

*Special Prosecution Office of the Republic of Kosovo
Prokuroria Speciale e Republikës së Kosovës
Kancelarija Specijalnog Tužilaštva Republike Kosovo*


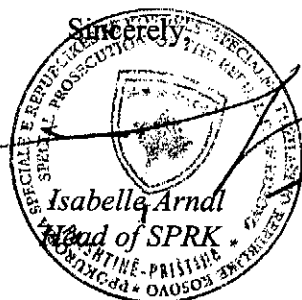
Prishtinë / Priština, 13 October 2010
Ref: SPRK/292/in/Reg
Ref: SPRK/lett/IA/323/10

Dear Mr. Capussela,

I take a note of your letter of 27 September 2010, by which you bring to the attention of the Special Prosecution Office of Republic of Kosovo ("SPRK") the legality of the decision of the Government of Kosovo to expropriate parcels of land near Gracanica belonging to SOE Kosova-Export, as well as the inadequacy of the proposed compensation for this expropriation.

In view of the ongoing expropriation proceedings undertaken by the government I would like to suggest that at this stage the SOE, and/or any Interest Holder having a direct material interest in the property affected by the decision on expropriation, is advised about the available legal remedies for challenging the legality of the expropriating decision as well as the adequacy of compensation for the expropriated land.

Thank you for raising this matter with the SPRK.

Sincerely,


Isabelle Arndt
Head of SPRK

Dr. Andrea Lorenzo Capussela
Head of the Economic and Fiscal Affairs Unit
International Civilian Office

Cc: Mr. Johannes Pieter Van Vreeswijk
Chief EULEX Prosecutor
cc: Mr. Eduard Gueroff
EULEX PROSECUTOR, SPRK

Art 16

...

If a person files a complaint with the competent court pursuant to Article 36 of the present law challenging the adequacy of the compensation provided for in the Final Decision, and the court issues a judgment requiring the payment of additional compensation, the Expropriating Authority shall pay, or shall require the applicant or anticipated Beneficiary - if any - to pay, such additional compensation.

4. Any Owner or Interest Holder who disagrees with any aspect of the valuation determination shall have, after the effective date of a Final Decision attaching such determination, the right to challenge such valuation determination, in whole or in part, by filing a complaint with the competent court in accordance with Article 36 of the present law.

Complaints Challenging a Preliminary Decision on the Legitimacy of a Proposed Expropriation

A 35

1. If a Person is an Owner or an Interest Holder with respect to immovable property that is the subject of an expropriation procedure, and such Person reasonably believes that the concerned Preliminary Decision - or any aspect thereof - is contrary to one or more of the conditions established in paragraph 1 of Article 4 of the present law, such Person shall have the right to file a complaint with a court of competent jurisdiction challenging such Preliminary Decision, in whole or in part.

2. If the Expropriating Authority is the Expropriating Authority of a Municipality, the complaint shall be filed with the concerned municipal court. If the Expropriating Authority is the Government, the complaint shall be filed with the Supreme Court of Kosovo.

3. Any such complaint must be filed within thirty (30) calendar days after the effective date of the concerned Preliminary Decision as specified in paragraph 5 of Article 10 of the present law. If such a complaint is filed after the expiration of such thirty (30) calendar day period it shall be rejected by the court.

. The Expropriating Authority shall not issue a Final Decision with respect to any property or rights that are the subject of a complaint that has been timely filed under this Article until the court where such complaint was filed issues a judgment on that complaint.

9. Except as provided in paragraphs 10 and 12 of this Article, a judgment of a court under this Article shall be appealable in accordance with the generally applicable law governing such appeals.

Article 36

Complaints Challenging the Adequacy of Compensation

1. If an Expropriating Authority issues a Final Decision under Article 11 of the present law, any concerned Owner or Interest Holder with respect to property and/or rights expropriated by such decision may file a complaint with a court of competent jurisdiction challenging the amount of compensation and/or damages that such decision provides shall be paid to such Owner and/or Interest Holder.

2. If the Expropriating Authority is the Expropriating Authority of a Municipality, the complaint shall be filed with the concerned municipal court. If the Expropriating Authority is the Government, the complaint shall be filed with the Supreme Court of Kosovo.

Article 39

Other Disputes

1. Complaints and other legal disputes falling within the scope of Article 35, 36, 37 or 38 of the present law shall be handled as provided in those Articles. In the event of a conflict between such an Article and the provisions of the Law on Administrative Procedure or any other procedural law, such Article shall prevail.

2. All other legal disputes relating to an act taken or a decision adopted by a Public Authority under the authority of the present law shall be subject to and governed by the applicable provisions of the Law on Administrative Procedure; provided, however, that any provision of the Law on Administrative Procedure eliminating or unreasonably restricting the right of an affected Person (a Person who has been specifically affected by such an act or decision) to file a complaint with a competent court challenging such act or decision shall be not be applied.

Final Decision on Expropriation

Art 11.

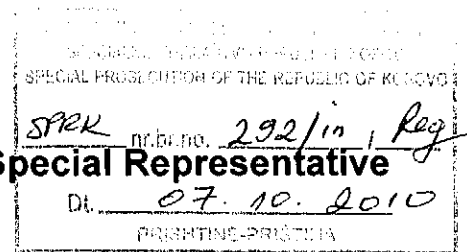
4.3.5. a notice advising the Applicant and any Person who is an Owner or Interest Holder with respect to property or rights affected by such Final Decision of their right to file a complaint with the competent court challenging such decision, or any aspect thereof, pursuant to Article 36 or 37 of the present law, within the thirty (30) day period specified in those A

10. The Applicant or any Owner or Interest Holder having a direct and material interest in the immovable property that is the subject of a Final Decision, whether or not identified in such decision, shall have the right to challenge such decision in accordance with Articles 36 or 37 of

the present law by filing a complaint with the competent court in accordance with the provisions of those Articles.



International Civilian Office/EU Special Representative



24 September 2010

Dear Isabelle, dear Johannes Pieter,

I am sending you some emails and documents on a case that may be of interest to you; I learned of this case yesterday, at the meeting of the board of directors of the Privatisation Agency of Kosovo (PAK).

The government is expropriating land of an SOE near Gracanica (near the 'international village') for the benefit of the American University in Kosovo (AUK); (see the papers attached). I see some problems:

- by law, SOE assets cannot be expropriated;
- I assume that, by law, expropriation is only possible to the benefit of a public entity, not a private one (such as AUK);
- the EUR 3.4m compensation that is proposed seems to cover – on the basis of the valuation paper supporting it – between 1/5 and 1/6 of a conservative estimate of the market value of the land (it suggests a value of EUR 11 per square meter, while banks – which can be assumed to use rather conservative estimates of market value – accept comparable land as collateral based on a valuation of EUR 50/60 per square meter);
- it is unknown whether, and how, AUK would in turn compensate the budget.

If these doubts are well-founded, then the budget would be making a EUR 15m gift (at the very least: 18.5 minus 3.4) to AUK by illegally expropriating an SOE and leaving to its creditors only EUR 3.4m.

I will add that the 'international village' is a real estate project promoted by a businessman who is also the chairman of the PAK board (Dino Asanaj); yesterday, he forcefully defended the plan and proposed compensation. Also, a colleague of mine confidentially told me of a rumour whereby this deal has been agreed between the prime minister and a prominent ambassador.

Should you find it useful, I am at your disposal to give you further analysis and information.

Have my best regards.

Yours faithfully,

Dr. Andrea Lorenzo Capussela
Head of the Economic and Fiscal Affairs Unit

Mr. Johannes Pieter Van Vreeswijk
Head of EULEX Prosecutors

Ms. Isabelle Arnal
Head of EULEX Special Prosecutors

EULEX
Pristina

REPUBLIC OF KOSOVA
Government

No. 04/130
Date: 16.06.2010

Pursuant to Article 92 paragraph 4 and Article 93 paragraph 4 of the Constitution of Republic of Kosova as well as Article 8 paragraph 5 of Law on Expropriation of Immovable Property, Article 4 paragraph (3) of Rules of Procedure of the Government of Kosova no. 012007, Government of the Republic of Kosova in the meeting held on 16 June 2010, issued the following:

DECISION

1. Approval of further review of request for expropriation for public interest with regard to immovable property; concretely parcels no. 257, 259, 260, 261 and 382 under PAK administration, which is located in Cadastral Zone of Hajvalia and in which has started construction of Campus of American University in Kosova.
2. Ministry of Education, Science and Technology and the Ministry of Economy and Finance are obliged for implementation of this Decision.
3. The Decision enters into force on the announcement date in the Official Gazette of the Republic of Kosova and publication in a newspaper with high circulation in Kosova.

Hashim THACI
Prime Minister of Kosova

Sent to:

- All Ministries (Ministers)
- PM Permanent Secretary
- Government Archive



REPUBLIKA E KOSOVËS - REPUBLIKA KOSOVO - REPUBLIC OF KOSOVO
AGJENCIA KOSOVARE E PRIVATIZIMIT - KOSOVSKA AGENCIJA ZA PRIVATIZACIJU - PRIVATISATION AGENCY OF KOSOVO

To: Mr. Ahmet Shala
Minister of Economy and Finance
Prishtina, Kosova

Cc: Mr. Enver Hoxha, Minister of MEST
Mr. Chris Hall, AUK President

Subject: Evaluation Report

Dear Minister Shala,

Thank you for your up to date cooperation as foreseen in the meeting held on 8.07.2010 in the premises of the Ministry of Economy and Finance regarding certain immovability, with the purpose of higher education.

Starting from discussions of the meeting, respectively item V of the minutes, after receiving independent evaluation of immovability, PAK will distribute evaluation report to certain parties. Therefore, please find attached evaluation report of immovability as foreseen in item III of 8th July meeting.

Thank you for your cooperation and we hope to continue with the same cooperation in the future.

Sincerely yours,

Mrika Tahiri,
Deputy Managing Director – Asset Realization Division
Privatisation Agency of Kosova

Addendum:
Evaluation of Immovability

REPUBLIC OF KOSOVA

Government
Cabinet of Minister

To: Ilir Ibrahim, Deputy Director of American University in Prishtina
Mrika, Tahiri, Deputy Managing Director of Privatisation Agency of Kosova

Cc:

Through:

From: Ahmet Shala, Minister of MEF

Subject: Respond to request for allocation of financial means for the building of Campus of American University in Kosova - Prishtina

Office no.: **Location:** MEF, Government Building **Date:** 14.09.2010

Dear,

Hereby, we inform you that the evaluation of properties of SOE-IAC Kosova-Export from Hajvalia was performed related to parcels 257/0, 259/0, 260/0, 382/0 in Cadastral Zone in Hajvalia in a surface of 30ha, 99are and 0.1 m² (309,902.00 square meters) which property is under administration of Privatisation Agency of Kosova.

We inform you that the Ministry of Economy and Finance when reviewing documentation of Mid-Term Expenditure Framework 2012-2014, will submit your request for financial support regarding expropriation of the abovementioned surface.

Further we inform you that the Government of the Republic of Kosova is committed that the obligations resulting from expropriation process will carry as it own obligations.

Sincerely yours,

Ahmet Shala,
Minister

REPUBLIC OF KOSOVA
Government
Cabinet of Minister
Ministry of Economy and Finance
Department of Property Tax

Date:	03.09.2010
Reference:	
To:	Agim Krasniqi, Director of Central Budget
CC:	
Through:	Naim Baftiu, Acting Permanent Secretary, MEF
From:	Shkelzen Morina, Director of Department of Property Tax
Subject:	Report on Re-evaluation of Property regarding expropriation matters based on Decision no. 04/130.

Dear Mr. Krasniqi,

We inform you that re-evaluation of properties of SOE AIC Kosova-Export from Hajvalia parcels no. 257/0, 259/0, 260/0, 261/0, 382/0 in Cadastral Zone in Hajvalia in a surface of 30ha, 99are, 01m², which are under administration of Privatisation Agency of Kosova (PAK) is completed in which parcels has started construction of Campus of American University in Kosova based on decision of the Government of the Republic of Kosova no. 04/130 dated 16.06.2010.

The property is composed of land parcel in urbane zone of Hajvalia in a surface of 309.901.00m²; parcel is situated 5 km away from Prishtina city.

The report is evaluated and drafted conform Uniform Standards for Professional Appraisal Performance (USPAP), Code of Ethical Professional and Article 15 in full compliance with Expropriation law. Market value of immovable property on 06.09.2010 is **€3,408,911 (three million four hundred eight thousand nine hundred eleven euros).**

Funds to be provided from Governmental funds, for the next meeting of the Government to be submitted in the agenda.

Financing amount is **€3,408,911.**



Privatization Agency of Kosovo

Assignment of Duties

Evaluation of Immovability
Socially Owned Enterprise IAC Kosovo Export

Parcels:

P-71914002-00257-0; P-71914002-00259-0; P-71914002-00260-0;

P-71914002-00261-0; P-71914002-00382-0

Cadastral Zone Hajvali, Municipality of Pristina

July 2010

This report contains 40 pages



Aurelian Capital, LLC
APPRAISALS - VALUATIONS

Mr. Shkelzen Lluka and Mr. Naim Avdiu
Privatization Agency of Kosovo
"Irir Konushevci" street no. 8
10000 Pristina, Kosovo

Dear Mr. Lluka and Mr. Avdiu

Aurelian Capital – Kosovo L. L. C. has been engaged by the Privatization Agency of Kosovo (PAK) to value assets (parcels) of Socially Owned Enterprise IAC Kosovo Export, Assignment of Duties no. 6, dated June 29th 2010. The list of assets (parcels) subject of this valuation, are presented here as Appendix 1 of this report

In order to perform this mission, the representatives of "Aurelian Capital" were physically besides the parcels of Socially Owned Enterprise IAC Kosovo Export, Cadastral Zone Hajvali, Municipality of Pristina, to perform physical verifications, verifications of technical-economical verifications and achieving conclusions regarding the duties assigned as per the above mentioned contract.

In compliance with your records and graphical information, textual, physical field inspection and the judgments of valuation team, we hereby present to you the Valuation Report for determining the real value of the above-mentioned parcels. Furthermore the valuation team has made a survey in nearby properties, researched the market in order to compare the sale records, and has analyzed the most applied records of the survey, as described in the scope of this report. The valuation represents the market value and is based on the value of the properties until the moment of valuation completion.

In this valuation is also given the opinion on the market value and legal interest, assuming that the client is the owner respectively administers the property, and assuming that the legal title is exact, complete and can be proved.

Based on our analyses we concluded that the market value for the property which is object of this valuation is 3,469,862 € (three million and four hundred and sixty nine thousand and eight hundred sixty two euros). This report is prepared only for the internal use of PAK and as such is confidential assuming that the report shall not be given to a third party without a prior approval from Aurelian Capital.

Sincerely,
Aurelian Capital L. L. C.



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1. VALUATION OBJECT, ADDRESS

The valuation object is the valuation of assets of Socially Owned Enterprise AIC Kosovo Export, composed of parcels P-71914002-00257-0, P-71914002-00259-0, P-71914002-00260-0, P-71914002-00261-0, P-71914002-00382-0 located in Cadastral Zone Hajvali, Municipality of Pristina.

2. THE PURPOSE OF THE VALUATION

The determination of the real market value of the above mentioned parcels as per the Engagement Request for assignment of duties no. 6 dated June 29th 2010 PAK, approved by Aurelian Capital.

3. DETERMINATION OF THE VALUE

It has been requested from us to value the property based on the definition of International Standards on Valuation "Market Value", which is respectively defined as:

"In most cases the price of property which we desire should be taken during the sale in an open and competitive market under required conditions and fair, the seller and buyer as conscious parties determine the price without any negative impact." The impact of this determination is the consumption of sale at the specified date and as a result of this the sale shall be legitimate under the following conditions:

1. The buyer and seller are motivated in a specific manner.
2. Both parties are well informed or well advised that they are in a position to determine their best interests.
3. In a timely justified manner were exposed in an open market.
4. The price based on the determined conditions is in Euros or another counter value as per the approved conditions: and
5. The price is respectable and it is considered normal for the sale of property and it is not impacted by any financial specific of sale through concession supported by someone for sale.



4. VALUATION DATE

The visit to the immovability property accompanied with measurements, verifications, necessary photographs as well as the analyses, research and compilation of this report were done during the following time period: June 30th – July 12th 2010. After the processing of records taken in the field, as well as drafting and particular graphical illustrations and written material, we present today on July 13th 2010 in the complete valuation report regarding the above-mentioned parcels.

5. PROPERTY OF ENVIRONMENT OF S.O.E. AIC KOSOVO EXPORT

Name of the enterprise	SOE AIC Kosovo Export	
Location	Cadastral Zone Hajvali, Municipality of Pristina	
Destination of the enterprise AIC Kosovo Export	Various types of corn and nutriment for animals	
Products	Agro business	
Actual destination	Based on the Municipal Development Plan included in the construction zone	
Building, land and other assets	Approximately 30 hectares of agricultural land in a compact location of Pristina Municipality	
Parcels	P-71914002-00257-0, P-71914002-00259-0, P-71914002-00260-0, P-71914002-00261-0, and P-71914002-00382-0	

6. LEGAL DESCRIPTION OF PROPERTY

The property can be identified in the Registry for Rights on Immovable Property in the Municipal Cadastral Office (MCO) or Cadastral Agency of Kosovo (CAK) based on the Property Certificate.



P-71914002-00257-0, P-71914002-00259-0, P-71914002-00260-0,

P-71914002-00261-0, P71914002-00382-0, CZ Hajvalia, Municipality of Pristina, these properties are currently registered in the name of P. SH. AIC Kosovo – Export with HQ in Fushe Kosovo.

7. INSTRUCTIONS

Based on the request represented by PAK, we have the honor to present the Valuation Report on the above-mentioned parcels.

We have endeavored to rate the real market value for the above mentioned object on July 12th 2010, based on the specific argumentations that are related to the purpose and object of the valuation in question.

This valuation is based on the valuation methodology for immovable property applying prices of the free market, as per the principle of the request – offer.

The same mentioned elements are required for the review and to issue critical judgments in determining the appropriate scope of work. The work extent is a necessary determination in this assignment and should be included, but the following activities have not been limited:

- Identification of the property subject of which shall be evaluated;
- Application of an internal and external inspection of the property improvements and the surveillance of the general physical state;
- Surveillance of the location which shall be subject to its physical conditions and to further respect its circumstances and its environment;
- The records which were taken and reviewed for the property's ownership and the valuation records;
- Current information on the region taken from the municipal governance;
- Market records researched and certified;
-



- Cost application, Sale Comparison and Income from the approach of clients' requests to be equaled into a final amount.

Individual characteristics used in this valuation are included into the Valuation Methodology.

8. SOCIAL, ECONOMICAL AND GEORGAPHICAL ANALYSES

Regional Analyses

Kosovo in the south borders with the Republic of Macedonia, in southeast with the Republic of Albania, in northeast with the Republic of Montenegro and in the north and northwest with the Republic of Serbia.

The approximate number of inhabitants in the Republic of Kosovo is about 2.3 million inhabitants whereas the city of Pristina has an approximate number of 400 thousand up to 5000 thousand inhabitants (the last registration of the population in Kosovo was done in 1981 and the statistics have similar valuation indicators). Migrations, village-city, have resulted with an increased number of population in the cities, respectively in the horizontal expansion of the construction land surface. Other main centers are: Mitrovica, Peja, Gjakova, Prizren, Ferizaj and Gjilan.

Kosovo currently enjoys free trade within the Central European Free Trade Agreement CEFTA, enabling its procedures in order to enter the regional market composed of 28 million clients, free from any custom obligation.

Considering the positive climate for business, sustainable macro economical environment and excellent possibilities in various business sectors, Kosovo is becoming a very attractive place for business. As a result of this the foreign investors' interest has been increased continuously during the last few years as well as the entrance of foreign investments from abroad.

Multilateral Investment Guarantee Agency (MIGA) member of the World Bank Group guarantees investments in Kosovo at the amount of 20 million euros. The Overseas Private Investment Corporation (OPIC) also offers the political risk insurance for foreign investors in Kosovo.

Based on several reports from the time period 2001- 2004 Kosovo received 3.2 milliard, from foreign investments. An international donors' conference was held in



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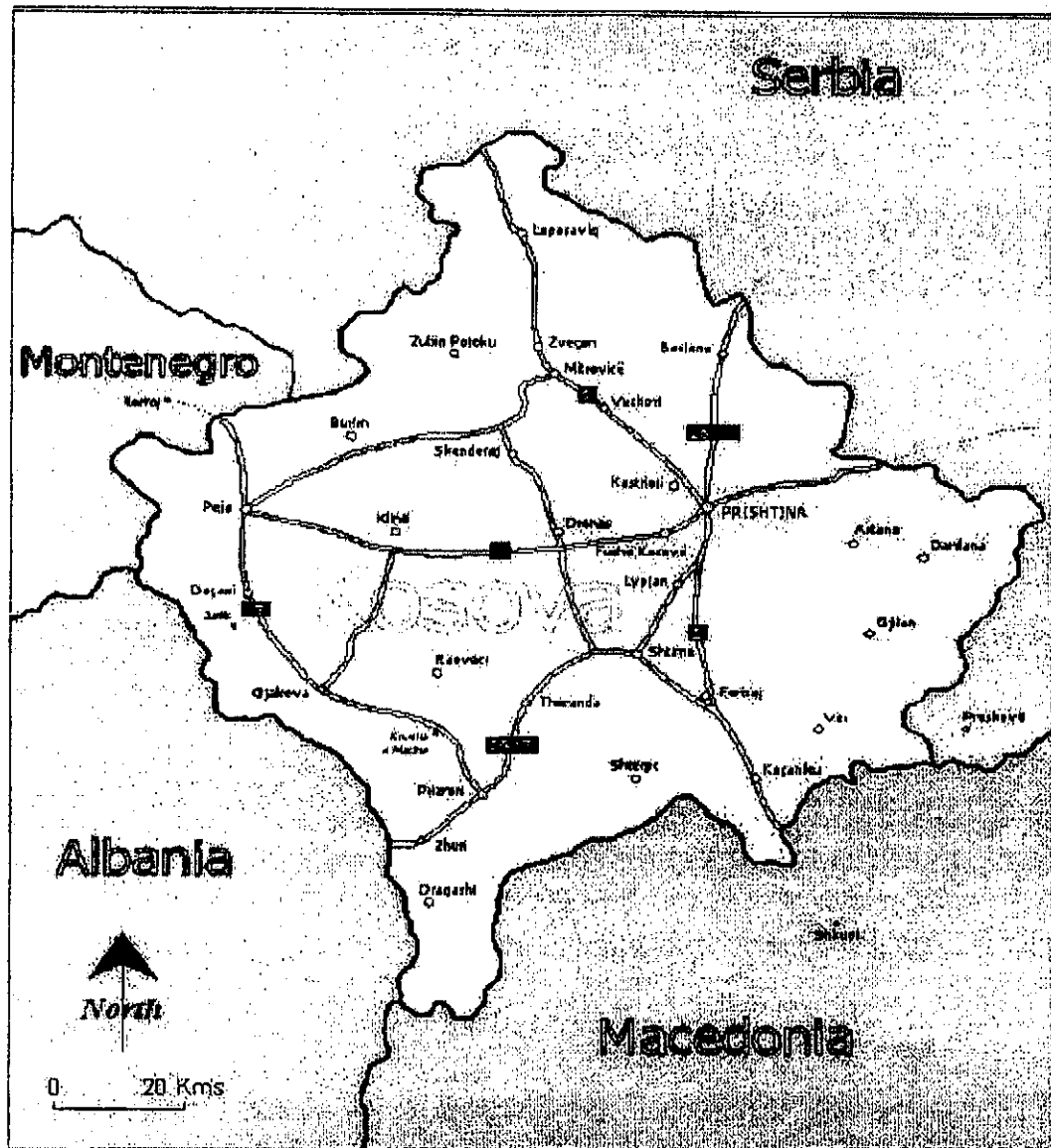
2008, in Switzerland. EU promised 2 million €, with 350 million € from the USA and especially 120 million € were committed for Serbian enclaves in Kosovo.

Kosovo joined International Monetary Fund and World Bank on June 29th 2009, as 186th country which joined both institutions. 95 % of Kosovors have voted in favor of the masses.

The reduction for 50 % of the applied taxes in 2008 have had an impact so that the investments in the country have doubled, by establishing an economy on the rise for "at about 4,0%-5,0%" in 2010 as predicted by IMN.



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Region of Analyses

Pristina

Massive investments in state institutions such as New Pristina University, construction of residence buildings as well as the construction of industrial zone in Pristina's suburb impacted in internal migration of population from all over Kosovo. From 1971 – 1981 the population increased from 70,000 into 110,000 inhabitants.

From 1980 the changes in the process of the function of political systems started, with the events in the southeast Europe followed by demonstrations of 1981 in Kosovo which at that moment put Kosovo into a functional crisis followed with repressive measures until the countermand of Kosovo's Autonomy by Belgrade which resulted not only in economical break down but also in the recess of internal migration by having a huge impact into the increase of external migration (abroad).

Undoubtedly these impacts were more reflected in Pristina. From the year of 1989 until 1999 when NATO Alliance bombed violent targets in Serbia and Kosovo and as a result of this campaign Kosovo won its freedom. Enthusiastic population (approximately one million refugees) returned into their lands, but the country was destroyed. Lots of emergency charities were given for the population, but other phenomenon took place, especially occupations of flats and residential premises as well as other phenomenon which did not encourage economical development.

Kosovo in these conditions was administered by UNMIK's interim structures.

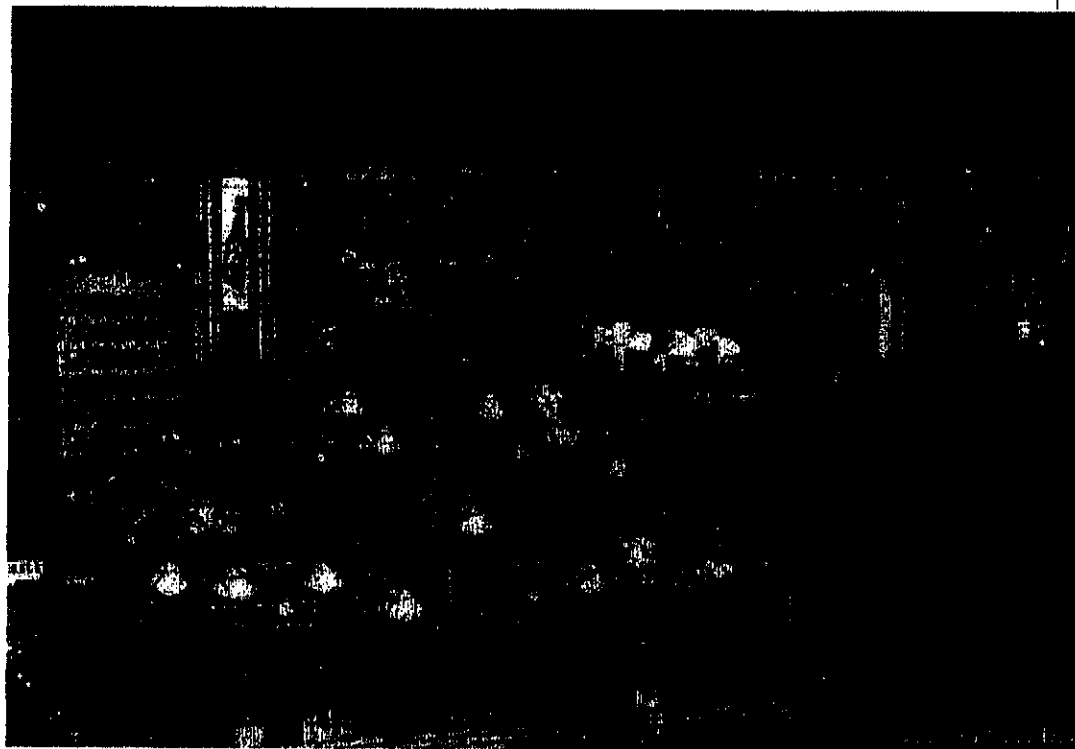
As a capital city and HQ of UNO (UNMIK) Pristina has sufficiently benefited through the high concentration of international staff with available income and international organizations with large budgets.

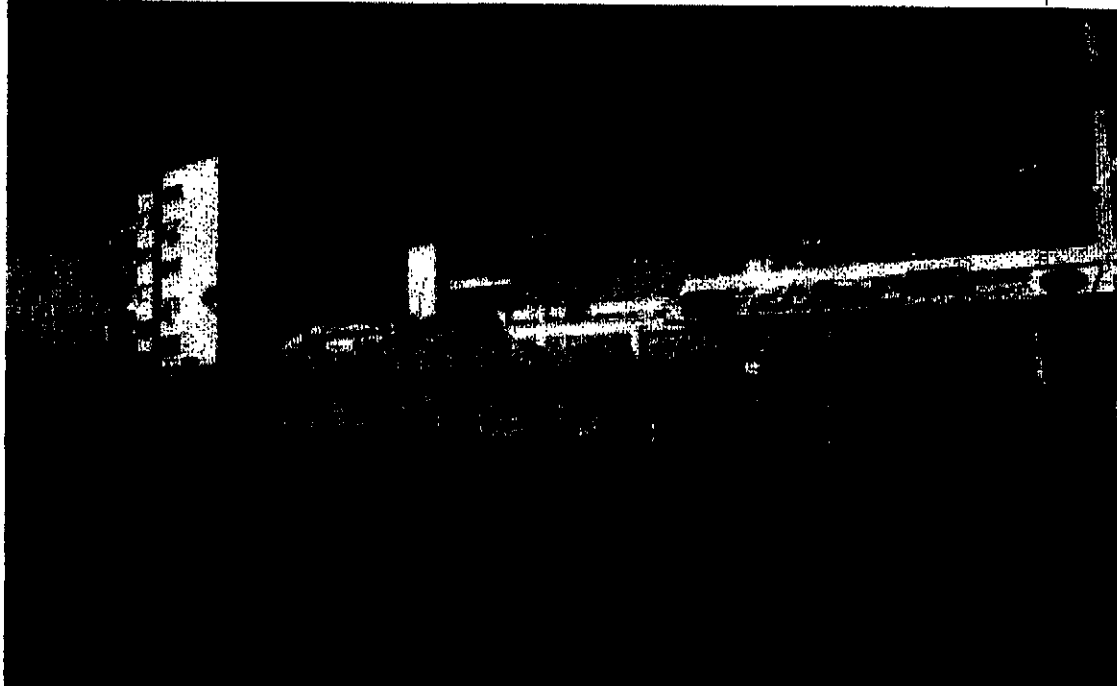
Support with re-construction funds is identified as a new era of continuous growth of Pristina.



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It has been estimated that current population of Pristina city is around 500.000 to 600.000 inhabitants. The city has a population composed of Albanian majority, together with other small communities. It is an administrative, educational and cultural centre of Kosovo. Pristina is the headquarter of Pristina University and a lot of Colleges of University levels, National Library and the Academy of Sciences, various institutions, theatres, cinemas, sport premises etc.





Population

Based on the last registration in 1991 (boycotted by the Albanian majority) the population of Pristina Municipality was 199,654 including Albanians 77,63 %, 15,43 % Serbs and Montenegrins, 1,72 % Muslims of other nationalities and others. This registration can not be considered as true as it is based on previous records and valuations.

In 2004 it was estimated that the population exceeded half million inhabitants composed of 98 % of Albanians. Serbian population has slightly decreased from 1999; most of Serbs of the city have afterwards left, after the end of the war.

Geography

Pristina is located in geographical coordinates 42-40-0 in the north and 21-10-0 in the east and covers a surface of 572 kilometers square (221 sq. mil) It is located in the southeastern side of Kosovo nearby the Gollaku mountains. There is a good view from Pristina of Sharr Mountain which is located several kilometers in the south of Kosovo.



Pristina is located nearby two big cities, Obiliq and Fushe Kosovo. In Fact Pristina has grown so much during the recent years as it is connected with Fushe Kosovo. Badovci Lake is in the south only few kilometers far from the city.

Business

Number of businesses registered in Pristina is actually 8,725 with a total number of employed people 75.089. The exact number of business is unknown due to the fact that not all of them are registered.

Pristina International Airport (IATA PRN, ICAO: BKPR) is an international airport located 15 km (9.3 mi) in the southwest of Pristina city. This is an international airport which serves more than one million passengers per annum (1,130,639 in 2008) located together with the Air Base in Sllatina.

The platform and passenger terminal were renovated and expanded in 2002. In 2007 the airport served around 1,000,000 passengers. During the last three years the airport got renovated and re-organized once more.

Regional Analyses

The property is located in the central part, the Region of the Republic of Kosovo in the territory of Pristina Municipality, respectively in the Cadastral Zone of Hajvalia. The property is at the air distance of 5 km from the center of the capital. Three sides of the property are in the construction intensity and as a result of this the primary infrastructure has been put in place. The property is currently being used for agricultural products whereas there are also a number of residential premises built in it. There are assumptions that these constructions are illegal and as such were not considered in the final valuation, but however they present an impacting factor in the negative aspect of the value. The size of the property and configuration which in this valuation has been presented with the field Model is even and suitable for various destinations.



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Photo of the property which is subject of this valuation



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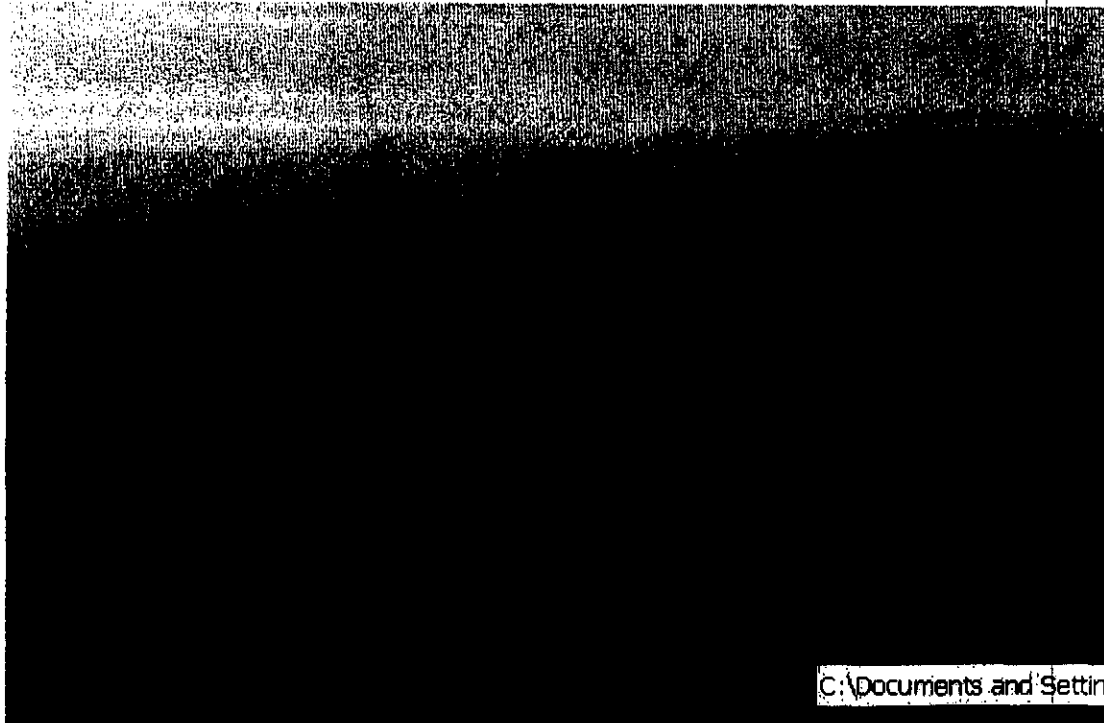


Photo of the property which is subject of this valuation

Economical, Social and Governmental Influences

The region in the planning of municipal development has foreseen the Protocol Centre near by the property, the International Village and several private schools, recreation part and individual and collective residences. The region has a few mosques, whereas in the southeast of the property is one of the old buildings respectively orthodox church in Graqanica which one of the objects of Cultural Heritage of Kosovo and which is visited from different visitors. Also at the relatively close distance (2-3) km the artificial lake of Badovc is located which apart from serving for drinking water supply for Pristina and its surroundings it is also a place for picnics and recreations.



The transitional phase of the region

The region around the zone of the object of valuation is still in its growing and development phase, and a lot of properties are going through these changes and renovations in order to update themselves with new developments. Based on the discussions with the brokers and evaluators for about 75-80 % of the properties in the region are remodeled or renovated. From the date of inspections there were at least twelve reconstructions of the projects in process in this specific zone.

The property which is subject to this evaluation seems it is located in a very good place in the regions due to its excellent location to continue enhancing the value as much as the economy allows. However the determination of the value and the latest increase of development were slightly obstructed by the current global economical recession which is present in local, suburbs and rural economies in Kosovo and in other parts of Balkan. This economical decrease is expected to last during several years in the future.

Conclusion

The borders of the subject of the region are properly determined as well as the infrastructure within these transportation borders is considered to be relatively good. Public services, including churches, jobs, food markets and other public and private services are solid and it is expected to ensure stability and economical growth in this zone.

The market of real estate and related values has increased continuously during these last years. However considering the current state of local economy, as well as the general economy of Kosovo, which is obviously damaged by the actual economical global recession, the opinion of the valuation team is that the value of real estate in this aspect shall increase gradually.



Facilitations and Limitations

Based on the inspection and a collection of pictures and air maps available, the property does not seem to be damaged by any essential judicial violation apart from a few illegal constructions, which were not considered in this valuation report due to the competencies and official information that are lacking. It is recommended that the client/reader to get the title of the current poll and the position of the poll puts in line all the facilitations and limitations of the property, if there are any, prior to taking any business decision.

Conventions, conditions and limitations

There are no known conventions, conditions or limitations that impact the use of the property. Gathered information show that the territory has not drafted the regulative plans yet, they are expected to be realized after all the decentralization phases end, this process impacts this territory as well which according to Ahtisari plan, respectively territorial organization, can belong to the new municipality of Graanica which however creates bigger favors as a property due to the needs and financial possibilities supported by reconstruction donors of this municipality.

Environmental issues

We have not noticed and we are not competent to discover the existence of the materials which are potentially dangerous or underground materials which can be present or near by the place. The existence of the dangerous materials or underground materials can impact the value of the property. For this valuation we have assumed that the property has not been touched by any dangerous material in or nearby the property.

Conclusion

The zone subject of this valuation has been considered as typical compared to the other places located in a similar manner in the region. There are no physical characteristics which may impact or limit its potential for re-development in the future. Furthermore, the zone is an appropriate place for commercial use.



Analyses of Immovability Taxes

The taxes of immovable property were historically based in very low amounts. The current annual taxes draft law is unreal and low, consists no relation with the value of the property market.

It is expected to start very soon the valuation process of every property in every municipality. It is also expected that the country approves the valuation standards which are in force in Europe, such as European Valuation Standards. Once the valuation process starts, the market value of every property shall be determined in a tax rate shall be installed by the municipality.

The taxes of immovable property for this issue are expected to be in a low level within a range from 0.5 % up to 0.1 % of the market value.

Market analyses

The value of properties in the area has been established in a rapid manner, especially after the armed conflict in Kosovo. In the perimeter from 1 km the sale amounts were taken which range from 10 euros per m² up to 60 euros per m². Based on the last sale purchase agreement of 2009 the property in the near by area 500 m² was sold for the market value of 15 euros/m². Also in the valuation of the banks for loan purposes are valued from the year 30 euros/m², whereas this year's valuations based on the sale purchase agreements or bank valuation for loans is 50 euros/m² up to 60 euros/m². Based on the fact that all the sale purchases were made for surfaces relatively smaller whereas the credibility in the Clients' Statements is also relative since they're impacted by financial interests, the result is that to have a real valuation of the property comprehensive analyses should be done.



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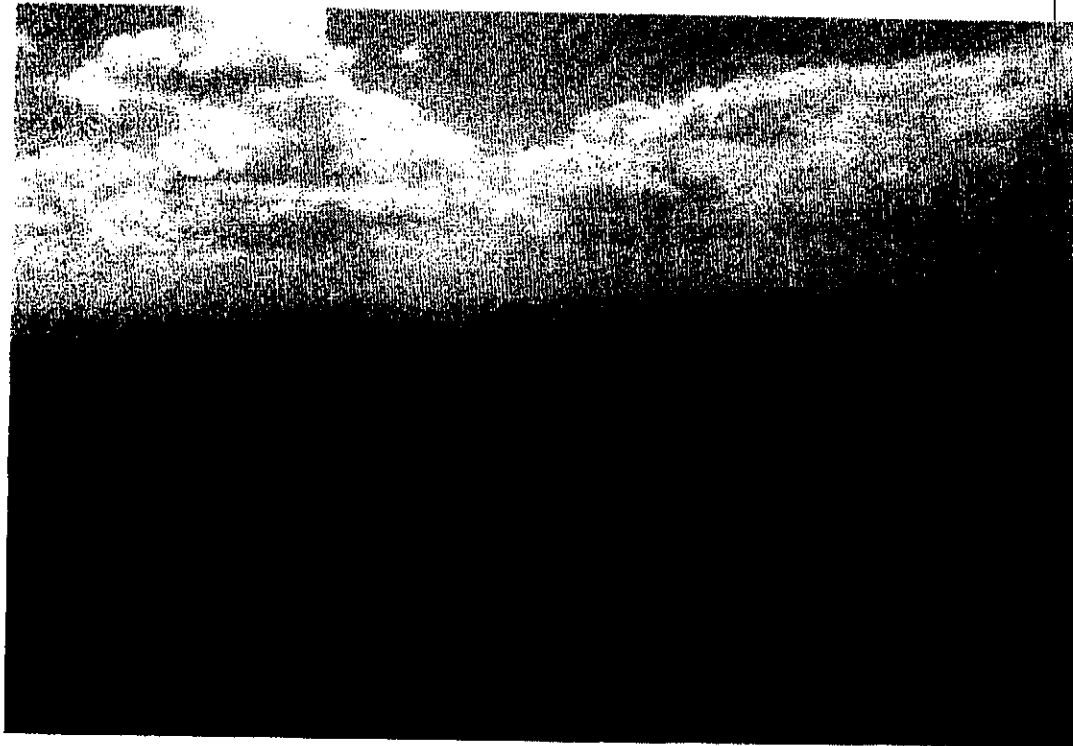


Photo-property which is subject of this valuation

Prices and costs

Price shifting, measured through Index of Consumer Prices (ICP) during the year of 2009 has taken a direction in contrary to the price shifting in 2008. To be more precise during the year of 2009 it is estimated that the prices mark an average deflation of 2.5 % per annum compared to the average inflation of 9.4 % per annum during the year of 2008. This decrease of prices came as a result of decrease in import prices in the category of oil and food products which have widely impacted in the overall price shifting in Kosovo.

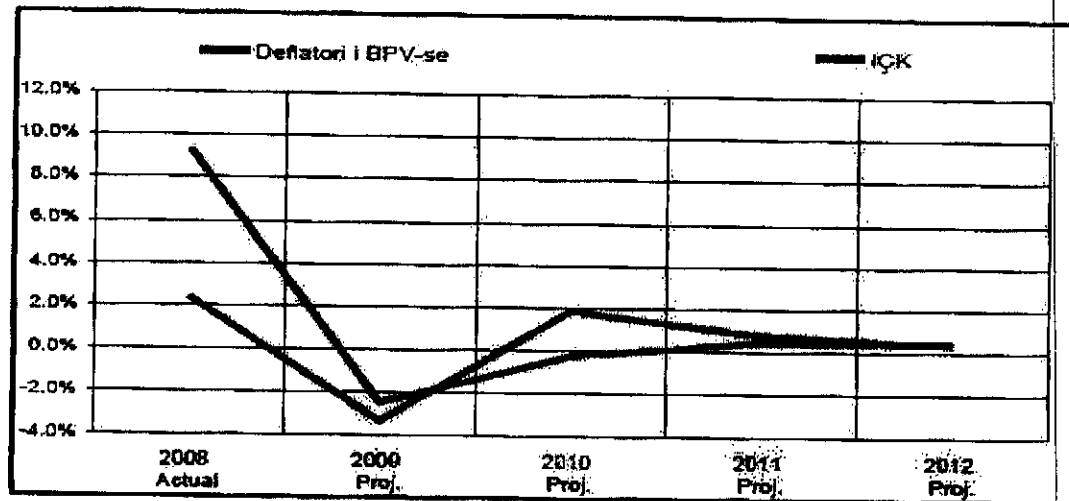


Figure 1. Actual inflation and estimations 2008-2012

Source: Department for macro economy MEF

The increase of import prices is expected to be slow during the projected time period. This valuation comes after, preliminary in 2008, the increase in prices seemed to have been in the proper equilibrium. Also, based on the IMF reports on the world price shifting (read World Economic Outlook) economic revitalization shall be followed by the slow increase of the prices. Inflation calculated through the movements of the deflator of BVP is quicker, considering that this deflator includes the export prices. For the year of 2010 the BPV deflator shall mark an increase of 2.2%.

9. SELECTION OF CAPITALIZATION NORM

To determine an appropriate norm of capitalization we have reviewed the norms which arise from the comparable records of the market. Also, we have discussed the probability with the local brokers and evaluators known in this field and we have reviewed and analyzed the submitted files from third party individuals for the loan files in the biggest banks in the country.



We based this on the norms presented in the sale records, or the calculated ones, from the rents and projected sale prices, since they are considered to better reflect the conditions of the current market and probability.

We have selected a capitalization norm of 7.5 % for the analyses of the valuation. This norm is at the highest end of the wholesale market of properties supported by norms from 4 % up to 7 %. We believe that this norm would in the best way reflect in the investors' expectations once the market becomes more stable.

Please refer to the Direct Calendar of Capitalization through which the assumptions of Direct Capitalization shall be applied and the calculations used to achieve the completion of market value.

10. ACTIVITIES PERFORMED IN THE FIELD

- Physical inspection of the properties and information gathering of the market of properties in the borders.
- Analyses of market information as important indicators in the valuation approach
- Information gathering from the current cadastre records and planning field which consist in solvency, class, surface, configuration, distances from a central point and developmental planning of the territory and regulative plans.

11. VALUATION METHODOLOGY

Three basic evaluation methods have been applied and in specific cases a combination of these methods was used.

1. Comparative Method
2. Method of Income
3. Method of construction costs



Application of these methods was done in compliance with the uniform standards which are compatible with international standards of valuation as well as residential property (house, flats, commercial, industrial and those agricultural).

Valuation Criteria

As important criteria of valuation were taken:

1. Surface
2. Destination
3. Possibilities
4. Value of the free market

12. CONCLUSION OF THE VALUE

The applied valuation of the Approach on the Sale Comparison and the Approach of the Income in the valuation of the subject of market value have been acquired as methods with close probability to the real value of the property. Therefore the final value that we established from all the analyses is as follows:

P. SH. KBI KOSOVA – EXPORT with HQ in Fushe Kosova

Sign of Cadastral Parcel	Surface m2	Valuated price for m2	Index	Amount in Euros
P-71914002-00257-0	105,895	15.00	0.73	1,159,550
P-71914002-00259-0	1,288	15.00	1.00	19,320
P-71914002-00260-0	8,973	15.00	0.85	114,405
P-71914002-00261-0	130,855	15.00	0.71	1,393,605
P-71914002-00382-0	62,890	15.00	0.83	782,980
	309,901			
			Total	3,469,862



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Considering that all the factors and analyses that were taken into consideration our opinion is that the value of the property since 12.07.2010 is:

Three million and four hundred and sixty nine thousand and eight hundred and sixty two euros (3,469,862 €)

Based on the discussions with the brokers of commercial local real estate which took place during the research and verification of the market records, as well as the analyses of the duration which were required to follow similar properties in the local market and the time of property representation for the property that is subject to, if the owner decided to sell this subject, to be approximately 12 months.

13. RESERVS

This evaluation carries in itself the characteristic of the time during which it has been done. It can not predict the changes in the market in the future in general, or in the region in question.