposits with the Central Bank of Albania to ensure liquidity and stability of the market. The banking sector is 100 percent privately owned and its total assets have steadily increased over the years reaching USD 17 billion at the end of 2021 mostly based on customers deposits. This equates to an average of \$22,000 per household. Many of the banks operating in Albania are subsidiaries of foreign banks, such as Raiffeisen Bank, Alpha Bank, Intesa and OTP.

Source: US State Department, Wikipedia, Kazazi Consulting

What is the ability to exchange Albanian LEK to USD?

The Law on Foreign Investment guarantees the right to transfer and repatriate funds associated with an investment in Albania into a freely usable currency at a market-clearing rate. Only licensed entities (all banks and other services) may conduct foreign exchange transfers and waiting periods depend on office procedures adopted by the individual banks. Foreign exchange is readily available at banks and exchange bureaus.

Preliminary notification is necessary if the currency exchange is several million dollars or more to allow the bank to verify that authenticity of the transfer. Liquidity for exchanges and transfers is ample. Businesses and individuals are allowed to hold deposits in Albanian LEK, USD and Euros. Adriatic Resorts will bank with one of the larger international banks, such as Raiffeisen, Intesa or OTP, to facilitate the movement of funds out of the country.

How will the project be positioned to facilitate foreign exchange for customers?

As with other hospitality businesses in Albania, Project Adriatic will be licensed to handle foreign exchange. Customers will be able to pay in LEK, USD and Euros. Adriatic Resorts, along with its chosen partner bank, will have in-house facilities setup to easily allow the transfer of funds to and from outside banks, as is traditional in the gaming industry. Albania has its own laws and regulations regarding anti money laundering and terrorist financing. Adriatic Resorts will implement the required regulations and where they are found to be below the standard required in the USA, we will adopt the higher standard.

How will the project avoid money laundering?

For Project Adriatic, Adriatic Resorts will implement full AML and KYC practices consistent with Nevada, and ensure is also in compliance with Albania's existing AML laws. Adriatic Resorts management and partners all hold gaming licenses across the United States and will not do anything to jeopardize said licenses. Furthermore, for the gaming regulations that will apply to Project Adriatic, all gaming transactions will be processed through, and monitored by, GLI approved technology that adheres to GLI Standard 13.

Have there been any litigations with US companies?

According to the World Bank Group's Investment Centre for Settlement of Investment Disputes, there is one pending litigation regarding the concession at the Durres port

container terminal in the transportation sector. The lead claimant is Durres Kurum Shipping SH.P.K. an Albanian Company. Kurum International is large Turkish company focusing on metals and electricity with deep ties to the region, including owning a number of hydroelectric plants and mines across Albania. Listed as one of the claimants is a US company called Metal Commodities Foreign Trade Corp, a Delaware company. The depth of their investment or investor group is unknown. None of the claimants have received strategic investor status.

Through discussions with the US Embassy and others, Adriatic Resorts has not identified any other current litigations with US investors. There has never been a litigation with any investor (American, Albanian or other) that received Strategic Investor status. Adriatic Resorts has only been able to identify one additional litigation with a US entity. This litigation was not a foreign direct investment and involved Albanian nationals who had been granted US passports during the Sali Berisha era in the early 1990s.

Source: <https://icsid.worldbank.org/cases/case-database/case-detail?CaseNo=ARB/20/37>