SUMMARY

Underwriting Deal Review: USD 20 Million, 36-Month Property Bond for a Branded Aparthotel Scheme on Georgia's Black Sea Coast

A prospective lender asked whether 14.25% a year is enough reward for lending USD 20 million for 36 months to fund a branded aparthotel scheme in a Black Sea resort city in Georgia, what the risks are and what to check first. The review is in US dollars, the currency of the bond and the apartment sales.

Confidence in the evidence: LOW. Seven of the eight deal documents are the borrower's own claims; there are no audited accounts and no official land register extract. The one document that would most change the findings, a land register search, is also the cheapest to obtain.

The bond promises 14.76% a year but is repaid late in all but 1 of 20,000 scenarios; whether bondholders then lose 7.8% or 99.8% of the time depends on official land register extracts that have not yet been supplied

Key figures

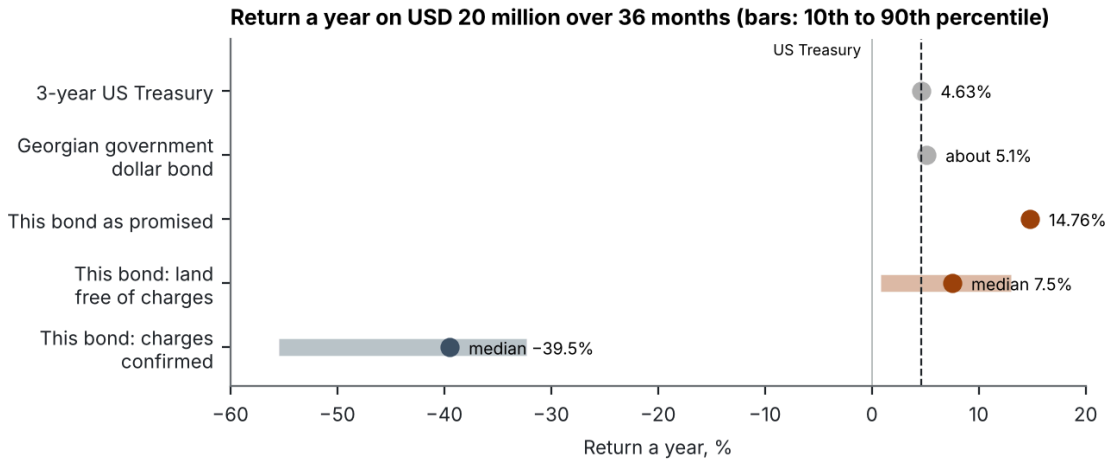
MEASURE	FIGURE
Bond	USD 20 million, 36 months
Interest	14.25% a year, paid twice a year (14.76% effective)
Interest promised over 36 months	USD 8.55 million
3-year US Treasury	4.63% a year (USD 2.94 million over 36 months)
Georgian government dollar bond	about 5.1% a year (USD 3.26 million over 36 months)
Land paid for so far	USD 3.6 million of USD 12.6 million
Building cost spent so far	12% of USD 76.6 million
Cash received from apartment buyers	USD 4.1 million (31% of sales signed)
Shortfall at month 36 on the Sponsor's own corrected plan	USD 7.7 million
Sponsor's own money at risk	about USD 31,500
Scorecard	30 out of 100 (land free of charges); 24 out of 100 (charges confirmed)

Gateway tests

TEST	RESULT	WHY
Can bondholders get a registered mortgage?	FAIL on the evidence held	Land not paid for or transferred; an unsigned report claims tax charges and court orders that block any new mortgage
Is the borrower who the papers say, with figures that can be relied on?	FAIL	Half the ownership unknown, no audited accounts, the plan's balance sheet does not balance
Will there be cash to repay at month 36?	FAIL	The plan's cash flow leaves out USD 10.05 million of sales commission; corrected, it is USD 7.7 million short

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Exhibit 1 Return a year on USD 20 million over 36 months, with the chance of getting back less than was lent



INVESTMENT	RETURN A YEAR	CHANCE OF GETTING BACK LESS THAN WAS LENT
3-year US Treasury	4.63%	none
Georgian government dollar bond	about 5.1%	very low (rated BB, Ba2)
This bond, as promised	14.76%	not stated by the Issuer
This bond, land free of charges (median of 20,000 scenarios)	7.5% (10th percentile 0.8%, 90th percentile 13.0%)	7.8%
This bond, charges confirmed (median of 20,000 scenarios)	minus 39.5% (10th percentile minus 55.5%, 90th percentile minus 32.3%)	99.8%

Source: US Treasury (November 2026); Ministry of Finance of Georgia (January 2026); Gentium Advisers scenario analysis.

Footnote: "Land free of charges" means the land register shows no tax charges, seizure or court orders, the land is paid for and the bondholders' mortgage is registered, second behind the bank. "Charges confirmed" means the claimed charges are real, so no mortgage can be registered and bondholders are unsecured.

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Key findings

- **Security.** Bondholders' own money would buy the land meant to protect them, and a bank is planned to rank first. If the claimed charges are confirmed, bondholders would be unsecured.
- **Repayment.** On the Sponsor's own figures, once its own sales commission is counted, interest falls short at month 24 and USD 7.7 million is missing at month 36. Buyers would need to pay about 11% more than the plan just to break even.
- **Sales.** The plan needs about 26 sales a month, 27% of all new-build sales in the district, against about 12 achieved, at prices 20% to 60% above the district average. No sales are shown since March 2025.
- **Brand.** Both brand deadlines have passed, so the franchisor can end the agreement now; it covers 262 of the 1,385 units being sold.
- **Reward against risk.** Even if the land is free of charges, the Sharpe ratio is 0.58 ("suboptimal": less than 1% of extra return for every 1% of risk taken). Weighting the two cases on the evidence so far, the chance of losing capital is about 83%.

OUR VIEW

On the evidence supplied, 14.25% a year does not pay for the risk. Before anything else is spent, the Client should obtain official land register extracts for every plot. If the claimed charges are confirmed, the bond cannot be secured. If the land is free of charges, the protections that most improve the result are: bond money held by the Security Trustee until the mortgage is registered; a share of every buyer's payment paid to the Security Trustee; new Sponsor money ranking behind bondholders; no payment to the former partner; a fixed-price building contract with a currency hedge; and a committed refinancing for month 36. With all of these, the tested median return rises to 14.6% a year. An interest reserve taken from the bond money makes things worse.

Research, not a RICS valuation. Not investment, tax or legal advice: the findings concern what to check and which protections to seek, not whether to invest. No site inspection was carried out. Schemes are anonymised; the market data is real.

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HOW TO READ THIS REPORT

Every finding is labelled Documented (a signed document or official record), Stated (a claim without proof), Assumed (our assumption, shown with and without) or Missing. Each section starts with its evidence marker. Where the answer depends on the land register, two cases are shown: **Land free of charges** (no tax charges, seizure or court orders; land paid for; bondholders' mortgage registered, second behind the bank) and **Charges confirmed** (the claimed charges are real, so no mortgage can be registered).

SECTION 1 · BASIS OF REVIEW

Most of what the bondholder is asked to rely on comes from the borrower: 7 of the 8 deal documents are the borrower's own claims, and none is an audited account or an official land register extract

1.1 What this review answers

A prospective lender (the Client) has been offered a place in a USD 20 million property bond issued to fund a branded aparthotel scheme in a Black Sea resort city in Georgia. The Client asked three questions:

- Is a 14.25% a year return enough reward for the risk, compared with lending the same money to the US government (a 3-year US Treasury) or to the Georgian government (its US dollar Eurobond)?
- What are the risks, and how likely are they?
- What should be checked, and which protections should be demanded, before any money is committed?

This review answers those questions from the documents supplied and public market data. It is research. It is not a RICS valuation, not legal, tax or investment advice, and it does not tell the Client to invest or not to invest.

1.2 The bond being reviewed

TERM	BASIS USED IN THIS REVIEW
Amount	USD 20,000,000
Term	36 months from the date the money is paid in
Interest (coupon)	14.25% a year, fixed
When interest is paid	Twice a year: USD 1,425,000 at months 6, 12, 18, 24, 30 and 36 (six payments, USD 8,550,000 in total)
Repayment	The full USD 20,000,000 in one payment at month 36
Total due to bondholders	USD 28,550,000 over 36 months
Currency	US dollars for the bond, the interest and the apartment sales
Type	A straight bond: fixed interest and repayment, no right to convert into shares
Issuer	A special purpose company in the Dubai International Financial Centre (DIFC), which lends the money on to the Georgian company building the scheme
Withholding tax	Assumed none: the bond is to be structured through the DIFC company so that no Georgian withholding tax is deducted. If 5% were deducted, bondholders would receive about 13.5% a year unless the borrower paid extra to make it up. Tax adviser to confirm (Section 16)

1.3 Who is who

NAME IN THIS REPORT	WHO THEY ARE
The Client	The prospective bondholder for whom this review is written
Bondholders	Everyone who lends money to the Issuer by buying the bond
The Issuer	The DIFC special purpose company that issues the bond
The Project Company	The Georgian company that owns the land, builds the scheme and sells the apartments
The Sponsor	The group that controls the Project Company, and its owner
Apartment buyers	People who buy apartments off plan and pay by deposit and monthly instalments
The Brand	An international hotel brand, licensed through a regional franchise company
Bank A	A Georgian bank that has lent to the Project Company before and is expected to lend again

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NAME IN THIS REPORT	WHO THEY ARE
The Security Trustee	The independent firm that would hold the mortgage for bondholders

How the money moves: bondholders lend to the Issuer and are repaid by the Issuer. Apartment buyers pay the Project Company for their apartments. Bondholders have no claim on buyers' money, and buyers have no claim on bondholders' money, unless a security document says otherwise. The bond is repaid only if the Project Company makes enough cash (mainly from apartment sales or a new loan) and passes it back to the Issuer in time.

1.4 What we were given and how far it can be relied on

Every finding in this report carries one of four labels:

- **Documented**: we hold a signed document or official record that shows it
- **Stated**: the Sponsor, the Issuer or someone else says so, but we have no proof
- **Assumed**: our own assumption, explained, with the result shown with and without it
- **Missing**: needed but not supplied

DOCUMENT	DATE	WHAT IT IS	LABEL
Indicative term sheet	May 2026	The Issuer's marketing summary of the bond	Stated
Sponsor's financial projections	March 2026	The latest plan: costs, sales, bank loan, bond, profit and balance sheet	Stated
Two earlier versions of the plan, with ownership chart, land payment schedule and existing bank loan schedule	February 2025	Earlier plan and supporting schedules	Stated
Marketing reports and cash flow tables by the Sponsor's consultant	June 2025	Prepared as investor marketing material; building costs taken from the Sponsor	Stated
Market feasibility study	2024	Hotel and housing study for one of the plots	Stated
Memorandum of understanding with the Brand	May 2023	Not legally binding; expired after nine months unless a franchise agreement was signed	Documented
Franchise service agreement with the Brand	December 2023	Signed agreement for 262 hotel keys, with dates for finishing and opening	Documented
Preliminary security and creditor report (author not named)	2026	Claims that tax charges, a property seizure, debt enforcement, a bank share pledge and court orders already burden the Sponsor and its land	Stated (claimed, not yet checked)
Batumi Residential Real Estate, 2Q26 and 8M26 (Galt & Taggart)	August and November 2026	Independent housing market research	Documented (market data)
Tourism Market Watch, 2Q26 and 3Q26 (Galt & Taggart)	July and October 2026	Independent tourism and hotel research	Documented (market data)
Central Bank Watch (Galt & Taggart)	October 2026	Interest rate and currency outlook	Documented (market data)

Missing and needed: the final bond documents; audited accounts of the Project Company and the Sponsor; official land register extracts; the existing and proposed bank loan agreements; the construction contract; a sample apartment sales contract; an independent valuation of the land; the political risk insurance policy; the currency hedge terms.

1.5 How firm each part of the report is

Each section heading carries an evidence marker so the reader can see at a glance where the findings are firm.

SECTION	EVIDENCE HELD
2 The proposal	Partial: term sheet and Sponsor's plan only; no final bond documents
3 Title, charges and ranking	None official: a claim of serious charges, no register extract

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SECTION	EVIDENCE HELD
4 The Issuer and the Sponsor	Partial: no audited accounts
5 Use of the money	Partial: the Sponsor's plan only
6 Cost to complete	Partial: no construction contract, no inspection
7 Apartment sales and cash	Partial: sales list and plan; market data independent
8 Hotel brand and income	Full for the contract terms; partial for income
9 Debts and repayment dates	Partial: no bank loan agreements
10 Currency and country	Full: public market data
11 Return and risk	Built from the sections above, so no firmer than they are
12 Fees and alignment	Partial

1.6 Rates and dates used

MEASURE	FIGURE	SOURCE AND DATE
3-year US Treasury (the risk-free comparison)	4.63% a year	US Treasury 3-year note auction, high yield 4.627%, November 2026
Georgian government US dollar Eurobond	Coupon 5.125% a year, due 28 January 2031	Ministry of Finance of Georgia placement, January 2026
Review date	21 November 2026	
Latest borrower figures	March 2026 plan; May 2026 term sheet	Not updated since; the Sponsor should confirm or update them

1.7 What this review did not do

- No site visit or building inspection. Building progress and condition come from the documents only.
- No search of the Georgian land register yet. The claimed charges and court orders are therefore treated as "claimed, not yet checked", and the key results are shown both ways: if the claims are true and if the land is free of them.
- No valuation of the land or the buildings.
- The franchise agreement is a long scanned document. The clauses this report relies on are named where they are used.
- Figures from the Sponsor and its consultants are tested, not repeated as fact.

1.8 Independence

Gentium Advisers are Land Economists. We act for the Client only. We receive no commission, placement fee or success fee linked to this bond, hold no mandate from the Issuer or the Sponsor and take no paid placement. Our fee is fixed and paid by the Client.

Source line: Gentium Advisers analysis of documents supplied by the Client; Galt & Taggart; US Treasury; Ministry of Finance of Georgia.

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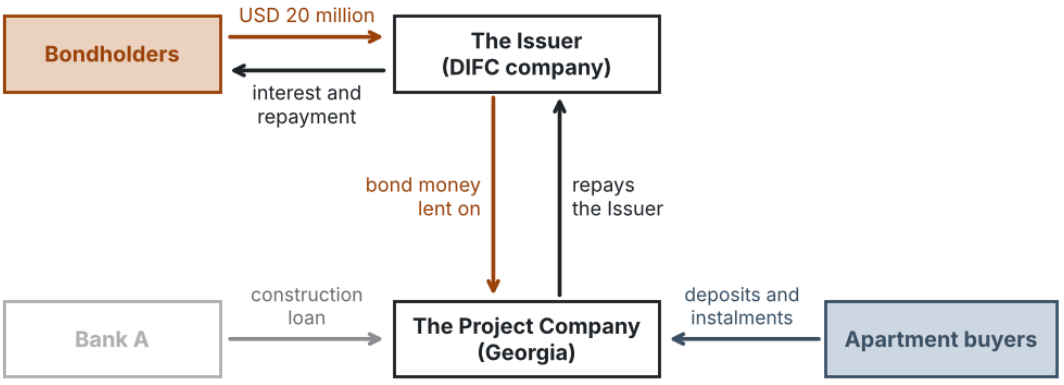
SECTION 2 · THE PROPOSAL IN PLAIN TERMS

Evidence held: partial

Bondholders are offered a fixed 14.25% a year for 36 months, but the money is treated as the Sponsor's own equity, so they carry an owner's risk for a lender's capped return

2.1 The deal in one picture

Exhibit 2.1 How the money moves



No link between bondholders and apartment buyers unless a security document creates one

Footnote: bondholders have no claim on apartment buyers' money and buyers have no claim on bondholders' money, unless a security document says so. No such document has been supplied. The agreement by which the Issuer lends the money on to the Project Company has not been supplied either (Missing).

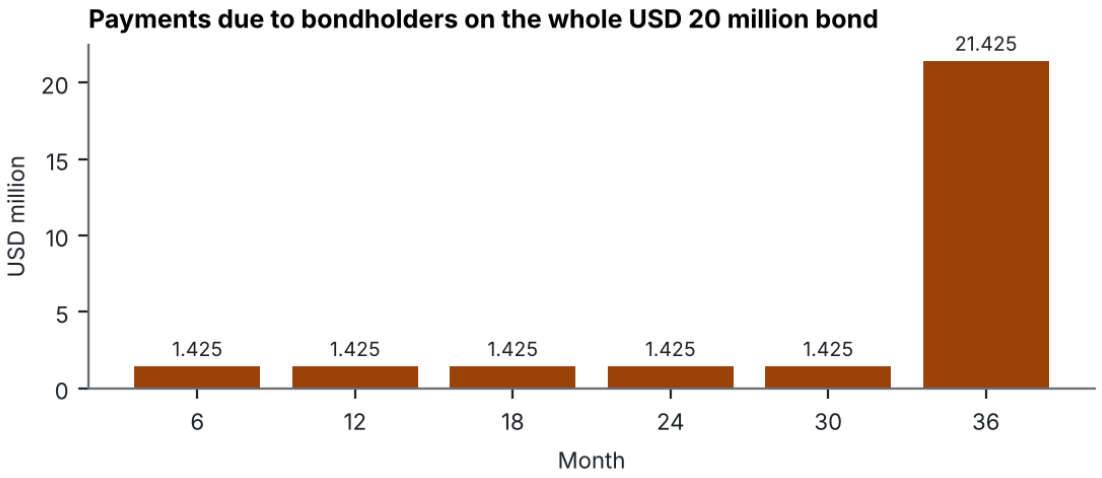
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2.2 The bond

TERM	DETAIL
Amount	USD 20,000,000; minimum subscription USD 1,000,000
Term	36 months
Interest	14.25% a year, fixed, paid twice a year
Repayment	The whole USD 20,000,000 in one payment at month 36
Type	Straight bond: no right to convert into shares
Currency	US dollars
Withholding tax	Assumed none, because the bond is issued through the DIFC company (tax adviser to confirm)

2.3 What a bondholder receives

Exhibit 2.3 Payments to bondholders



MONTH	WHOLE BOND (USD 20 MILLION)	MINIMUM SUBSCRIPTION (USD 1 MILLION)
0	Pay in 20,000,000	Pay in 1,000,000
6	1,425,000	71,250
12	1,425,000	71,250
18	1,425,000	71,250
24	1,425,000	71,250
30	1,425,000	71,250
36	1,425,000 + 20,000,000 repaid	71,250 + 1,000,000 repaid
Total received	**28,550,000**	**1,427,500**
Gain over 36 months	**8,550,000**	**427,500**

Source: Gentium Advisers calculation from the bond terms.

Footnote: 14.25% a year paid twice a year is worth 14.76% a year when each payment is counted from the date it arrives (effective annual yield). This is the most a bondholder can earn: if the scheme does better than planned, the bondholder still receives 14.25%.

2.4 What the Issuer pays for the money

The Sponsor's March 2026 plan sets aside USD 1,049,481 for bond commissions (a placement and success fee of USD 510,000 plus initial and other fees of USD 539,481). That is 5.2% of the USD 20 million.

Exhibit 2.4 The Issuer's cost of the bond

MEASURE	FIGURE
Raised from bondholders	USD 20,000,000
Less bond commissions in the Sponsor's plan	USD 1,049,481
Cash the Issuer actually receives	USD 18,950,519
Interest the Issuer pays each year	USD 2,850,000
Interest as a share of cash received	15.0% a year
All-in cost to the Issuer, including fees	17.2% a year (effective)

Source: Sponsor's projections, March 2026 (Stated); Gentium Advisers calculation.

Footnote: all-in cost is the rate at which the cash the Issuer receives (USD 18.95 million) equals the six interest payments and the repayment, counted from the date each is paid. If Georgian withholding tax of 5% were charged and the Issuer had to make it up, the all-in cost would be about 18.1% a year.

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Why this matters to the bondholder: the scheme must earn more than 17.2% a year on this money, in cash, within 36 months, or the Issuer must find the difference elsewhere.

One point to check now: the Sponsor's March 2026 plan sets aside cash for only USD 12 million of the USD 20 million repayment (the plan was drawn up for an earlier version of the bond). The plan does not yet show where the other USD 8 million will come from at month 36.

2.5 What the bondholder is told protects the money

PROTECTION	WHAT THE TERM SHEET SAYS	WHAT THE PAPERS SHOW	LABEL
Mortgage over the land	"1st and 2nd mortgage charges over the development"	The Sponsor's own plan says the bond's first-ranking mortgage would move to second place when Bank A lends	Stated, conflicting
Corporate guarantee	A guarantee from a company in the group	Which company gives it, and what that company owns, is not stated	Missing
Security Trustee and Paying Agent	Appointed for independent administration	No appointment letter or trust deed supplied	Stated
Political risk insurance	"London market" cover	No policy supplied	Stated
Currency hedge	An "option" to hedge dollars against lari	An option is not a commitment; no terms supplied	Stated
Monitoring surveyors	To check progress and use of money	No appointment supplied	Stated

Source: Indicative term sheet, May 2026; Sponsor's projections, March 2026.

2.6 The scheme figures quoted to bondholders do not add up

Exhibit 2.6 Term sheet figures and Gentium's check

FIGURE QUOTED	TERM SHEET SAYS	GENTIUM CHECK
Total cost	USD 76.5 million	
Sale value of all units	USD 132 million	
Profit	USD 59 million, "about 130% on cost"	USD 132 million less USD 76.5 million is USD 55.5 million; USD 59 million on USD 76.5 million is 77% on cost, not 130%
Senior bank loan	"70% senior bank financing", about 29% of sale value	70% of cost is about USD 54 million; 29% of sale value is about USD 38 million: a gap of about USD 16 million
Sponsor's 30% share of cost	Funded by the bond	30% of USD 76.5 million is about USD 23 million; the bond is USD 20 million, so about USD 3 million is not explained

Source: Indicative term sheet, May 2026 (Stated); Gentium Advisers calculation.

2.7 Bondholders take the owner's risk but get only a lender's reward

In most building projects the owner puts in its own money first and a bank lends the rest. If the project fails, the bank is repaid first and the owner loses first. The owner accepts this because it keeps the profit if the project succeeds.

Here the owner has put in about USD 31,500 of share capital. The term sheet says the bond money is "treated as developer equity". So the bondholders' USD 20 million takes the owner's place: it is spent first and would be repaid after Bank A.

Bondholders do not get the owner's reward. They receive 14.25% a year at most, while the Sponsor keeps any profit (the term sheet claims USD 59 million).

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Exhibit 2.7 Who gets what if the scheme does well, as planned or badly

OUTCOME	BONDHOLDER	SPONSOR
Scheme does better than planned	14.25% a year, no more	Keeps all the extra profit
Scheme does as planned	14.25% a year	Keeps the planned profit (term sheet: USD 59 million)
Scheme runs short of cash	Payments late or reduced; repaid after Bank A and any claims ranking ahead	Loses its share capital (about USD 31,500) and its expected profit

Source: Indicative term sheet, May 2026; Sponsor's projections, March 2026; Gentium Advisers analysis.

CONCLUSION

The bondholder is asked to lend USD 20 million for 36 months at a fixed 14.25% a year (14.76% effective), worth USD 8.55 million of interest on the whole bond or USD 427,500 on the USD 1 million minimum. The Issuer receives USD 18.95 million after fees and pays an all-in 17.2% a year. The money takes the place of the Sponsor's own equity, so the bondholder carries an owner's risk for a lender's capped return. The profit, bank loan and equity figures quoted to bondholders do not add up, and the Sponsor's plan sets aside cash for only USD 12 million of the USD 20 million repayment.

Before committing, obtain:

- the final bond documents for this bond (36 months, 14.25%, straight bond)
- the loan agreement from the Issuer to the Project Company and who guarantees it
- the security documents, showing the mortgage's rank and whether Bank A can move ahead of bondholders
- an updated plan that repays the full USD 20 million in cash

Source line: Indicative term sheet, May 2026; Sponsor's projections, March 2026; Gentium Advisers analysis.

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SECTION 3 · TITLE, CHARGES AND WHERE THE BONDHOLDER RANKS

Evidence held: none official (no land register extract)

The bond is meant to be protected by a mortgage on the land, but the land is not yet fully paid for, a bank is planned to rank first, and an unchecked report claims a court order stops any new mortgage being registered at all

3.1 Why this section comes first

The bond (USD 20 million, 36 months, 14.25% a year, paid twice a year, repaid in one payment at month 36) is sold as "asset-backed". The asset is a mortgage over the scheme's land and buildings in a Black Sea resort city in Georgia. If the Project Company cannot pay, the Security Trustee would sell the land and buildings and pay bondholders from the money raised.

That protection only works if three things are true: 1. The Project Company owns the land outright. 2. A mortgage for bondholders can be registered on the Georgian land register. 3. Not too many other people are paid before bondholders when the land is sold.

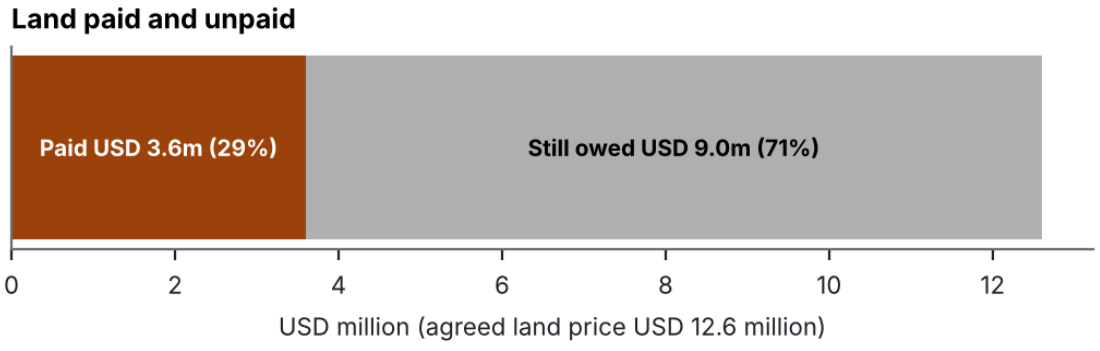
None of the three has been shown with an official document. This section tests each one, then shows what bondholders could get back.

3.2 Test 1: does the Project Company own the land?

ITEM	FIGURE	LABEL
Total land, all plots	about 25,900 m²	Stated (Sponsor's land schedule)
Agreed price for the land	USD 12.6 million	Stated
Paid so far	USD 3.6 million (29%)	Stated
Still owed to the landowners	USD 9.0 million (71%)	Stated
Land payments in the Sponsor's March 2026 plan	USD 8.1 million over 2026 and 2027	Stated

Source: Sponsor's land schedule (February 2025) and projections (March 2026).

Exhibit 3.2 Land paid and unpaid



What the Sponsor's own post-raise plan says will happen, in this order: 1. Bond money pays the land instalments still owed. 2. Full ownership of the land is then transferred to the Project Company. 3. The Issuer then registers a first-ranking mortgage for bondholders. 4. If Bank A lends later, Bank A takes the first-ranking mortgage and the bondholders' mortgage moves to second.

In plain words: today the Project Company does not fully own most of the land, so it cannot give bondholders a mortgage over it. Bondholders' own money would be used to buy the land that is meant to protect them. Until the transfer is registered, bondholders have no security. The plan's land payments (USD 8.1 million) are also about USD 0.9 million less than the amount still owed (USD 9.0 million).

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FAIL on the evidence held. Ownership must be shown by register extracts, and the bond money should not be released until the transfer and the bondholders' mortgage are both registered.

3.3 Test 2: can a mortgage be registered at all?

A preliminary report in the papers (author not named) claims the following entries already sit on the Georgian public register against the Sponsor, its owner or the scheme:

CLAIMED ENTRY	WHO BENEFITS	WHAT IT WOULD MEAN FOR BONDHOLDERS	LABEL
Tax charges over all the owner's property (first registered 2022, extended 2025 and 2026)	The tax authority	The state is paid first from any sale	Claimed, not yet checked
Seizure of a property owned by the group	The tax authority	That asset is frozen	Claimed, not yet checked
Listing on the national register of debtors, with bailiff enforcement	Enforcement bureau	Bank accounts and money owed to the group can be frozen, including buyers' payments	Claimed, not yet checked
Pledge of the Project Company's shares	Bank A	The bank can take control of the company that owns the scheme	Claimed, not yet checked
Court orders freezing title	A city court	The register cannot record any new mortgage or sale until the orders are lifted	Claimed, not yet checked

Source: preliminary security and creditor report, 2026 (Stated). No register extract supplied.

The amounts owed under these entries are not given. They cannot be checked from the papers held.

NOT SHOWN . If the claims are true, no mortgage for bondholders can be registered while the court orders stand, and the bond would be unsecured.

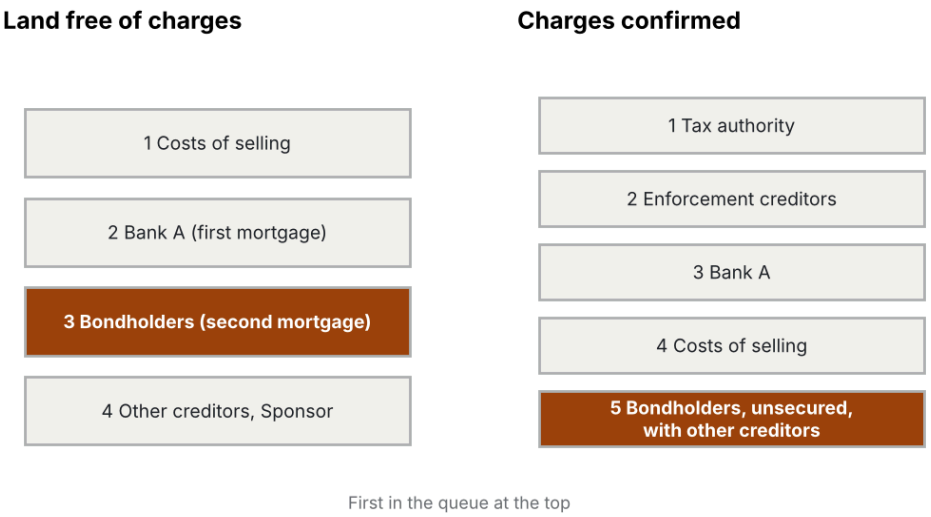
3.4 Test 3: who is paid before bondholders?

Two cases are used from here on and in the rest of the report:

- **Land free of charges:** the official land register shows no tax charges, seizure or court orders on the scheme's land (the claims in 3.3 are not true); the land is fully paid for and registered to the Project Company; and the bondholders' mortgage is registered, second behind Bank A.
- **Charges confirmed:** the tax charges, seizure and court orders claimed in 3.3 are real, so no mortgage can be registered for bondholders.

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Exhibit 3.4 The queue for the sale money, both ways



PLACE IN THE QUEUE	LAND FREE OF CHARGES	CHARGES CONFIRMED
1	Costs of selling the land and buildings	Tax authority (tax charges and seizure), amount unknown
2	Bank A's first-ranking mortgage (planned)	Enforcement creditors, amount unknown
3	Bondholders' second-ranking mortgage (USD 20 million plus unpaid interest)	Bank A (share pledge and any loan)
4	Other creditors and the Sponsor	Costs of selling
5		Bondholders, as unsecured lenders, alongside unpaid contractors, apartment buyers seeking refunds and other creditors

Source: Sponsor's projections, March 2026; preliminary security and creditor report, 2026; Gentium Advisers analysis. Order under Georgian law to be confirmed by the Client's solicitor (Section 16).

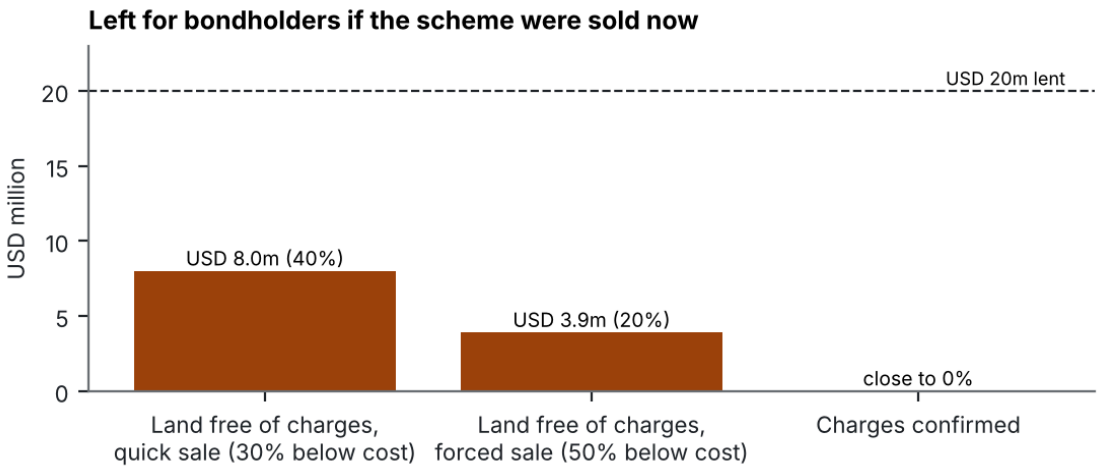
The size of Bank A's loan matters. The Sponsor's plan shows a new loan of USD 6.4 million; the term sheet describes "70% senior bank financing", which on its own figures would be USD 38 million to USD 54 million. Every dollar Bank A lends sits ahead of bondholders.

3.5 What bondholders could get back

No valuation of the land or the buildings has been supplied. The figures below use cost, which is not the same as value: a part-built scheme sold in a hurry usually fetches less than it cost.

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Exhibit 3.5 Recovery if the scheme had to be sold now



STEP	LAND FREE OF CHARGES, QUICK SALE AT 30% BELOW COST	LAND FREE OF CHARGES, FORCED SALE AT 50% BELOW COST	CHARGES CONFIRMED
Land at agreed price	USD 12.6 million	USD 12.6 million	USD 12.6 million
Building work done to date (Sponsor's figure)	USD 9.1 million	USD 9.1 million	USD 9.1 million
Total at cost	USD 21.7 million	USD 21.7 million	USD 21.7 million
Less discount for a quick or forced sale	minus USD 6.5 million	minus USD 10.9 million	Not known
Less selling costs (5%)	minus USD 0.8 million	minus USD 0.5 million	Not known
Less Bank A (Sponsor's plan)	minus USD 6.4 million	minus USD 6.4 million	Tax, enforcement and bank claims first, amounts unknown
Left for bondholders	USD 8.0 million	USD 3.9 million	Likely little or nothing
Share of the USD 20 million lent	40%	20%	Close to 0%

Source: Sponsor's land schedule and projections (Stated); Gentium Advisers calculation (Assumed: discounts of 30% and 50%, selling costs 5%).

Footnotes:

- "Land free of charges" assumes the bond money has paid the land in full and the bondholders' mortgage is registered. Without that, bondholders have no claim on the land at all.
- Assumes Bank A's loan is the USD 6.4 million in the Sponsor's plan. If Bank A lent USD 38 million, its money would go into building, but it would also be repaid first; bondholders would only gain if the extra building work were worth more than the extra loan on a forced sale.
- Unpaid interest is not included: bondholders would be owed more than USD 20 million at the time of a sale.
- Without the discount (selling at cost), the land and building work cover the bond 1.09 times before Bank A and selling costs; the land alone covers it 0.63 times.
- These figures are for a sale now. A sale later, after more building work has been paid for, could return more (Section 11).

Exhibit 3.6 Cover tiles

MEASURE	FIGURE
Land at agreed price ÷ bond	0.63 times
Land and building work at cost ÷ bond	1.09 times
Bondholders' share back, land free of charges, quick sale	40%
Bondholders' share back, land free of charges, forced sale	20%
Bondholders' share back, charges confirmed	close to 0%

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3.6 What must be checked and secured

Before any money is released:

- Official land register extracts for every plot, dated within the last 7 days, showing the owner and every charge, seizure and court order
- Written proof that the court orders, tax charges and seizures claimed in the preliminary report either do not exist or have been lifted
- Land purchase contracts and proof of payment; full title registered to the Project Company
- Bond money held by the Security Trustee and released only once the bondholders' mortgage is registered
- An agreement with Bank A (an intercreditor agreement) fixing how much Bank A can lend ahead of bondholders and what bondholders must agree to first
- An independent valuation of the land and work done, on a forced-sale basis
- The share pledge to Bank A, and what happens to bondholders if Bank A takes over the Project Company's shares

CONCLUSION

The bondholders' protection depends on land the Project Company has not finished paying for (USD 3.6 million paid of USD 12.6 million) and does not yet fully own. Bondholders' own money would buy it. A bank is planned to rank first. If the land is free of charges, a quick sale now at 30% below cost would return about 40% of the USD 20 million, and a forced sale at 50% below cost about 20%, before unpaid interest. If the charges are confirmed, no mortgage can be registered and bondholders would be unsecured lenders, likely to recover little or nothing. This is the first test the deal must pass. Until the register extracts are seen, the bond should be treated as unsecured.

Source line: Sponsor's land schedule (February 2025) and projections (March 2026); indicative term sheet (May 2026); preliminary security and creditor report (2026); Gentium Advisers analysis. Schemes are anonymised; the market data is real.

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SECTION 4 · THE ISSUER, THE SPONSOR AND THEIR ACCOUNTS

Evidence held: partial (no audited accounts)

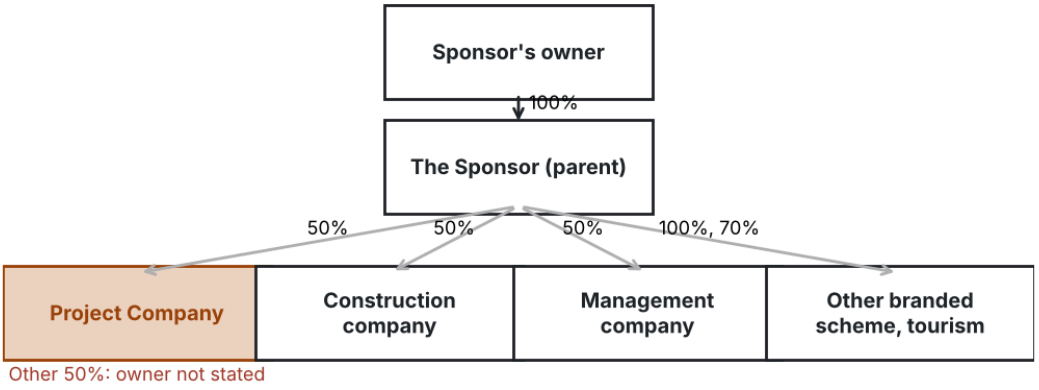
Nobody has shown who owns the other half of the Project Company, there are no audited accounts, and the Sponsor's own plan has negative equity until 2028 and a balance sheet that does not balance

4.1 Why this matters

The bond (USD 20 million, 36 months, 14.25% a year, paid twice a year, repaid in one payment at month 36) is a loan. A lender is repaid by a borrower, not by a building. Before lending, a lender needs to know three things about the borrower: who owns and controls it, what it already owes, and whether its figures can be trusted. This section tests those three things.

4.2 Who is the borrower?

Exhibit 4.2 The group



Source: Sponsor's ownership chart, February 2025 (Stated).

QUESTION	WHAT THE PAPERS SHOW	LABEL
Who owns the other 50% of the Project Company?	Not stated anywhere	Missing
Is the Project Company 50% or 100% owned by the Sponsor?	The Sponsor's chart says 50%; the preliminary security report says 100%	Stated, conflicting
Is the 50% partner being bought out?	The March 2026 plan includes a USD 1.7 million "repayment to former partner" in 2026, paid from the bond money	Stated
Who owns the Issuer?	Not stated	Missing
How does the money get from the Issuer to the Project Company?	No loan agreement supplied	Missing
Which company gives the "corporate guarantee"?	Not stated	Missing

Source: Sponsor's ownership chart (February 2025) and projections (March 2026); preliminary security and creditor report (2026); indicative term sheet (May 2026).

In plain words: the bondholders do not yet know who they are lending to, who else owns it, or who stands behind the guarantee.

NOT SHOWN .

4.3 Can the figures be trusted?

CHECK	WHAT WE FOUND	LABEL
Audited accounts	None supplied. The preliminary security report says none are filed on Georgia's official register of company accounts	Missing (claim not yet checked)
Management accounts	None supplied	Missing
Does the Sponsor's balance sheet balance?	No. The plan's own check line is out by USD 22.5 million in 2026 and by up to USD 142 million in later years	Documented (the plan itself)
Is the plan up to date for this bond?	No. Its interest and repayment lines do not match the bond on offer and need rebuilding	Documented
Do the cost and price workings carry the Sponsor's own warning flags?	Yes. Several lines are marked "??" or "Check" in the Sponsor's spreadsheets	Documented

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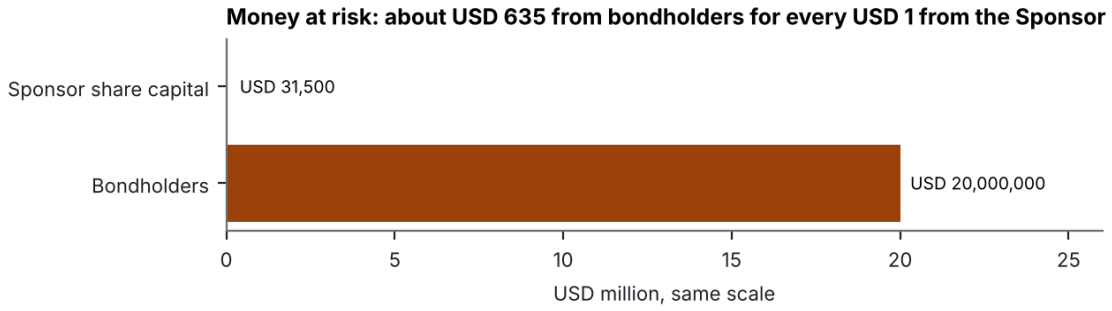
CHECK	WHAT WE FOUND	LABEL
Are the project returns "verified", as the term sheet says?	No. The returns of 18% to 29% a year come from marketing material prepared for the Sponsor by its consultant, which used the Sponsor's own building costs	Stated

Source: Sponsor's projections (March 2026) and earlier versions (February 2025); consultant's marketing reports (June 2025); indicative term sheet (May 2026).

FAIL . The figures cannot be relied on until audited accounts and a corrected, balancing plan are supplied.

4.4 How much of its own money has the Sponsor put in?

Exhibit 4.4 Sponsor's money at risk against bondholders' money at risk

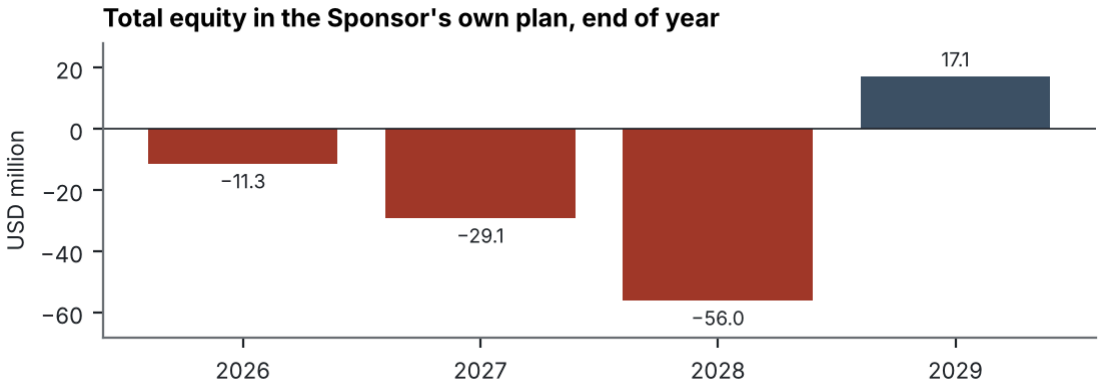


MEASURE	FIGURE
Sponsor's share capital in the Project Company	about USD 31,500
Bondholders' money	USD 20,000,000
Bondholders' money for every USD 1 of the Sponsor's share capital	about USD 635
Sponsor's share capital as a share of the total cost (USD 79.6 million)	0.04%

Source: Sponsor's projections, March 2026 (Stated); Gentium Advisers calculation.

The land paid so far (USD 3.6 million) and the building work done (USD 9.1 million) must have been paid for somehow. The papers show two sources: apartment buyers' payments (about USD 4.1 million received in cash on the first block) and an earlier loan from Bank A (up to about USD 2.5 million). Whether the Sponsor has also put in loans of its own, and whether those loans would be repaid before bondholders, is not shown.

Exhibit 4.5 Equity in the Sponsor's own plan



END OF YEAR	TOTAL EQUITY IN THE SPONSOR'S PLAN
2026	minus USD 11.3 million
2027	minus USD 29.1 million
2028	minus USD 56.0 million
2029	plus USD 17.1 million (when sales are counted as income on completion)

Source: Sponsor's projections, March 2026 (Stated).

Footnote: the losses arise because the plan counts sales as income only when buildings are finished, while costs are counted as they are spent. This is an accounting effect, not a measure of cash. But it means that throughout the bond's 36 months the Project Company would, on its own figures, owe more than it owns.

FAIL . The Sponsor has almost none of its own money at risk; the bondholders' money takes its place.

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4.6 Record of delivery

ITEM	WHAT THE PAPERS SHOW	LABEL
This scheme: brand agreement deadlines	Building to be finished by 2 February 2026 and the hotel open by 1 May 2026. Both dates have passed; the Sponsor's plan now shows the first block finishing in 2028	Documented
The group's other branded scheme in the same city	Said to have been due by late 2024 or early 2025 and repeatedly delayed, with work stopped at times	Claimed, not yet checked
Unpaid tax	Tax charges over the owner's property since 2022	Claimed, not yet checked (see Section 3)
Complaints from apartment buyers	Said to be numerous	Claimed, not yet checked

Source: franchise service agreement (December 2023); Sponsor's projections (March 2026); preliminary security and creditor report (2026).

CAUTION . The only documented test of delivery, the brand deadlines, has been missed by more than two years.

4.7 What must be checked

Before any money is committed:

- The shareholder register of the Project Company and the Issuer, and who owns the other 50%
- The identity, accounts and assets of the company giving the corporate guarantee
- Audited accounts for the Sponsor and the Project Company for the last three years, or an independent review if none exist
- A tax clearance certificate from the Georgian tax authority
- A full list of every loan, charge, guarantee and debt of the group, including any loans from the owner
- A corrected plan that balances and uses the terms of the bond on offer
- Identity, sanctions and politically exposed person checks on the owner and directors
- A court and litigation search in Georgia on the group and its owner
- Evidence of progress and handover dates on the group's other schemes, and buyer references

CONCLUSION

The bondholders would be lending USD 20 million to a borrower whose ownership is half unknown, whose guarantor is not named and whose accounts have never been audited. The Sponsor's own plan does not balance, shows negative equity of up to USD 56 million during the bond's life and has about USD 31,500 of share capital at risk, so bondholders put in about USD 635 for every USD 1 of the Sponsor's. The one documented test of the Sponsor's delivery, the brand deadlines of February and May 2026, has been missed. Until the borrower, its owners, its debts and its accounts are shown, a lender cannot judge whether the borrower can repay.

Source line: Sponsor's ownership chart (February 2025) and projections (March 2026); indicative term sheet (May 2026); franchise service agreement (December 2023); consultant's marketing reports (June 2025); preliminary security and creditor report (2026); Gentium Advisers analysis.

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SECTION 5 · WHERE THE USD 20 MILLION GOES

Evidence held: partial (the Sponsor's plan only)

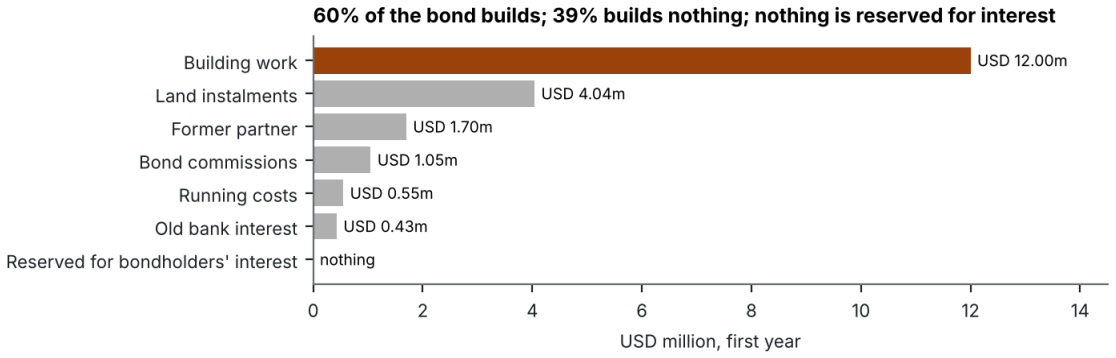
Almost four dollars in every ten of the bondholders' money would not build anything: it would pay for land, a former partner, fees and old interest, and none is set aside to pay the bondholders' own interest

5.1 Why this matters

The bond (USD 20 million, 36 months, 14.25% a year, paid twice a year, repaid in one payment at month 36) is offered to fund a branded aparthotel scheme in a Black Sea resort city in Georgia. Money spent on building adds something a lender could later sell. Money spent on fees, old debts or paying out a former partner adds nothing. And if no money is held back for interest, the first payments to bondholders depend on apartment sales arriving on time.

5.2 What the Sponsor's plan does with the money in its first year

Exhibit 5.2 Uses of cash in the plan's first year



USE	AMOUNT	BUILDS ANYTHING?
Building work	USD 12.0 million	Yes
Land instalments still owed	USD 4.0 million	No (buys land already agreed)
Repayment to a former partner	USD 1.7 million	No
Bond commissions	USD 1.05 million	No
Interest on an earlier Bank A loan	USD 0.43 million	No
Running costs (administration, management, marketing)	USD 0.48 million	No
Issuer's running costs (DIFC company, trustee, advisers)	USD 0.07 million	No
Total uses	**USD 19.76 million**	

Source: Sponsor's projections, March 2026 (Stated).

Exhibit 5.3 Share of the bond that builds

MEASURE	FIGURE
Spent on building work	USD 12.0 million, 60% of the bond
Spent on things that build nothing	USD 7.8 million, 39% of the bond
Set aside to pay bondholders' interest	USD 0

Source: Gentium Advisers calculation from the Sponsor's plan.

Footnote: the plan treats land as a use of the bond. Land is part of what bondholders would rely on (Section 3), but this money pays for land the Project Company has already agreed to buy, so it adds no new value; it only completes the purchase.

5.3 Where the rest of the first year's cash comes from

SOURCE	AMOUNT	LABEL
Bond money	USD 20.0 million	Assumed raised in full

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SOURCE	AMOUNT	LABEL
Apartment buyers' payments	USD 4.6 million	Stated
Total sources	**USD 24.6 million**	
Less total uses (Exhibit 5.2)	USD 19.76 million	
Cash left at the end of the first year	**USD 4.8 million**	

Source: Sponsor's projections, March 2026 (Stated); Gentium Advisers calculation.

Two points:

- The plan pays no bondholder interest in its first year. If the bond is issued at the start of that year, two interest payments of USD 1,425,000 (USD 2.85 million) fall due within it. Paying them would cut the cash left from USD 4.8 million to USD 1.95 million.
- The building work in the first year (USD 12.0 million) needs more than the bond leaves after the other uses. The plan relies on USD 4.6 million of buyers' payments arriving in that year. If they arrive late, either building slows or the interest is paid late.

5.4 The land is not fully paid in year one

The plan pays the land in two parts: USD 4.0 million in the first year and USD 4.0 million in the second. The landowners are owed USD 9.0 million in total. On the Sponsor's own timetable, the land would not be fully paid until the second year of the bond, and the bondholders' mortgage could not be registered until then (Section 3 sets out why). For roughly the first year, bondholders would have no registered security.

5.5 What is held back for bondholders

Nothing. There is no interest reserve and no account controlled by the Security Trustee in the plan.

Exhibit 5.5 What a reserve would cost

RESERVE HELD BY THE SECURITY TRUSTEE	AMOUNT	WHAT IT WOULD COVER
None (the plan)	USD 0	Nothing
12 months of interest	USD 2.85 million	The first two payments, whatever happens to sales
All interest for 36 months	USD 8.55 million	All six payments; bondholders then depend on sales only for the USD 20 million repayment

Source: Gentium Advisers calculation from the bond terms.

Footnote: a reserve reduces the cash available to build. A 12-month reserve would cut the building money in the first year from USD 12.0 million to about USD 9.2 million unless the payment to the former partner (USD 1.7 million) or other non-building uses were deferred.

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CONCLUSION

Of the USD 20 million, about USD 12.0 million (60%) goes into building in the first year and about USD 7.8 million (39%) builds nothing: land instalments of USD 4.0 million, USD 1.7 million to a former partner, USD 1.05 million of bond commissions, USD 0.43 million of old bank interest and USD 0.55 million of running costs. The land is not fully paid until the second year, so the bondholders' mortgage cannot be registered before then on the Sponsor's own timetable. No money is set aside for the bondholders' interest; the first USD 2.85 million of interest is not in the plan and would come from a first-year cash surplus of USD 4.8 million that itself depends on USD 4.6 million of buyers' payments.

Protections to seek:

- Bond money paid to an account controlled by the Security Trustee and released in stages against a monitoring surveyor's certificate of work done
- A reserve of at least 12 months' interest (USD 2.85 million) held by the Security Trustee, funded by new Sponsor money, not the bond
- No payment to the former partner or to any related company from bond money
- The land paid in full and the mortgage registered before any other use of the money
- A monthly report to bondholders of every payment made from the bond money

Source line: Sponsor's projections, March 2026; Sponsor's land schedule, February 2025; Gentium Advisers analysis.

SECTION 6 · THE SCHEME AND THE COST TO COMPLETE

Evidence held: partial (no construction contract, no inspection)

Only about 12% of the building cost has been spent, the cost estimate rose by a fifth in nine months before most work began, and most of the scheme will not be finished when the bond must be repaid

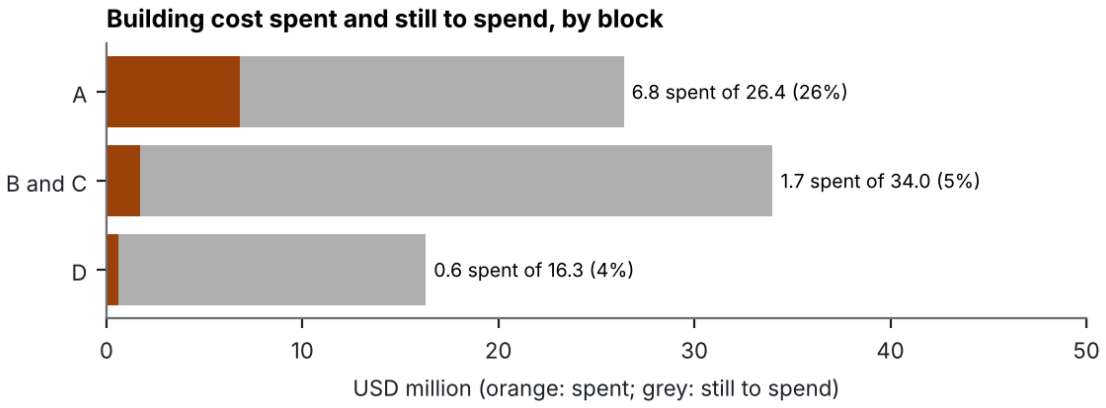
6.1 Why this matters

The bond (USD 20 million, 36 months, 14.25% a year, paid twice a year, repaid in one payment at month 36) is repaid from cash the scheme brings in. Finished apartments sell more easily and their buyers finish paying. Unfinished ones do not. If building costs more or takes longer than planned, money runs short before the bond is due. This section sets out what is left to build, what it may cost and when it will be finished. Gentium did not visit or inspect the site: everything here comes from the documents.

6.2 The scheme

A branded aparthotel scheme in four blocks on the seafront of a Black Sea resort city in Georgia, with a pool, waterpark, restaurants and other leisure facilities. All units are sold off plan to buyers who must place them in a hotel rental programme.

Exhibit 6.2 The four blocks



BLOCK	UNITS	FLOOR AREA FOR SALE	FLOOR AREA TO BUILD	TOTAL COST (EXCLUDING LAND)	SPENT SO FAR	SPENT AS A SHARE OF THIS BLOCK'S COST	SPENT AS A SHARE OF THE WHOLE SCHEME'S COST	STATUS
A	500	20,141 m²	36,890 m²	USD 26.4 million	USD 6.8 million	26%	9%	Frame under way
B and C	585	23,116 m²	36,890 m²	USD 34.0 million	USD 1.7 million	5%	2%	Not started
D	300	14,544 m²	25,500 m²	USD 16.3 million	USD 0.6 million	4%	1%	Not started
Total	**1,385**	**57,800 m²**	**99,280 m²**	**USD 76.6 million**	**USD 9.1 million**		**12%**	

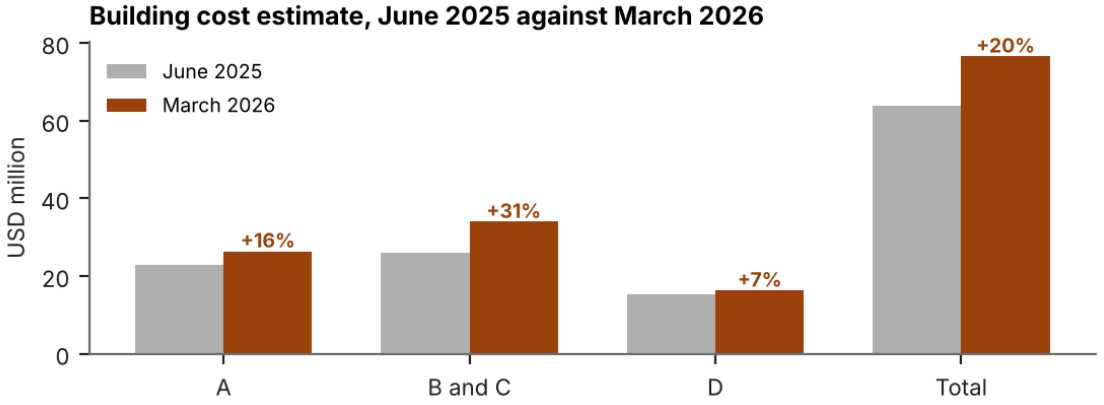
Source: Sponsor's projections, March 2026 (Stated), sample basis.

- The column "share of this block's cost" compares each block only with itself, so its figures cannot be added together. The column "share of the whole scheme's cost" compares each block with the total of USD 76.6 million; its figures add up to the 12% total (9% + 2% + 1%).
- "Spent so far" is the Sponsor's figure for work done; it has not been checked by a surveyor. Block D is planned to run without the hotel brand.

6.3 The cost estimate keeps rising

The Sponsor's consultant prepared cost figures in June 2025. The Sponsor's own plan nine months later, in March 2026, is higher for every block, before most of the work has started.

Exhibit 6.3 Building cost by block, June 2025 against March 2026



BLOCK	JUNE 2025 (CONSULTANT, USING SPONSOR'S COSTS)	MARCH 2026 (SPONSOR'S PLAN)	RISE
A	USD 22.8 million	USD 26.4 million	16%
B and C	USD 25.9 million	USD 34.0 million	31%
D	USD 15.2 million	USD 16.3 million	7%
Total	**USD 63.9 million**	**USD 76.6 million**	**20%**

Source: consultant's marketing reports (June 2025) and Sponsor's projections (March 2026), both Stated, sample basis.

Other points from the papers:

- The plan's own sheet mentions a contingency of 5% to 10% but does not include any amount for it.
- The plan adds only 2.7% a year for building cost inflation.
- Building costs are worked out in lari and converted at 2.7 lari to the dollar (currency risk is covered in Section 10).
- No construction contract, fixed price, contractor's name, building permits or surveyor's cost report has been supplied.

CAUTION . The estimate is not fixed, has risen 20% in nine months and carries no contingency.

6.4 What the remaining work costs and who pays for it

Exhibit 6.4 Money needed to finish against where the plan says it comes from

MONEY NEEDED (2026 TO 2029)	AMOUNT
Building work	USD 65.6 million
Roads, services and other infrastructure	USD 4.25 million
Land still to pay	USD 8.1 million
Repayment to a former partner	USD 1.7 million
Total	**USD 79.6 million**

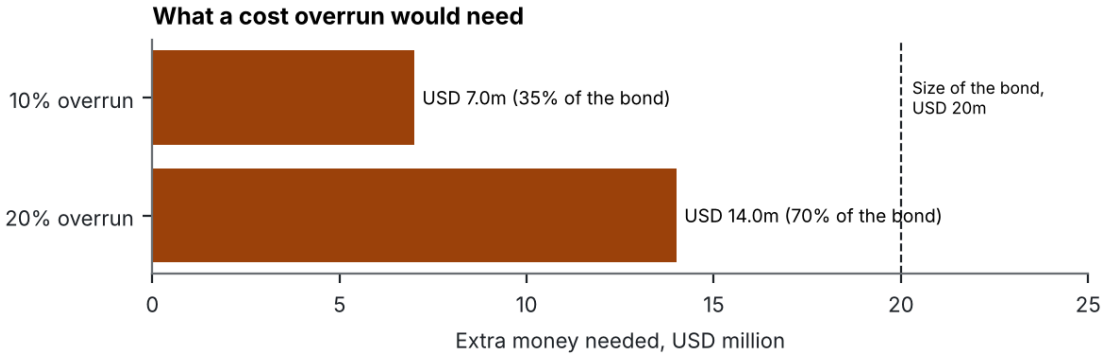
WHERE THE PLAN SAYS IT COMES FROM	SHARE
Apartment buyers' payments	68% (about USD 54 million)
The bond	20% (the bond is USD 20 million)
Bank A	12% (about USD 9.5 million)

Source: Sponsor's projections, March 2026 (Stated), sample basis. The shares are the Sponsor's own funding split. They show that two thirds of the cost to finish depends on apartment buyers paying on time.

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6.5 What a cost overrun would do

Exhibit 6.5 Extra money needed if building and infrastructure cost more

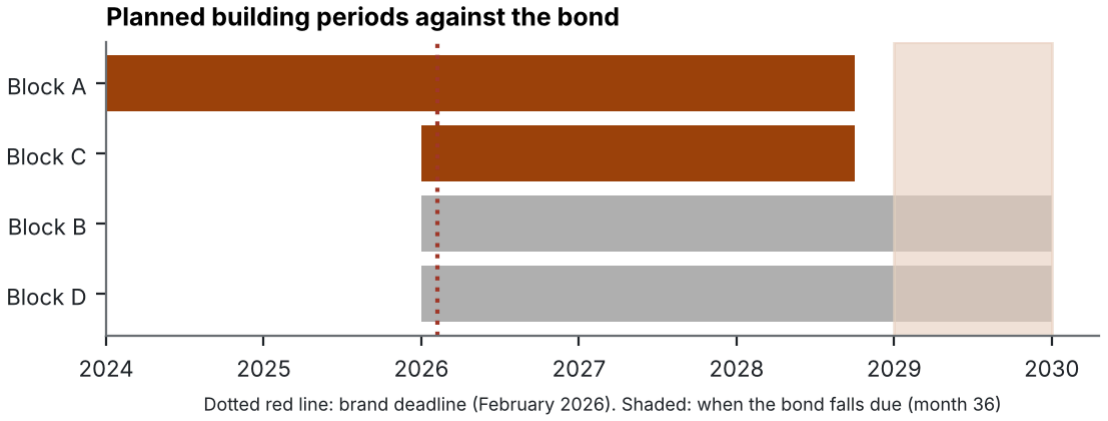


OVERRUN	EXTRA MONEY NEEDED	AS A SHARE OF THE BOND
10%	USD 7.0 million	35%
20%	USD 14.0 million	70%

Source: Gentium Advisers calculation on USD 69.8 million of building and infrastructure cost (Assumed overruns). Overruns of 10% to 20% are common on schemes of this kind built over three to four years. The estimate has already risen 20% between June 2025 and March 2026. No contingency, cost guarantee or source of extra money is shown, so any overrun would have to come from more buyers' payments, more bank debt or delay.

6.6 Finished before the bond is due?

Exhibit 6.6 Building timeline against the bond



BLOCK	PLANNED START	PLANNED FINISH	FULLY SOLD
A	2024	September 2028	2028
C	2026	September 2028	2029
B	2026	2029	2030
D	2026	2029	2030

Source: Sponsor's projections, March 2026 (Stated).

The issue date of the bond is not fixed. Whatever the date, the bond falls due 36 months later, between late 2029 and early 2030 if it is issued during 2026 or early 2027. On the Sponsor's own timetable, at month 36:

- Block A and Block C may be finished, if nothing slips.
- Blocks B and D, more than half of the units, would be finished at best around the time the bond falls due, and not fully sold.
- The hotel would only just be opening, so hotel income would not help repay the bond.
- The brand agreement had already required the first building to be finished by February 2026. That date was missed by more than two years in the current plan.

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FAIL **on timing.** The plan needs every block to run to time for the scheme to be largely finished at month 36, and the first block is already more than two years behind its brand deadline.

> **CONCLUSION**
>
> Of a building cost of USD 76.6 million, only USD 9.1 million (12%) has been spent, mostly on Block A; Blocks B, C and D are not started. The estimate rose 20% between June 2025 and March 2026 with no contingency and no fixed-price contract. A further 10% overrun would need USD 7.0 million more and a 20% overrun USD 14.0 million, equal to 35% and 70% of the bond. Two thirds of the money to finish is expected from apartment buyers. On the Sponsor's own timetable, more than half the units would not be finished and sold when the bond falls due, so repayment at month 36 cannot rely on a finished scheme.

What must be checked:

- The construction contract, the contractor and whether the price is fixed
- An independent cost report from a quantity surveyor, with a contingency of at least 10%
- Building permits for every block and their expiry dates
- A monitoring surveyor's report on work done and its value, and a site visit
- A programme for every block, with the critical dates and what happens if they slip
- Who pays for overruns: a completion guarantee or committed extra money

Source line: Sponsor's projections, March 2026; consultant's marketing reports, June 2025; franchise service agreement, December 2023; Gentium Advisers analysis. Schemes are anonymised; the market data is real.

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SECTION 7 · SALES AND CASH: THE ENGINE OF REPAYMENT

Evidence held: partial (Sponsor's sales list and plan; market data independent)

To repay the bond, the scheme must sell about 26 apartments a month for three and a half years, at prices 20% to 60% above the local average, when it has sold none it can show since March 2025 and has received only 31% of the money from the sales it has made

7.1 Why this matters

The bond (USD 20 million, 36 months, 14.25% a year, paid twice a year, repaid in one payment at month 36) has no hotel income to rely on before it falls due: the hotel opens only around month 36 (Section 6). Almost all the cash to pay interest, finish building and repay the bond must come from apartment buyers. If buyers sign late, pay late or stop paying, the bond is not repaid on time. This section tests whether the plan's sales are realistic.

7.2 What has been sold so far

Exhibit 7.2 Sales on the first block

MEASURE	FIGURE	LABEL
Units sold on Block A	280 of 500 (56%)	Stated
Floor area sold	about 8,900 m²	Stated
Value of sales signed	USD 13.5 million	Stated
Still owed by those buyers	USD 9.4 million	Stated
Cash actually received	USD 4.1 million (31% of the value signed)	Stated
Average price achieved	about USD 1,515 per m² (about USD 2,050 per m² if a separate furniture package of about USD 4.8 million belongs to the same units)	Stated, unclear
Units sold on Blocks B, C and D	None	Stated

Source: Sponsor's sales list (February 2025); consultant's marketing report (sales as at 1 March 2025); indicative term sheet (May 2026). All Stated, sample basis.

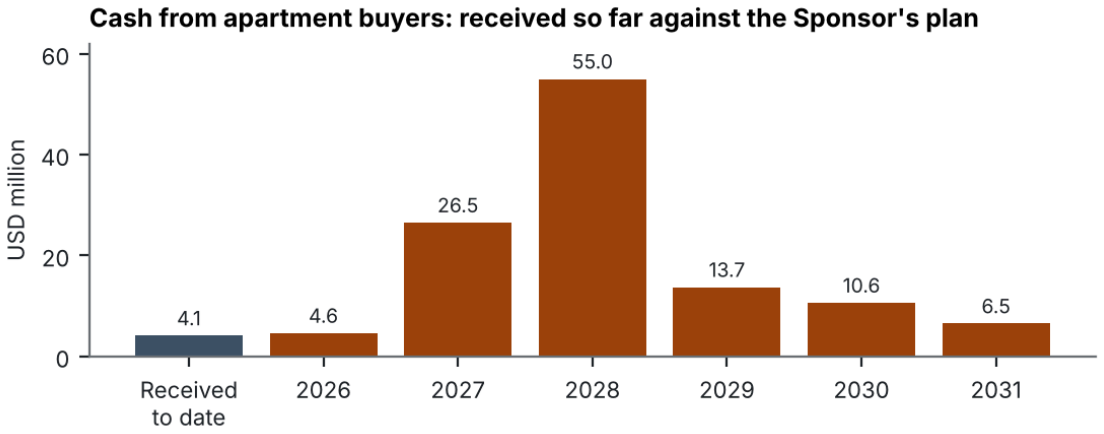
Three points stand out:

- **No sales shown since March 2025.** The term sheet of May 2026 repeats the same figures as March 2025 (56% sold, the same value and the same amount owed). Either nothing has been sold for 14 months or the figures have not been updated. Both need explaining.
- **Only 31% of the money has come in.** Buyers on Block A still owe USD 9.4 million. That money arrives over many months, and only if buyers keep paying while the building is two years behind its brand deadline.
- **The Sponsor's own assumptions sheet says 80% of units are already sold.** The sales list and the term sheet say 56% of Block A and none elsewhere. The plan is built on a figure the Sponsor's own documents contradict.

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7.3 What the plan needs

Exhibit 7.3 Cash from apartment buyers in the Sponsor's plan



YEAR	CASH FROM BUYERS IN THE PLAN
Received to date (all years to March 2025)	USD 4.1 million
2026	USD 4.6 million
2027	USD 26.5 million
2028	USD 55.0 million
2029	USD 13.7 million
2030	USD 10.6 million
2031	USD 6.5 million
Total in the plan	**USD 116.9 million**

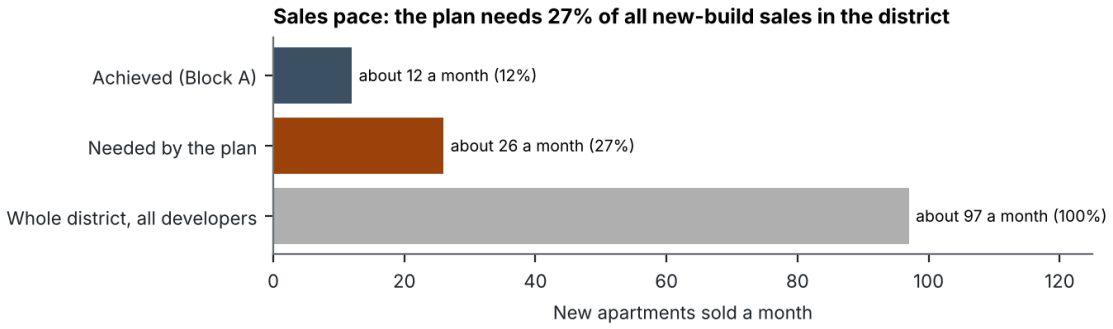
Source: Sponsor's projections, March 2026 (Stated), sample basis.

In plain words: the scheme has collected USD 4.1 million from buyers since sales began. The plan needs USD 81.5 million in 2027 and 2028 alone, about 20 times what has been collected so far, within the bond's 36 months.

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7.4 How fast it must sell

Exhibit 7.4 Sales pace needed against sales pace achieved



MEASURE	UNITS A MONTH
Achieved by the scheme on Block A (about 280 units over about two years to March 2025)	about 12 (12% of all new-build sales in the district)
Needed by the plan (1,105 units left to sell over about 42 months, 2026 to mid-2029)	about 26 (27% of all new-build sales in the district)
The whole local market: new apartments sold by all developers together in the scheme's district, January to August 2026 (779 sold)	about 97 (100%)

Source: Sponsor's sales list and projections (Stated); Galt & Taggart, Batumi Residential Real Estate 8M26 (5 November 2026), district primary sales of 779 units in eight months (Documented).

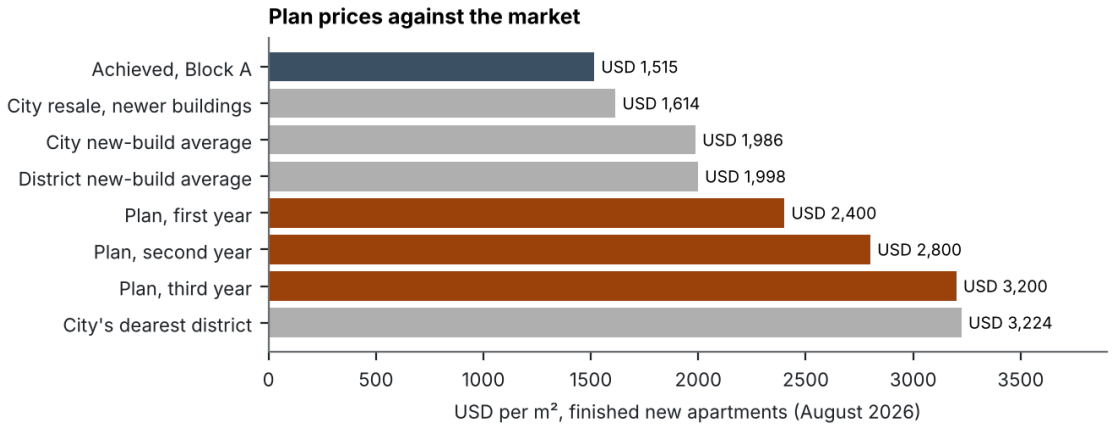
Footnote: the percentages compare each figure with the whole local market of about 97 new-build sales a month. Galt & Taggart note that new-build sales are registered late, so the true district total may be a little higher and the scheme's share a little lower.

The plan needs the scheme to sell more than twice as fast as it ever has, and to take about 27% of all new apartment sales in its district (about 4% of all new apartment sales in the whole city) every month for three and a half years.

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7.5 At what price

Exhibit 7.5 Price per m² in the plan against the market



MEASURE	PRICE PER M²
Achieved by the scheme on Block A (excluding furniture package)	about USD 1,515
City secondary market, newer buildings (August 2026)	USD 1,614
City average, new apartments sold finished (August 2026)	USD 1,986
Scheme's district average, new apartments sold finished (January to August 2026)	USD 1,998
Plan: future sales, first year	USD 2,400 (20% above the district average)
Plan: future sales, second year	USD 2,800 (40% above)
Plan: future sales, third year	USD 3,200 (60% above)
The city's most expensive district (January to August 2026)	USD 3,224

Source: Sponsor's projections and consultant's model (Stated); Galt & Taggart, Batumi Residential Real Estate 8M26 (5 November 2026), primary market prices for finished ("turnkey") apartments (Documented).

The plan's prices rise to almost the level of the most expensive district in the city, for a scheme outside the centre that has so far sold at about USD 1,515 per m². A brand and a beachfront can justify a premium, but the scheme's own sales history does not yet show buyers paying it.

What the market research says (Galt & Taggart, 14 August and 5 November 2026):

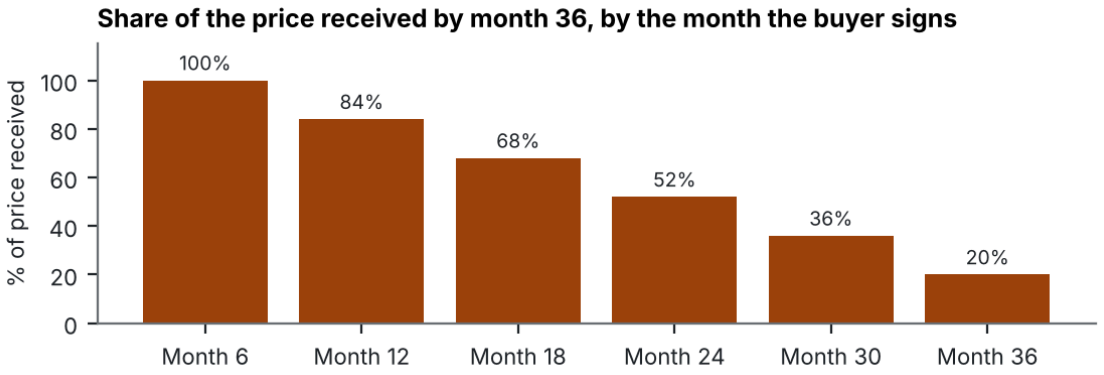
- City apartment sales were 10,883 in January to August 2026, up 3.6% on a year earlier; registered new-build sales fell 3.6%, while developers reported rises.
- New-build prices rose 11.2% in a year to USD 1,986 per m², but the gap with resale prices (USD 1,614) is widening.
- A large number of projects under construction and falling rental yields (gross yield 7.1%, down from 7.7% in 2025) may make it hard to keep new-build prices rising at the current pace.
- Daily apartment rents have stayed broadly flat at about USD 38 a night.

7.6 Buyers who sign late are still paying when the bond falls due

The plan sells on 20% down and the rest in 30 monthly instalments. A buyer who signs late in the bond's life has paid only part of the price by month 36.

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Exhibit 7.6 Share of the price received by month 36, by the month the buyer signs



BUYER SIGNS IN MONTH	SHARE OF THE PRICE RECEIVED BY MONTH 36
6	100%
12	84%
18	68%
24	52%
30	36%
36	20%

Source: Gentium Advisers calculation from the plan's payment terms (20% deposit, 30 equal monthly instalments).

Footnote: the plan expects most sales in its second and third years. Much of the value it counts would still be owed by buyers at month 36, so it is not cash available to repay the bond.

7.7 Buyers' money is not protected

- Georgia does not require developers to hold buyers' money in an escrow account. The term sheet presents this as an advantage ("proceeds deployable for construction and working capital").
- For bondholders it means buyers' payments can be spent on anything, including other projects, the former partner or old debts, before the bond is paid.
- The plan assumes only 5% of buyers cancel. With the first block already more than two years behind its brand deadline, the risk that buyers stop paying or ask for refunds is higher.
- The preliminary security report claims that sales made while court orders stand could be challenged by buyers (claimed, not yet checked; see Section 3). If so, buyers could demand their money back ahead of bondholders.
- The plan pays brokers 10% commission on sales, so the scheme keeps only about 90% of each sale.

FAIL . On the evidence held, the plan's sales pace and prices are not supported by the scheme's own record or by the market data.

CONCLUSION

The scheme has sold 280 of 500 units on its first block at about USD 1,515 per m² and has received USD 4.1 million (31%) of the USD 13.5 million signed; no later sales are shown since March 2025. The plan needs USD 81.5 million from buyers in 2027 and 2028, about 20 times what has been collected so far, which means selling about 26 units a month (more than twice the scheme's best pace and about 27% of all new sales in its district) at USD 2,400 to 3,200 per m², 20% to 60% above the district average of USD 1,998. Buyers who sign in the second half of the bond would still owe much of their price at month 36, and none of their money is held in escrow. Repayment of the bond depends on a sales performance the scheme has not yet shown it can achieve.

What must be checked:

- An up-to-date sales list for every block: units, prices, dates signed, amounts paid and owed, and any cancellations
- Bank statements showing buyers' payments actually received
- A sample of signed sales contracts: payment terms, delay penalties, refund rights and what buyers were told about the brand
- Why no sales are shown since March 2025
- An independent sales and pricing study comparing the scheme with competing new schemes in the district
- A bondholders' account into which buyers' payments are paid, with a set share passed to the Security Trustee for interest and repayment

Source line: Sponsor's sales list (February 2025) and projections (March 2026); consultant's marketing report (2025); indicative term sheet (May 2026); Galt & Taggart, Batumi Residential Real Estate 2Q26 (14 August 2026) and 8M26 (5 November 2026); Gentium Advisers analysis. Schemes are anonymised; the market data is real.

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SECTION 8 · THE HOTEL BRAND AND OPERATING INCOME

Evidence held: full for the contract terms; partial for income

The brand can already end its agreement because both deadlines have passed, the agreement covers only 262 of the 1,385 units being sold, and hotel income starts too late to repay a cent of the bond

8.1 Why this matters

The bond (USD 20 million, 36 months, 14.25% a year, paid twice a year, repaid in one payment at month 36) relies on apartment sales (Section 7). Buyers are paying more because the units are sold as branded hotel apartments, managed for them in a hotel rental programme. If the brand leaves, buyers may stop paying or ask for refunds, prices fall and the land and buildings are worth less if they have to be sold. The brand is therefore part of the bondholders' security, even though it pays bondholders nothing directly.

8.2 What the brand agreement is

ITEM	WHAT THE SIGNED AGREEMENT SAYS	LABEL
Who signed	The Project Company and a regional franchise company that licenses the international hotel brand in the region. The brand owner itself is not a party	Documented
Type	A franchise: the brand lends its name, standards, booking system and marketing. It does not run the hotel; the Project Company or a manager it appoints does	Documented
What it covers	262 hotel keys on one plot of land	Documented
Keys sold to buyers before opening	196 (the other 66 only after five full years of opening, and only with the franchisor's approval)	Documented
Rental programme	Every unit sold must be in the hotel rental programme; the Project Company must keep at least 98% of sold units in it	Documented
Deadlines	Building finished by 2 February 2026; hotel open by 1 May 2026	Documented
Term	10 years from opening; two further 5-year terms at the franchisor's choice	Documented
Fees	Brand fee 1.0% of room revenue in years 1 to 3, 3.5% from year 4; sales and marketing fee 2.0%; booking and loyalty charges of 1.7% to 10% of revenue by channel; consultancy fee of EUR 92,400 and pre-opening fees of EUR 17,500	Documented
Currency of fees	Euros	Documented
Law and disputes	English law; arbitration in Vienna	Documented

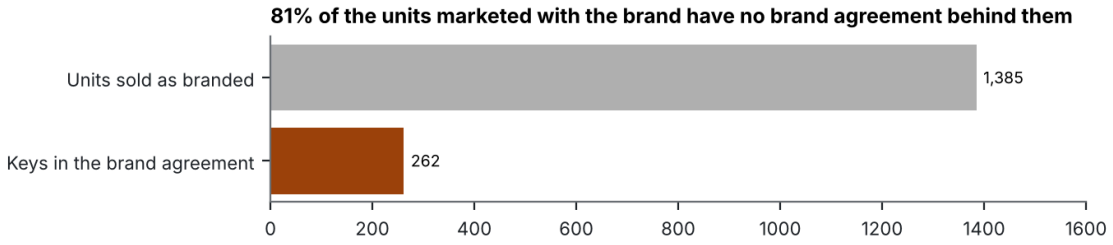
Source: franchise service agreement, December 2023 (Documented); memorandum of understanding, May 2023 (Documented, not binding and since replaced).

The term sheet describes the scheme as developed "in association with" the brand group. In fact the agreement is a franchise from a regional licensee.

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8.3 Units sold with the brand against units the brand covers

Exhibit 8.3 Units marketed with the brand against keys in the brand agreement



MEASURE	UNITS
Units in the scheme, all sold as part of a branded hotel rental programme	1,385
Keys covered by the signed brand agreement	262
Units with no brand agreement shown	1,123 (81%)

Source: Sponsor's projections, March 2026; franchise service agreement, December 2023; sample basis.

- Block A alone has 500 units, almost twice the 262 keys the agreement allows.
- Blocks B and C are marketed with the same brand, but no agreement for them has been supplied.
- Block D is planned under the Sponsor's own management, without the brand.

In plain words: about four in five of the units being sold have no brand agreement behind them. If buyers were told otherwise, they may have claims against the Project Company (Section 7).

8.4 The brand can already end the agreement

Exhibit 8.4 Brand deadlines against the Sponsor's plan

MILESTONE	DEADLINE IN THE AGREEMENT	SPONSOR'S PLAN NOW	LATE BY
Building finished	2 February 2026	September 2028 (Block A)	about 2 years 7 months
Hotel open	1 May 2026	late 2028 to 2029	more than 2 years

Source: franchise service agreement, December 2023; Sponsor's projections, March 2026.

What the agreement allows the franchisor to do (clause 19):

- **End the agreement at once, by written notice,** if a milestone is missed (clause 19.1(m)). Both milestones have been missed. No written extension has been supplied.
- **End it at once** if the Project Company becomes insolvent, or breaks its promise that it owns the land free of charges that would affect the hotel (clauses 19.1(a) and (b), and 15). The unchecked claims of tax charges and court orders (Section 3) would, if true, break that promise.
- **End it at once** if fewer than 98% of sold units stay in the rental programme (clause 19.1(n)).
- **Cut the hotel off from the brand's booking system** while any default continues, without ending the agreement (clause 19.3).
- **Charge liquidated damages** if the agreement ends because of the Project Company's default (clause 19.6). The amount is set in a schedule not yet checked. It would be a new debt of the Project Company, reducing the money left for bondholders.

FAIL . The brand agreement can be ended now at the franchisor's choice. Until a signed extension with new dates is supplied, the brand cannot be counted on.

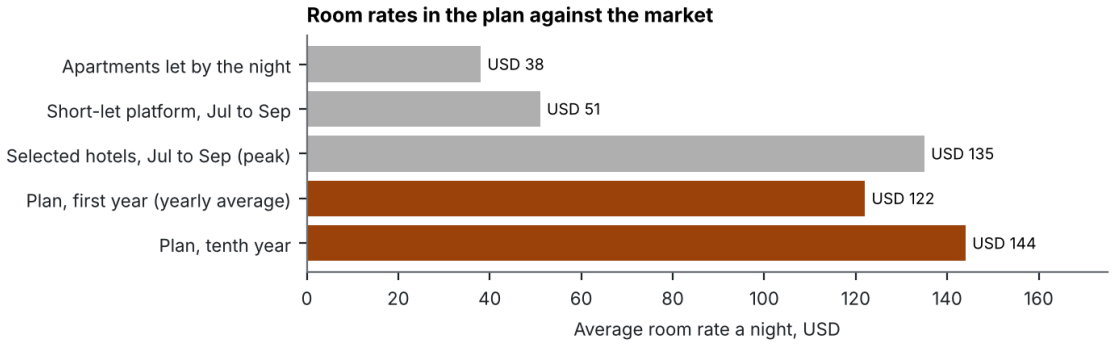
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8.5 The brand and the bondholders' security

- If the Security Trustee had to sell the land and buildings, the buyer would keep the brand only if the franchisor approved it as an acceptable new owner, all fees owed were paid and the buyer signed a new agreement (clause 13). Without approval, the scheme would be sold unbranded.
- An unbranded, part-built scheme sells for less. This is one reason the recovery figures in Section 3 use discounts of 30% and 50% below cost.
- Brand fees are in euros while sales and the bond are in dollars, so a stronger euro raises the cost of the brand.

8.6 Hotel income: too late for the bond

Exhibit 8.6 Room rates in the plan against the market



MEASURE	AVERAGE DAILY ROOM RATE
Apartments let by the night in the city, 2026	about USD 38
Short-let apartments on a booking platform in the city, July to September 2026	USD 51
Selected hotels in the city, July to September 2026 (the busiest season; occupancy 84%)	USD 135
Sponsor's plan, first year of hotel operation, as a yearly average (occupancy 63%)	USD 122
Sponsor's plan, tenth year (occupancy 69%)	USD 144

Source: Sponsor's projections, March 2026 (Stated); Galt & Taggart, Batumi Residential Real Estate 8M26 (5 November 2026) and Tourism Market Watch 3Q26 (22 October 2026) (Documented).

Footnotes:

- The plan's yearly average of USD 122 is close to what selected hotels achieve in the peak summer quarter, USD 135. A yearly average includes the quiet winter months, so it would normally be well below the summer figure.
- The plan's rates are about three times what apartments let by the night earn in the city. They can only be reached if the scheme operates as a full hotel under the brand.
- Tourism is uneven: international visits fell 4.5% in April to June 2026 and rose 3.3% in July to September, with visitors from the Gulf down sharply (Galt & Taggart, July and October 2026).

When does hotel income start, and who gets it?

- The plan starts hotel income in 2029, around the time the bond falls due (month 36).
- Unit buyers receive 60% of room revenue. The Project Company keeps 40%, from which it pays the hotel's running costs and brand fees.
- The plan's own figure for the Project Company's profit from the hotel in its first year is about USD 0.7 million, about a quarter of one year's bond interest (USD 2.85 million).

NO HELP TO THE BOND . Hotel income arrives too late and is too small to pay interest or repay the bond. Its value to bondholders is indirect: a working brand supports apartment prices, buyers' payments and the value of the land and buildings.

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CONCLUSION

The brand agreement is a franchise from a regional licensee for 262 keys on one plot, while 1,385 units are being sold as branded hotel apartments; about four in five have no brand agreement behind them. Both brand deadlines, building finished by 2 February 2026 and opening by 1 May 2026, have passed, so the franchisor can end the agreement at once by written notice and claim liquidated damages. A sale by the Security Trustee would keep the brand only with the franchisor's approval. The plan's room rates (USD 122 to 144 a night) are close to peak-season hotel rates and about three times what apartments earn by the night in the city, and hotel income starts only around month 36, too late to help repay the bond. For bondholders the brand matters because sales and land values depend on it, and today it is at the franchisor's discretion.

What must be checked:

- A signed extension of the brand agreement with new building and opening dates
- Written confirmation from the franchisor that it will not end the agreement for the missed deadlines
- Brand agreements, or written intent, for Blocks B and C, or confirmation of how those units are being marketed
- The liquidated damages schedule and the amount payable on termination
- A direct agreement between the franchisor and the Security Trustee: notice to bondholders of any default, time to put it right, and approval in advance of a buyer if the Security Trustee has to sell
- What buyers' sales contracts say about the brand, and what buyers can claim if it is lost
- An independent hotel operating forecast for the scheme

Source line: franchise service agreement (December 2023); memorandum of understanding (May 2023); Sponsor's projections (March 2026); indicative term sheet (May 2026); Galt & Taggart, Batumi Residential Real Estate 8M26 (5 November 2026) and Tourism Market Watch 2Q26 (23 July 2026) and 3Q26 (22 October 2026); Gentium Advisers analysis. Schemes are anonymised; the market data is real.

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SECTION 9 · THE DEBT LADDER AND THE REPAYMENT WALL AT MONTH 36

Evidence held: partial (no bank loan agreements)

Once the sales commission the plan leaves out is counted, the Sponsor's own figures cannot repay the bond: interest falls short at month 24 and about USD 7.7 million is missing at month 36; buyers would have to pay about 11% more than the plan just to break even

9.1 Why this matters

The bond (USD 20 million, 36 months, 14.25% a year, paid twice a year, repaid in one payment at month 36) is one of several debts the Project Company must pay. A lender needs to see every debt, when each falls due, and whether cash will be there on each date. A large single repayment at the end is called a "repayment wall": the borrower must find the whole sum on one day, from cash in hand or a new loan.

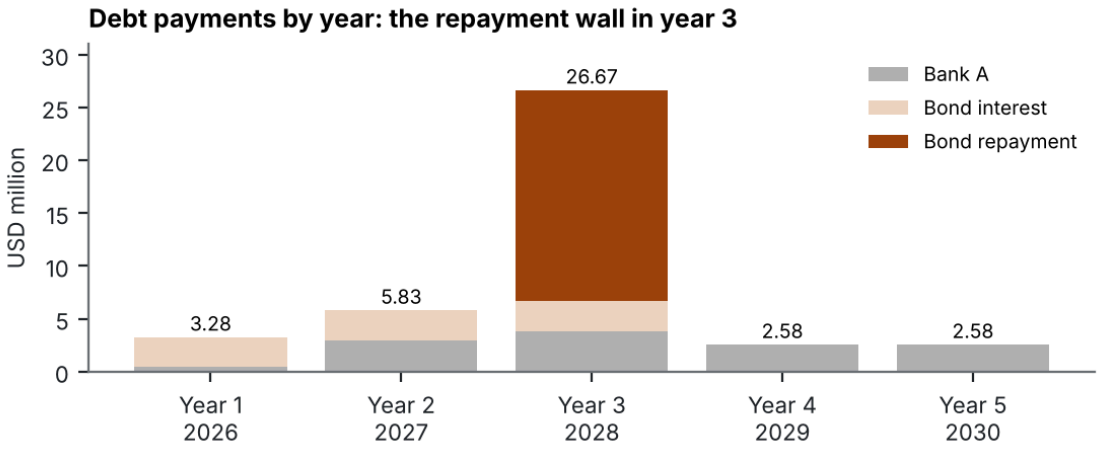
9.2 How the test is built

- Cash from the scheme before any debt is taken from the Sponsor's March 2026 plan (sales cash less building, land, running costs and other spending).
- The plan's own profit and loss account charges a 10% sales agents' commission and an advertising budget on every sale; its cash flow leaves both out. They are added back here: USD 1.07 million in year 1, USD 6.87 million in year 2 and USD 2.11 million in year 3 (USD 10.05 million in the bond's life).
- The Sponsor's plan was drawn up for an earlier version of the bond. Its bond lines are replaced with the bond offered to the Client: USD 20 million in, fees of USD 1.05 million, interest of USD 2.85 million a year and USD 20 million repaid at the end of year 3.
- Assumed: the bond is issued at the start of the plan's first year (2026), so year 1 is 2026 and month 36 is the end of 2028. The bond has not yet been issued; a later issue date moves every date later and the plan would need updating.

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9.3 Every debt and when it falls due

Exhibit 9.3 Debt payments by year



DEBT PAYMENT	YEAR 1 (2026)	YEAR 2 (2027)	YEAR 3 (2028)	YEAR 4 (2029)	YEAR 5 (2030)
Earlier Bank A loan: interest and repayment	USD 0.43 million	USD 2.98 million	USD 1.24 million		
New Bank A loan (USD 6.4 million, drawn in year 2): interest and repayment			USD 2.58 million	USD 2.58 million	USD 2.58 million
Bond interest	USD 2.85 million	USD 2.85 million	USD 2.85 million		
Bond repayment			USD 20.0 million		
Total debt payments	**USD 3.28 million**	**USD 5.83 million**	**USD 26.67 million**	**USD 2.58 million**	**USD 2.58 million**

Source: Sponsor's projections, March 2026 (Stated), sample basis; bond terms; Gentium Advisers calculation.

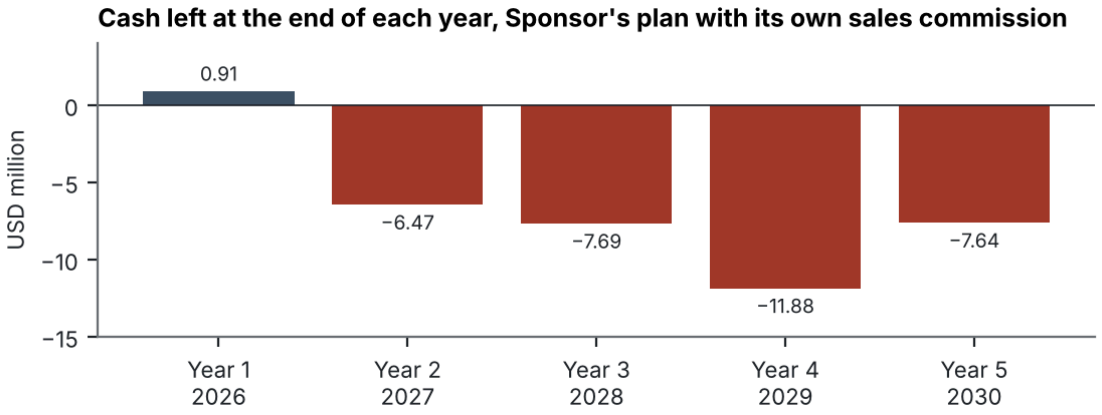
Debts not in the plan, which would rank ahead of or alongside bondholders:

- The term sheet's "70% senior bank financing": on its own figures USD 38 million to USD 54 million, far more than the USD 6.4 million in the plan (Missing: no loan agreement)
- Any tax, enforcement or other claims, if the charges in Section 3 are confirmed (amounts unknown)
- Liquidated damages to the brand if its agreement is ended (Section 8; amount unknown)
- Any loans from the Sponsor or its owner to the Project Company (Missing)

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9.4 Cash against debt, year by year

Exhibit 9.4 Cash from the scheme, debt payments and cash left



MEASURE	YEAR 1 (2026)	YEAR 2 (2027)	YEAR 3 (2028)	YEAR 4 (2029)	YEAR 5 (2030)
Cash from the scheme before debt, as in the Sponsor's cash flow	minus USD 13.69 million	minus USD 0.97 million	USD 27.56 million	USD 0.22 million	USD 8.24 million
Less sales commission and advertising left out of that cash flow	minus USD 1.07 million	minus USD 6.87 million	minus USD 2.11 million	minus USD 1.83 million	minus USD 1.42 million
Cash from the scheme before debt, corrected	**minus USD 14.76 million**	**minus USD 7.83 million**	**USD 25.45 million**	**minus USD 1.61 million**	**USD 6.82 million**
Money borrowed (bond in year 1 after fees; new Bank A loan in year 2 after fees)	USD 18.95 million	USD 6.28 million			
Debt payments (Exhibit 9.3)	minus USD 3.28 million	minus USD 5.83 million	minus USD 26.67 million	minus USD 2.58 million	minus USD 2.58 million
Cash left at the end of the year	**USD 0.91 million**	**minus USD 6.47 million**	**minus USD 7.69 million**	**minus USD 11.88 million**	**minus USD 7.64 million**

Source: Sponsor's projections, March 2026 (Stated), sample basis; Gentium Advisers calculation.

Footnote: a minus figure for cash left means money the Project Company does not have. In practice it would show up as unpaid interest, unpaid contractors or building stopping.

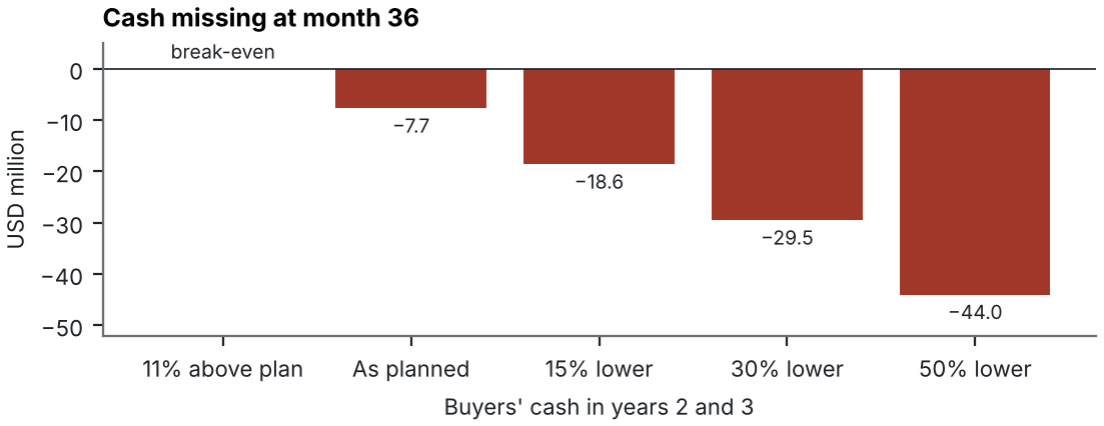
What this shows, on the Sponsor's own figures once its own commission is counted:

- **Month 24:** the Project Company is USD 6.47 million short by the end of year 2, more than the year's bond interest of USD 2.85 million. Bond interest would fall short before the bond reaches its final year.
- **Month 36:** the scheme brings in USD 25.45 million of cash in year 3 against USD 26.67 million of debt payments, a cover of 0.95 times. A lender normally looks for at least 1.25 times. About USD 7.7 million is missing when the bond falls due.
- All of year 3's cash depends on apartment buyers paying USD 55.0 million in that year, the plan's biggest sales year and more than 13 times everything collected from buyers so far (USD 4.1 million; Section 7).

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9.5 What buyers would have to pay

Exhibit 9.5 Cash missing at month 36 by what apartment buyers pay in years 2 and 3



BUYERS' CASH IN YEARS 2 AND 3	MISSING AT MONTH 36	SHARE OF THE USD 28.55 MILLION OF BOND PAYMENTS (INTEREST AND REPAYMENT) THE SCHEME CAN MAKE BY MONTH 36
About 11% more than the plan	None	100% (break-even)
As planned (USD 81.5 million)	USD 7.7 million	73%
15% lower	USD 18.6 million	35%
30% lower	USD 29.5 million	about 10% (the first year's interest only)
50% lower	USD 44.0 million	about 10% (the first year's interest only)

Source: Gentium Advisers calculation on the Sponsor's projections (Stated), sample basis.

Footnotes:

- "Missing at month 36" is the cash the Project Company would need, on top of what it holds, to pay building, running costs, sales commission, land, Bank A and every bond payment due by month 36.
- Sales commission and advertising rise and fall with sales in each case. Building costs are kept as planned; in practice building would slow, delaying completion and sales further.
- Bondholders are assumed to be paid after Bank A on each date, as Bank A is planned to rank first.
- The break-even is buyers' cash about 11% above the plan in years 2 and 3. Section 7 found that the scheme has collected USD 4.1 million from buyers so far, at about half the pace the plan needs and at lower prices.

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9.6 Could a new loan repay the bond?

If cash is short at month 36, the bond can only be repaid on time with new money. The Sponsor's own post-raise notes ask "What is the real source of bond repayment?" and list, in order: refinancing, conversion into shares, a loan against the property, a new strategic investor and a new bond.

- **Conversion into shares** is not available: the bond on offer is a straight bond.
- **A new bank loan** at month 36 would be lent against a scheme where most blocks are unfinished and the hotel is not yet open (Section 6). Banks lend most readily against finished, income-producing property. Any new bank loan would also rank ahead of bondholders unless they agree otherwise.
- **A new investor or a new bond** depends on market conditions and on the scheme's record at that time. Today's record shows missed brand deadlines and no audited accounts (Sections 4 and 8).

FAIL . Even on the Sponsor's own sales and prices, the plan cannot pay the bond in full and on time once its own sales commission is counted; repayment would need sales about 11% above a plan the scheme has not come close to, or refinancing that is not committed.

CONCLUSION

The Sponsor's cash flow leaves out about USD 10.05 million of sales commission and advertising that its own profit and loss account charges in the bond's life. Counting it, the Project Company is USD 6.47 million short by month 24, so bond interest would fall short in year 2, and about USD 7.7 million short when the bond falls due at month 36, with cash covering year 3's debt payments only 0.95 times against the 1.25 times lenders normally expect. To repay in full and on time, buyers would have to pay about 11% more than the plan in years 2 and 3; if they pay 15% less, the scheme can make only 35% of the USD 28.55 million of bond payments by month 36. The term sheet's much larger senior bank loan, any confirmed tax or enforcement debts and any brand damages are not in the plan and would make this worse. Repayment at month 36 depends on refinancing that is not committed, or on a forced sale.

What must be checked and secured:

- A corrected plan that includes sales commission and every other cost in the profit and loss account, uses the bond on offer, its real issue date and an up-to-date sales record
- The loan agreements for every Bank A loan, existing and proposed, with balances, dates and ranking
- A full schedule of every debt of the Project Company and the Sponsor, including any owner loans and tax liabilities
- A sales cash sweep: a set share of every buyer's payment paid into an account held by the Security Trustee from the first month, to build up the USD 20 million repayment
- A covenant that cash from the scheme covers debt payments at least 1.25 times, tested every six months
- A refinancing plan with a lender's written terms before month 24, and bondholders' right to act if it is not in place
- A cap on new debt ranking ahead of bondholders, agreed in writing with Bank A

Source line: Sponsor's projections and post-raise planning notes (March 2026); indicative term sheet (May 2026); Gentium Advisers analysis. Schemes are anonymised; the market data is real.

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SECTION 10 · CURRENCY AND COUNTRY

Evidence held: full (public market data)

The lari is already about 4% stronger than the Sponsor's plan assumes, adding about USD 3 million to the dollar cost of building; Georgia's economy is rated well, but its politics and courts, which bondholders would rely on to enforce their mortgage, are moving away from European standards

10.1 Why this matters

The bond (USD 20 million, 36 months, 14.25% a year, paid twice a year, repaid in one payment at month 36) and the apartment sales are in US dollars. Most building costs, wages and local taxes are paid in Georgian lari. When the lari gets stronger against the dollar, each dollar buys fewer lari and building costs more in dollars. When it gets weaker, building costs less in dollars, but a weak lari usually comes with a wider crisis that hurts sales. Country risk matters too: if the Project Company fails, bondholders' mortgage would have to be enforced through Georgian courts and the Georgian land register.

10.2 The lari against the dollar

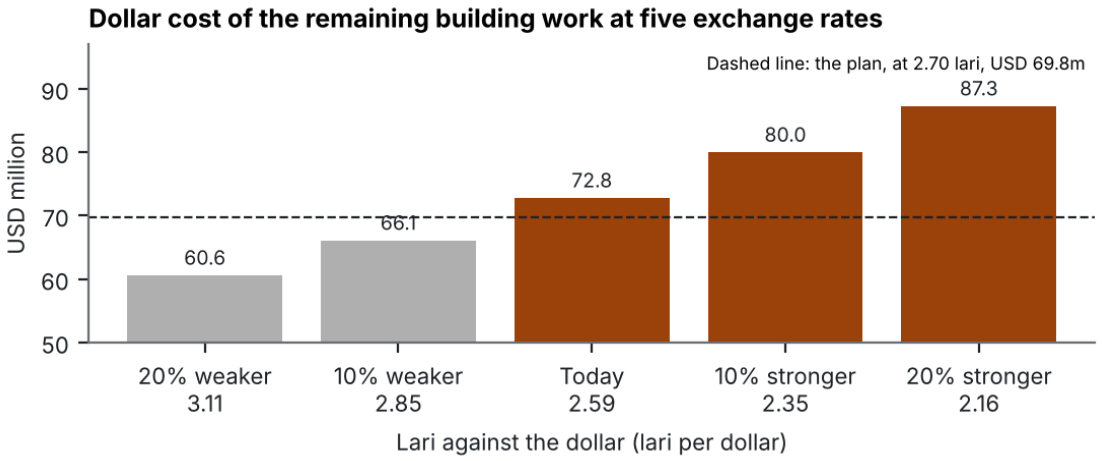
MEASURE	FIGURE	SOURCE
Rate used in the Sponsor's plan	2.70 lari per dollar	Sponsor's projections, March 2026 (Stated)
Rate on 12 November 2026	about 2.59 lari per dollar (1 lari = USD 0.386)	Market rate (Documented)
Difference	The lari is about 4% stronger than the plan assumes	Gentium Advisers calculation
Recent episode of pressure	In October 2024, the month of the national election, the central bank sold a record USD 591 million to support the lari	National Bank of Georgia, reported December 2024 (Documented)
Central bank policy rate	8.25% (October 2026); a rise is possible after the US Federal Reserve raised its rate in September 2026	Galt & Taggart, Central Bank Watch, 20 October 2026 (Documented)

10.3 What the lari does to the cost of building

Assumed: all of the remaining building and infrastructure cost (USD 69.8 million at the plan's rate of 2.70) is paid in lari, as the Sponsor's plan treats it. Some materials may be bought in dollars or euros, which would reduce the effect.

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Exhibit 10.3 Dollar cost of the remaining building and infrastructure work at five exchange rates



LARI AGAINST THE DOLLAR	LARI PER DOLLAR	DOLLAR COST OF REMAINING WORK	CHANGE AGAINST THE PLAN
20% weaker than today	3.11	USD 60.6 million	USD 9.2 million less
10% weaker than today	2.85	USD 66.1 million	USD 3.7 million less
Today (12 November 2026)	2.59	USD 72.8 million	**USD 3.0 million more**
10% stronger than today	2.35	USD 80.0 million	USD 10.2 million more
20% stronger than today	2.16	USD 87.3 million	USD 17.5 million more
Sponsor's plan	2.70	USD 69.8 million	

Source: Sponsor's projections, March 2026 (Stated), sample basis; market rate 12 November 2026; Gentium Advisers calculation.

Footnotes:

- "Stronger" means fewer lari for each dollar; "weaker" means more lari for each dollar.
- At today's rate the plan is already about USD 3.0 million short on building costs, before any cost overrun (Section 6).
- A 10% stronger lari would add USD 10.2 million, half the size of the bond.
- The term sheet offers only an "option" to hedge dollars against lari; no hedge is in place.
- Brand fees are in euros (Section 8), a separate, smaller exposure.

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10.4 Georgia's credit standing

Exhibit 10.4 Georgia's government credit ratings

AGENCY	RATING	OUTLOOK	DATE
Fitch	BB	Positive	November 2026
S&P Global	BB	Positive	August 2026
Moody's	Ba2	Stable	July 2026

Source: Fitch, S&P Global and Moody's announcements, 2026 (Documented).

All three ratings are two steps below investment grade. The government's own US dollar bond, due January 2031, was issued in January 2026 with interest of 5.125% a year and was more than five times oversubscribed. Investors therefore lend to the Georgian government in dollars at about 5%; this bond asks them to lend to a private developer in the same country at 14.25% (the comparison is made in full in Section 11).

10.5 Politics, courts and the rule of law (news from the last three months)

- On 4 November 2026 the European Commission's enlargement report said Georgia's progress towards the European Union remains stalled and has worsened over the past year. It said changes made in December 2025 further weakened the independence of the courts, and noted that Georgian companies have been added to EU sanctions lists.
- The government suspended talks on joining the EU in November 2024 until 2028. A law passed in March 2026 makes receiving foreign funding without prior permission a criminal offence.

- In plain words for bondholders: the economy is growing and the government's finances are sound, but enforcing a mortgage against a well-connected local borrower would depend on Georgian courts whose independence the EU says has weakened.

Sources: European Commission 2026 enlargement report, 4 November 2026, as reported by JAMnews; German Marshall Fund paper, August 2026 (Documented).

10.6 Tourism, which drives the scheme's buyers and hotel income

PERIOD	INTERNATIONAL VISITS	NOTES
April to June 2026	down 4.5% on a year earlier	Middle East visitors down 32% after the conflict involving Iran; India down 76% after flight suspensions
July to September 2026	up 3.3% on a year earlier	Record 2.1 million tourists; Saudi visitors still down 33%; visits from the EU up 17%

Source: Galt & Taggart, Tourism Market Watch 2Q26 (23 July 2026) and 3Q26 (22 October 2026) (Documented).

Demand recovered in the summer, but tourism, and with it the foreign buyers the scheme depends on, can swing sharply with events abroad.

10.7 The protections claimed in the term sheet

CLAIMED	WHAT WOULD BE NEEDED	LABEL
Political risk insurance from the London market, covering expropriation, currency transfer and breach of contract	The policy, who is insured (bondholders or the Sponsor), the amount, what is excluded and whether a court freezing the land would count	Stated, no policy supplied
Dollar to lari hedge "option"	A signed hedge, its cost, amount and length	Stated, not in place
English law and a DIFC issuer for "neutral enforcement"	Recognition that the mortgage over Georgian land is still enforced through Georgian courts and the Georgian register	Stated; solicitor to confirm (Section 16)

CAUTION . The country's economy and government credit are sound and improving. The risks that matter for this bond are the cost of a strong lari, which is already adding about USD 3 million, and reliance on Georgian courts to enforce the mortgage.

> **CONCLUSION**
>
> Building costs are paid mostly in lari while sales and the bond are in dollars. The lari is already about 4% stronger than the 2.70 per dollar the Sponsor's plan uses, adding about USD 3.0 million to the remaining USD 69.8 million of building and infrastructure work; a lari 10% stronger than today would add USD 10.2 million, half the size of the bond, and no hedge is in place. Georgia's government is rated BB by Fitch and S&P (both with a positive outlook) and Ba2 by Moody's, and borrows dollars at about 5% a year. But the European Commission reported on 4 November 2026 that the independence of Georgia's courts has weakened, and bondholders' mortgage over Georgian land would be enforced in those courts. Tourism fell 4.5% in the second quarter of 2026 and recovered by 3.3% in the third, showing how quickly foreign demand can change.

What must be checked and secured:

- A signed dollar to lari hedge covering at least the next 18 months of building costs, or a fixed-price building contract in dollars
- The share of building costs paid in lari, dollars and euros, from the contractor
- The political risk insurance policy, with bondholders or the Security Trustee named as the insured
- A Georgian legal opinion on enforcing the mortgage for a DIFC Security Trustee, how long it takes and what can delay it
- A plan update using today's exchange rate

Source line: Sponsor's projections (March 2026); indicative term sheet (May 2026); market exchange rate (12 November 2026); National Bank of Georgia; Fitch, S&P Global and Moody's (2026); Ministry of Finance of Georgia (January 2026); European Commission 2026 enlargement report (4 November 2026); German Marshall Fund (August 2026); Galt & Taggart, Central Bank Watch (20 October 2026) and Tourism Market Watch 2Q26 and 3Q26; Gentium Advisers analysis. Schemes are anonymised; the market data is real.

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SECTION 11 · RETURN AND RISK TO THE BONDHOLDER

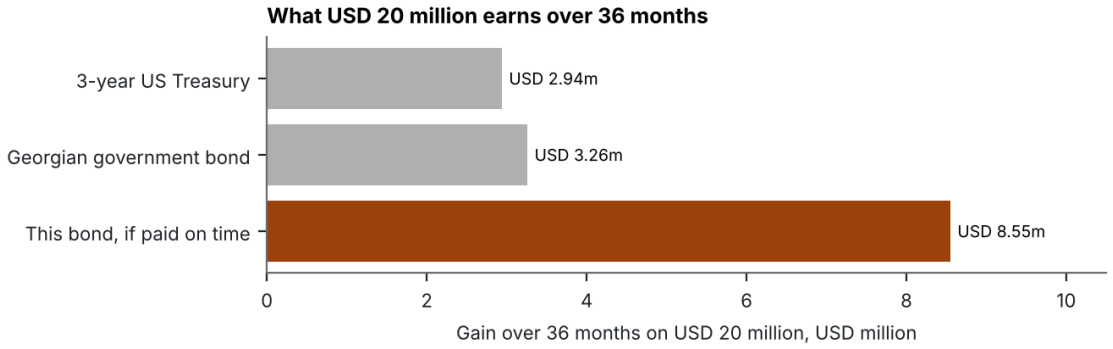
Evidence held: built from Sections 2 to 10, so no firmer than they are

The bond promises 14.76% a year, but it is repaid late in all but 1 of 20,000 scenarios; if the land is free of charges, bondholders end up with about 7.5% a year after a forced sale, and if the charges are confirmed they lose most of their money

11.1 What this section answers

The bond (USD 20 million, 36 months, 14.25% a year paid twice a year, repaid in one payment at month 36) promises USD 8.55 million of interest. Two safer places for the same USD 20 million, for the same 36 months, in US dollars:

Exhibit 11.1 What USD 20 million earns over 36 months



WHERE THE MONEY GOES	YIELD A YEAR	GAIN OVER 36 MONTHS
3-year US Treasury	4.63%	USD 2.94 million
Georgian government US dollar Eurobond (due 2031)	about 5.1% (assumed; coupon 5.125%)	USD 3.26 million
This bond, if every payment is made on time	14.76% effective	USD 8.55 million

Source: US Treasury 3-year auction, November 2026; Ministry of Finance of Georgia, January 2026; bond terms; Gentium Advisers calculation (interest reinvested at the same rate for the government bonds).

The extra 9.6 percentage points a year over the US Treasury is the reward offered for the risk. The question is whether it is enough.

11.2 How the scenarios are built

The scenario analysis runs the Project Company's cash, year by year, 20,000 times. Each run draws its own values for the things that are uncertain. It starts from the Sponsor's March 2026 plan (Sections 5, 6 and 9), adds back the sales commission and advertising that the plan's cash flow leaves out (about USD 10.05 million in the bond's life at planned sales; Sections 9 and 12), and changes only these inputs:

INPUT	RANGE USED (LOW, MOST LIKELY, HIGH)	WHY
Sales pace against the plan	40%, 75%, 110%	The scheme has sold at about 45% of the pace the plan needs (Section 7)
Prices achieved against the plan	80%, 92%, 105%	Plan prices are 20% to 60% above the district average; Block A sold at about USD 1,515 per m² (Section 7)
Building cost overrun	0%, 10%, 30%	The estimate rose 20% in nine months; no contingency (Section 6)
Lari against the dollar	Today's 2.59, moving about 10% either way	Section 10
Forced-sale discount below cost	30% to 60%	Part-built, possibly unbranded scheme (Sections 3 and 8)

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INPUT	RANGE USED (LOW, MOST LIKELY, HIGH)	WHY
Chance a new lender repays the bond at month 36, if cash is short	25% if the land is free of charges; 0% if the charges are confirmed	No refinancing is committed (Section 9)
Recovery if the charges are confirmed	0% to 10% of the amount owed	Bondholders would be unsecured behind the state and other creditors (Section 3)

Rules in every run:

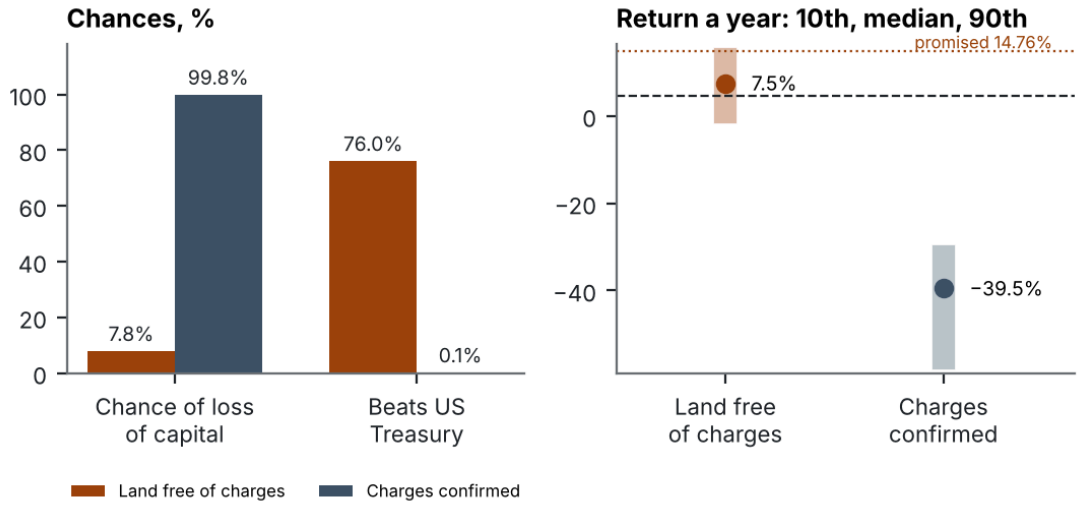
- Bank A is paid first, then sales commission and running costs, then building work, then bondholders. If cash runs short, building slows and later sales fall in step.
- Sales commission and advertising rise and fall with sales.
- If bondholders are owed money at month 36, they are repaid either by a new lender at month 36 (where allowed) or from a forced sale of the land and buildings, which takes two years (month 60).
- Two cases are run separately, as agreed:
- **Land free of charges:** the official land register shows no tax charges, seizure or court orders on the land (the claims in Section 3 are not true); the land is paid for and the bondholders' mortgage is registered, second behind Bank A.
- **Charges confirmed:** the claimed tax charges, seizure and court orders are real, so no mortgage can be registered and bondholders are unsecured.

Assumed: all ranges above are Gentium assumptions based on the evidence in earlier sections. Each is listed with the result without it in Appendix C.

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11.3 The results

Exhibit 11.3 What happens to bondholders in 20,000 scenarios



MEASURE	LAND FREE OF CHARGES	CHARGES CONFIRMED
Chance every payment is made in full and on time	1 in 20,000	none in 20,000
Chance at least one payment is late or short	more than 99.99%	100%
Chance of getting back less than the USD 20 million lent	7.8%	99.8%
Average gain over the life of the bond (all payments less USD 20 million)	USD 6.5 million	minus USD 17.2 million
Return a year: 10th percentile (1 in 10 scenarios are worse)	0.8%	minus 55.5%
Return a year: median (half are better, half worse)	7.5%	minus 39.5%
Return a year: 90th percentile (1 in 10 are better)	13.0%	minus 32.3%
Chance of beating the 3-year US Treasury (4.63%)	76%	0.1%

MEASURE	LAND FREE OF CHARGES	CHARGES CONFIRMED
Chance of beating the Georgian government bond (about 5.1%)	74%	0.1%
Worst gain in 1 in 20 scenarios (95% value at risk)	USD 1.3 million loss	USD 19.6 million loss

Source: Gentium Advisers scenario analysis, 20,000 runs per case.

Footnotes:

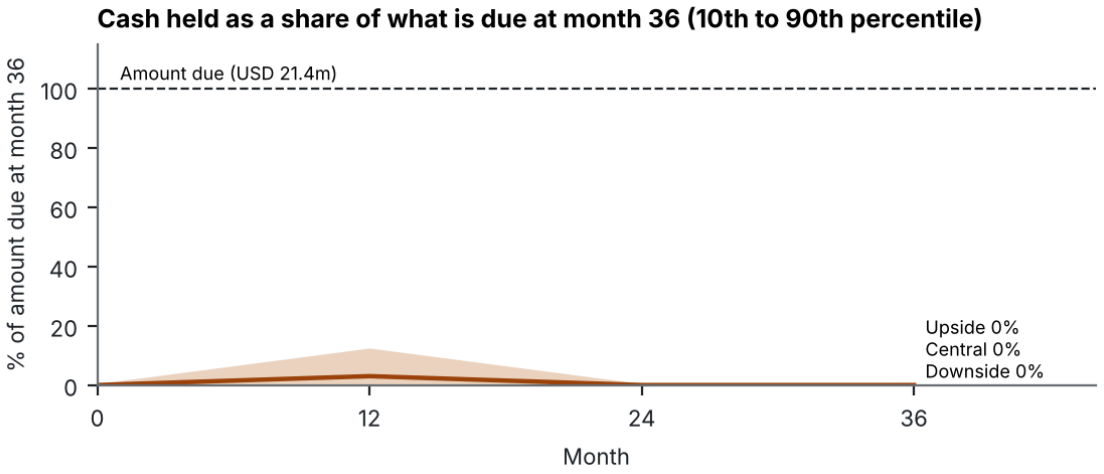
- "Return a year" is the bondholder's internal rate of return on all payments actually received, including late payments and any recovery from a forced sale.
- The chance of on-time payment is almost the same in both cases because it depends on sales and costs, not on the land register. What the register changes is what bondholders get back afterwards.

In plain words:

- **The bond is almost never repaid on time.** Only 1 scenario in 20,000 makes every payment on time, because once the plan's own sales commission is counted, buyers would need to pay about 11% more than the plan in years 2 and 3 (Section 9), and the most likely outcome is about 70% of the plan.
- **If the land is free of charges, bondholders are usually made whole, but slowly.** A forced sale of the land and buildings two years after month 36 usually covers what they are owed. The wait cuts the median return from the promised 14.76% to 7.5% a year, and in about 1 in 13 scenarios they get back less than they lent.
- **If the charges are confirmed, bondholders lose most of their money.** With no registered mortgage they rank behind the state and other creditors; in the median scenario they lose about 40% a year.

11.4 Cash at month 36 against what is due (bond fan chart)

Exhibit 11.4 Cash the Project Company holds as a share of the USD 21.4 million due at month 36



POINT IN THE BOND'S LIFE	DOWNSIDE (10TH PERCENTILE)	CENTRAL (MEDIAN)	UPSIDE (90TH PERCENTILE)
Month 12	0%	3%	12%
Month 24	0%	0%	0%
Month 36	0%	0%	under 1%

Source: Gentium Advisers scenario analysis (land free of charges; the charges-confirmed case is almost the same, because cash depends on sales and costs).

Footnote: cash is measured after Bank A, sales commission, running costs and building, before the bond payment due that year. The amount due at month 36 is the USD 20 million repayment plus the final half-year interest of USD 1.425 million. Even in the best 1 in 10 scenarios, the Project Company holds almost nothing towards what it owes bondholders at month 36: repayment depends on a new lender or a forced sale.

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11.5 Risk measures

Exhibit 11.5 Risk measures, on the return a year in each scenario

MEASURE	LAND FREE OF CHARGES	CHARGES CONFIRMED
Average return a year	7.2%	minus 41.4%
Volatility (how far returns spread around the average)	4.5 percentage points	10.8 percentage points
Sharpe ratio (average return less the 4.63% US Treasury, divided by volatility)	0.58	minus 4.27
Sortino ratio (as Sharpe, but counting only results below the US Treasury)	1.14	minus 0.97
Link between sales and what bondholders get back (correlation, 0 none, 1 complete)	0.45	0.40
Link between the lari and what bondholders get back	0.17	0.50

Source: Gentium Advisers scenario analysis. Period: the life of the bond plus any recovery (up to 60 months).

THE SHARPE RATIO SCALE

A Sharpe Ratio of 1.0 is considered good in the investment world. It means that for every 1% of volatility (risk) you take on, you are earning 1% of excess return above the risk-free rate (like a safe government bond). Mathematically, it represents a perfectly balanced 1:1 ratio of risk to reward.

- Under 1.0: Suboptimal. You are taking on more volatility than the excess return justifies.
- 1.0 to 1.99: Good. The portfolio delivers solid returns relative to its risk profile.
- 2.0 to 2.99: Very Good / Excellent. High returns with low volatility.
- 3.0 or Higher: Exceptional. Rarely sustainable over the long term without structural anomalies.

Reading the measures:

- If the land is free of charges, the Sharpe ratio of 0.58 is "suboptimal" on the scale: bondholders take on more risk than the extra return over a US Treasury justifies. Even that result rests on a forced sale recovering most of what is owed within two years, which depends on the land valuation and enforcement in Georgian courts, neither of which has been tested (Sections 3 and 10).
- If the charges are confirmed, the Sharpe ratio of minus 4.27 means the bond is expected to lose money against a US Treasury in almost every scenario.
- The links (correlations) show that bondholders' results rise and fall with apartment sales and the lari, so this bond adds Georgian property and tourism risk to a portfolio; it is not a stand-alone income investment.

11.6 Does the extra interest pay for the risk?

Break-even test. The bond pays 9.6 percentage points a year more than the US Treasury. That extra pays for the chance of default only if the yearly chance of default is below:

- 13.7% a year, if bondholders recover 30% of what they are owed after a default
- 19.2% a year, if they recover 50%

The scenario analysis finds a late or short payment within three years in all but 1 of 20,000 scenarios, far above either break-even. If the land is free of charges, high recovery from a forced sale rescues part of the return; if the charges are confirmed, it does not.

Weighing the two cases (Bayesian estimate). The claims in Section 3 are not yet checked. Gentium starts from even odds (50%) that the charges will be confirmed and updates for the documented evidence that points the same way: the missed brand deadlines (Section 8), no sales shown since March 2025 (Section 7) and the report's citing of specific register entry numbers and dates. On Gentium's weights, this raises the estimate to about 82% that the charges will be confirmed. The workings and weights are in Appendix C; the estimate falls to 0% or rises to 100% the day the register extracts are seen.

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Exhibit 11.6 Weighted results

MEASURE (CHANCE THE CHARGES ARE CONFIRMED)	EVEN ODDS (50%)	GENTIUM ESTIMATE (82%)
Chance of getting back less than the USD 20 million lent	54%	83%
Average gain over the life of the bond	minus USD 5.3 million	minus USD 12.9 million
Average return a year	minus 17.1%	minus 32.5%

Source: Gentium Advisers scenario analysis and Bayesian weighting (Assumed).

FAIL . On the evidence held, 14.25% a year does not pay for the risk. The bond is almost certain to be repaid late; whether bondholders are then made whole depends on official land register extracts that have not yet been supplied and on a forced sale in Georgian courts.

CONCLUSION

For the same USD 20 million over 36 months, a 3-year US Treasury would earn about USD 2.94 million and the Georgian government's dollar bond about USD 3.26 million; this bond promises USD 8.55 million. In 20,000 scenarios built from the evidence in Sections 2 to 10, including the sales commission the Sponsor's cash flow leaves out, every payment is made on time in only 1 scenario, because buyers would need to pay about 11% more than the plan and the most likely outcome is about 70%. If the land is free of charges, a forced sale two years later usually makes bondholders whole, leaving a median return of 7.5% a year (Sharpe ratio 0.58, "suboptimal") with a 7.8% chance of losing capital. If the charges are confirmed, bondholders get back less than they lent in 99.8% of scenarios, with a median return of minus 39.5% a year. Weighting the two cases on the evidence so far, the chance of losing capital is about 83%. The deciding fact is the land register, which costs little to obtain and should be seen before anything else.

What would change these results most: 1. Register extracts showing the land free of charges and the bondholders' mortgage registered (moves the result to the left-hand column) 2. A corrected plan that includes sales commission, and a trustee account receiving a share of every buyer's payment from month 1 (raises the chance of on-time repayment) 3. An interest reserve and a committed refinancing offer before month 24 4. An independent forced-sale valuation of the land and buildings (tests the recovery that holds up the left-hand column)

Source line: Sponsor's projections (March 2026); indicative term sheet (May 2026); US Treasury (November 2026); Ministry of Finance of Georgia (January 2026); Galt & Taggart (2026); Gentium Advisers scenario analysis. Schemes are anonymised; the market data is real.

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SECTION 12 · SPONSOR FEES AND ALIGNMENT

Evidence held: partial (the Sponsor's plan only)

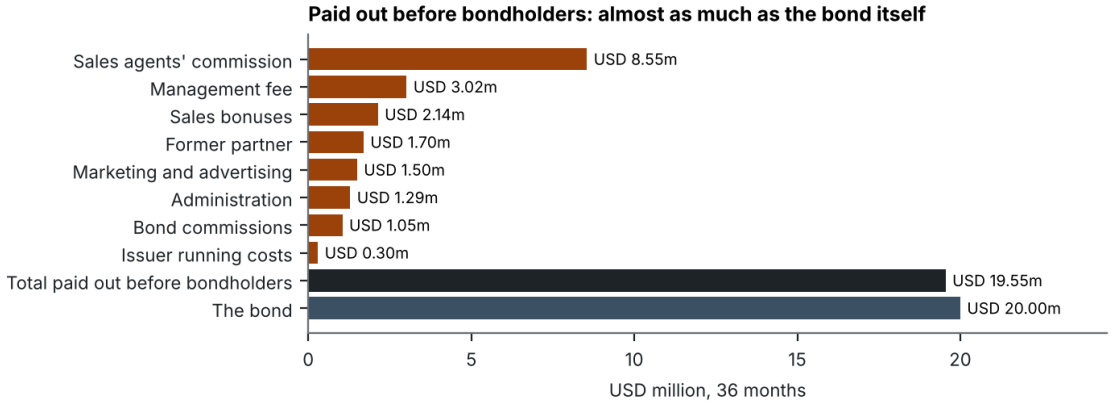
About USD 19.6 million of fees, commissions and payments to others would be paid out during the bond's 36 months, almost as much as the bond itself; the Sponsor risks about USD 31,500 and keeps all the upside, and the plan's cash figures leave out about USD 10 million of sales commission

12.1 Why this matters

The bond (USD 20 million, 36 months, 14.25% a year, paid twice a year, repaid in one payment at month 36) is repaid from what is left after everyone else is paid. Every fee paid before bondholders reduces the cash available to them. A lender also wants the borrower's owners to lose before the lender does, so that the owners have every reason to make the scheme succeed. This section counts who is paid what, and whether the Sponsor's interests line up with the bondholders'.

12.2 Who is paid before bondholders

Exhibit 12.2 Fees, commissions and other payments in the bond's 36 months



PAYMENT	BASIS IN THE PLAN	YEARS 1 TO 3	WHO RECEIVES IT
Bond placement and other commissions	Fixed, from the bond money	USD 1.05 million	Placement agents and advisers
Sales agents' commission	10% of every sale	USD 8.55 million	Sales agents and brokers
Marketing and advertising	1.75% of sales	USD 1.50 million	Not stated
Sales bonuses	2.5% of sales	USD 2.14 million	Not stated
Management fee (salaries, business travel, franchise payments)	3.5% of sales	USD 3.02 million, of which business travel USD 0.90 million	Not stated
Administration (rent, office, legal, utilities)	1.5% of sales	USD 1.29 million	Not stated
Issuer's running costs (DIFC company, trustee, auditors)	Fixed	USD 0.30 million	Service providers
Repayment to a former partner	Fixed, from the bond money	USD 1.70 million	A former 50% partner
Total		**USD 19.6 million**	

Source: Sponsor's projections, March 2026 (Stated), sample basis; Gentium Advisers analysis.

Footnotes:

- Fees set as a share of sales rise and fall with sales. If sales fall short, these fees fall too, but they are still paid before bondholders.

- The plan does not say who receives the management fee, the sales bonuses or the marketing budget.

12.3 Payments to companies the Sponsor owns

The Sponsor's ownership chart (February 2025, Stated) shows it owns half of the group's construction company and half of a management company. The plan does not say who builds the scheme or who runs it. If either does, money paid to it leaves the Project Company but stays with the Sponsor's group.

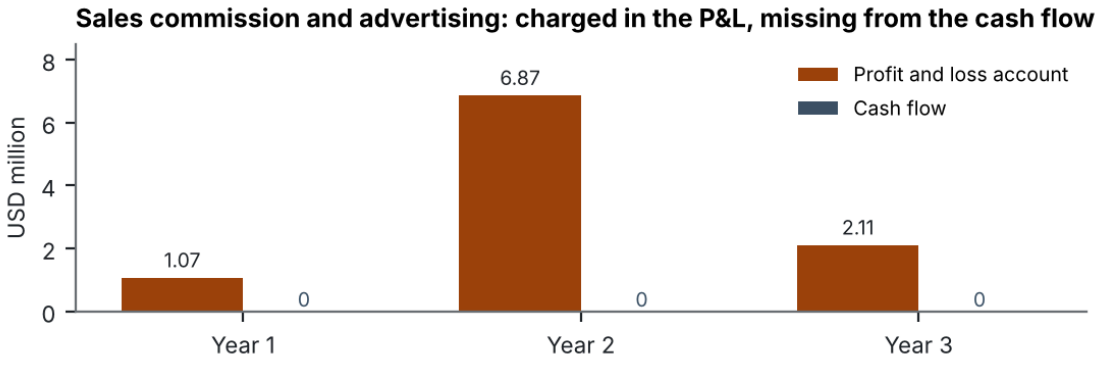
POSSIBLE RELATED-PARTY PAYMENT	SIZE IN THE PLAN	LABEL
Building contract	USD 54 million of building and infrastructure work in years 1 to 3 (USD 65.6 million in total)	Missing: no contract or contractor named
Management fee	USD 3.02 million in years 1 to 3	Missing: recipient not named
Hotel management (Block D, under the Sponsor's own management)	From the hotel's opening	Stated

Finding: NOT SHOWN. Related-party contracts must be disclosed, priced at market rates and approved by the Security Trustee.

12.4 The plan's cash figures leave out about USD 10 million of costs

The Sponsor's plan has two sets of figures: a profit and loss account and a cash flow. They do not agree.

Exhibit 12.4 **Sales agents' commission and advertising in years 1 to 3: profit and loss account against cash flow**



YEAR	IN THE PROFIT AND LOSS ACCOUNT	IN THE CASH FLOW	LEFT OUT OF THE CASH FLOW
1 (2026)	USD 1.07 million	USD 0	USD 1.07 million
2 (2027)	USD 6.87 million	USD 0	USD 6.87 million
3 (2028)	USD 2.11 million	USD 0	USD 2.11 million
Total	**USD 10.05 million**	**USD 0**	**USD 10.05 million**

Source: Sponsor's projections, March 2026 (Stated), sample basis; Gentium Advisers calculation.

Footnote: the profit and loss account charges a 10% sales agents' commission and an advertising budget on every sale. The cash flow, which is the set of figures used to show the bond being repaid, has no line for either. The other running costs (management, administration, marketing support) appear in both.

What this means for bondholders: on the Sponsor's own figures (Section 9), the scheme had USD 2.4 million to spare after repaying the bond at month 36. Once the USD 10.05 million of sales commission and advertising is added, the Sponsor's own plan is about USD 7.7 million short of repaying the bond in full at month 36, before any shortfall in sales.

Finding: FAIL. The cash flow behind the bond leaves out costs that the Sponsor's own profit and loss account includes.

12.5 Who wins and who loses

Exhibit 12.5 The Sponsor against bondholders

MEASURE	SPONSOR	BONDHOLDERS
Own money at risk	About USD 31,500 of share capital	USD 20,000,000
Paid back first or last?	Last (as owner)	After Bank A and, if the charges are confirmed, after the state and other creditors
Share of any profit above the plan	100%	0% (interest is fixed at 14.25% a year)
Profit if the plan is met	USD 59 million claimed in the term sheet	USD 8.55 million of interest
Loss if the scheme fails	Up to about USD 31,500, plus the profit it hoped for	Up to USD 20 million plus unpaid interest
Paid during the bond's life whether or not bondholders are repaid	Possibly, if group companies receive fees or contracts (12.3)	No: interest is paid only if cash is left

Source: Sponsor's projections (March 2026); indicative term sheet (May 2026); Gentium Advisers analysis.

In plain words: the Sponsor stands to gain a great deal if the scheme succeeds and to lose very little if it fails. Bondholders stand to gain a fixed amount if it succeeds and to lose most of their money if it fails. That is the opposite of how a lender's risk is normally shared.

Finding: FAIL on alignment.

CONCLUSION

During the bond's 36 months the Sponsor's plan pays out about USD 19.6 million in fees, commissions and other payments before bondholders are repaid, almost the size of the USD 20 million bond: USD 8.55 million of sales agents' commission, USD 3.02 million of management fees (including USD 0.90 million of business travel), USD 2.14 million of sales bonuses, USD 1.70 million to a former partner, USD 1.05 million of bond commissions and other costs. Who receives several of these is not stated, and the Sponsor owns half of a construction company and a management company that may be paid by the scheme. The plan's cash flow leaves out about USD 10.05 million of sales commission and advertising that its own profit and loss account includes; with them, the Sponsor's own plan is about USD 7.7 million short at month 36. The Sponsor has about USD 31,500 at risk against bondholders' USD 20 million and keeps all of any extra profit.

What must be checked and secured:

- A list of every fee, commission and salary paid by the Project Company and who receives each
- Disclosure of every contract with a company the Sponsor or its owner owns, with independent evidence that the price is at market rate
- A corrected cash flow that includes sales agents' commission and every other cost in the profit and loss account
- A cap on fees and management charges paid before bondholders, and no payments to the Sponsor's group while any bond payment is late
- No payment to the former partner from bond money
- Sponsor equity: a cash contribution from the Sponsor, or a personal guarantee from its owner, ranking behind bondholders
- A share of any profit above plan for bondholders (for example a bonus payment at repayment) if they continue to carry an owner's risk

Source line: Sponsor's projections (March 2026) and ownership chart (February 2025); indicative term sheet (May 2026); Gentium Advisers analysis. Schemes are anonymised; the market data is real.

SECTION 13 · PROTECTIONS TO SEEK

Evidence held: built from Sections 2 to 12 and the scenario analysis

One condition decides whether bondholders can lose most of their money: no bond money until the land register is clear and their mortgage is registered; after that, a cash sweep, Sponsor money and a committed refinancing do most to protect them, while an interest reserve taken from the bond money makes things worse

13.1 How the protections were tested

The bond (USD 20 million, 36 months, 14.25% a year, paid twice a year, repaid in one payment at month 36) was tested in Section 11 in two cases:

- **Land free of charges:** the land register shows no tax charges, seizure or court orders; the land is paid for and the bondholders' mortgage is registered, second behind Bank A.
- **Charges confirmed:** the claimed tax charges, seizure and court orders are real, so no mortgage can be registered and bondholders are unsecured.

Each protection below was added to the same 20,000 scenarios, one at a time, then all together, to see what it changes. The scenarios include the sales commission that the Sponsor's cash flow leaves out (Section 12).

13.2 Protection 1: no money until the land is clear and the mortgage is registered

The bond money is paid into an account held by the Security Trustee. It is released only when official register extracts show the land free of charges and in the Project Company's name, and the bondholders' mortgage is registered. If that does not happen by an agreed date, the money goes back to bondholders.

Exhibit 13.2 Effect of Protection 1

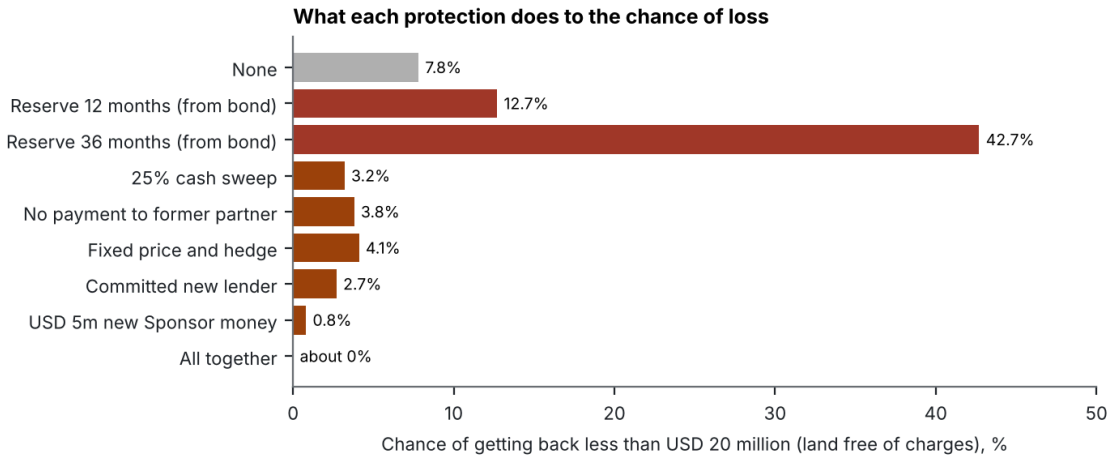
IF THE CHARGES ARE CONFIRMED	CHANCE OF GETTING BACK LESS THAN USD 20 MILLION
Without Protection 1	99.8%
With Protection 1	about 0%: the bond money is never released and is returned, less any costs agreed in advance

Source: Gentium Advisers scenario analysis (Section 11) and analysis of the protection.

This single condition turns the worst case into "no deal, money back". Every other protection below matters only if the land turns out to be free of charges.

13.3 Protections 2 to 8, tested one at a time (land free of charges)

Exhibit 13.3 What each protection changes



SAMPLE REPORT
GENTIUM ADVISERS · NOT FOR RELIANCE

PROTECTION	EVERYTHING OWED PAID BY MONTH 36 (FROM CASH OR A NEW LENDER)	CHANCE OF GETTING BACK LESS THAN USD 20 MILLION	MEDIAN RETURN A YEAR	SHARPE RATIO
None (Section 11)	25%	7.8%	7.5%	0.58
2. Interest reserve of 12 months (USD 2.85 million) taken from the bond money	25%	12.7%	8.2%	0.41
3. Interest reserve of 36 months (USD 8.55 million) taken from the bond money	25%	42.7%	1.1%	minus 0.23
4. Cash sweep: 25% of every buyer's payment paid to the Security Trustee	25%	3.2%	9.6%	1.20
5. No payment to the former partner from bond money (USD 1.7 million kept)	25%	3.8%	8.1%	0.90
6. Fixed-price building contract and a dollar to lari hedge at today's rate	25%	4.1%	8.0%	0.91
7. A committed new lender for month 36 (chance it pays raised from 25% to 75%)	75%	2.7%	12.6%	1.69
8. USD 5 million of new cash from the Sponsor, paid in first and ranking behind bondholders	25%	0.8%	8.2%	1.43
All of 2, 4, 5, 6, 7 and 8 together	**75%**	**about 0%**	**14.6%**	**5.15**

Source: Gentium Advisers scenario analysis, 20,000 runs per row (land free of charges).

Footnotes:

- "Everything owed paid by month 36" counts payment by a new lender at month 36. Interest due earlier may still be paid late.
- Only Protection 7 changes whether bondholders are paid by month 36. The others reduce how much is lost if they are not, because they leave more built and more cash when the land and buildings have to be sold.
- A Sharpe ratio of 5.15 for all protections together is far above the "3.0 or higher: exceptional" level on the scale and rests mainly on the assumed 75% chance that the committed lender pays. It should be read as "the protections, if delivered, close most of the gap", not as a forecast.

SAMPLE REPORT NOT FOR RELIANCE

THE SHARPE RATIO SCALE

A Sharpe Ratio of 1.0 is considered good in the investment world. It means that for every 1% of volatility (risk) you take on, you are earning 1% of excess return above the risk-free rate (like a safe government bond). Mathematically, it represents a perfectly balanced 1:1 ratio of risk to reward.

- Under 1.0: Suboptimal. You are taking on more volatility than the excess return justifies.
- 1.0 to 1.99: Good. The portfolio delivers solid returns relative to its risk profile.
- 2.0 to 2.99: Very Good / Excellent. High returns with low volatility.
- 3.0 or Higher: Exceptional. Rarely sustainable over the long term without structural anomalies.

13.4 What the tests show

- **An interest reserve taken from the bond money makes things worse.** It is the protection lenders ask for most often, but here the Project Company is already short of cash to build. Holding back USD 2.85 million slows building, so less is built and sold, and the chance of loss rises from 7.8% to 12.7%; holding back all USD 8.55 million raises it to 42.7%. A reserve only helps if the Sponsor funds it with new money.
- **Money that comes in from outside helps most.** USD 5 million of new Sponsor money cuts the chance of loss to 0.8%; a committed new lender raises the chance of being paid by month 36 from 25% to 75%.
- **Stopping money leaking out helps.** Keeping the USD 1.7 million meant for the former partner halves the chance of loss (to 3.8%); a 25% cash sweep cuts it to 3.2%.
- **Fixing the building cost and the exchange rate helps**, cutting the chance of loss to 4.1%.
- **Together the protections close most of the gap.** With all of them, the median return rises to 14.6% a year, close to the 14.76% promised.

13.5 Protections that could not be modelled but should be sought

PROTECTION	WHY IT MATTERS	SECTION
Audited accounts and a full list of debts before funding	Shows what else ranks ahead of bondholders	4, 9
Personal guarantee from the Sponsor's owner	Gives the owner something real to lose	4, 12
Monitoring surveyor's certificate before each release of money	Money is released only for work actually done	5, 6
A signed brand extension and a direct agreement between the franchisor and the Security Trustee	Keeps the brand if the Security Trustee has to sell	8
An agreement with Bank A capping its loan and fixing the order of payment	Stops more debt being put ahead of bondholders	3, 9
A covenant that cash covers debt payments at least 1.25 times, tested every six months, with the right to act if it fails	Early warning and control	9
No payments to the Sponsor's group while any bond payment is late, and related-party contracts at market rates	Stops money leaving before bondholders are paid	12
A share of profit above the plan for bondholders	Rewards bondholders for carrying an owner's risk	2, 12
Political risk insurance naming the Security Trustee as the insured	Covers seizure or court action by the state	10

CONCLUSION

One protection matters above all: the bond money should stay with the Security Trustee until official register extracts show the land free of charges and the bondholders' mortgage is registered. If the charges are confirmed, this turns a 99.8% chance of loss into money back. If the land is free of charges, the tests show that money coming in from outside and stopping money leaking out do most: USD 5 million of new Sponsor money cuts the chance of loss from 7.8% to 0.8%, a committed new lender raises the chance of being paid by month 36 from 25% to 75%, and keeping the USD 1.7 million meant for the former partner halves the chance of loss. An interest reserve taken from the bond money makes the position worse, because it starves the building of cash; it helps only if the Sponsor funds it. With the full set of protections, the median return rises to 14.6% a year, close to the 14.76% promised.

Source line: Gentium Advisers scenario analysis on the Sponsor's projections (March 2026) and the bond terms. Schemes are anonymised; the market data is real.

SAMPLE REPORT
GENTIUM ADVISORY

SECTION 14 · FURTHER INVESTIGATION

Twenty gaps stand between the Client and a decision; the first, an official land register search, is the cheapest and could move the chance of losing capital from 99.8% to 7.8% or the other way

14.1 How to read this list

The bond (USD 20 million, 36 months, 14.25% a year, paid twice a year, repaid in one payment at month 36) has been reviewed from documents that are mostly the borrower's own claims. Each gap below is information that was not supplied or could not be checked. They are ranked by how much the answer could change the findings, largest first. Where a finding rests on a gap, the earlier section marks it "Stated" or "Missing".

Two cases are used in the findings:

- **Land free of charges:** the land register shows no tax charges, seizure or court orders; the land is paid for and the bondholders' mortgage is registered, second behind the bank.
- **Charges confirmed:** the claimed tax charges, seizure and court orders are real, so no mortgage can be registered and bondholders are unsecured.

14.2 Gaps that could change the answer completely

RANK	WHAT IS MISSING	WHY IT MATTERS	WHO CAN SUPPLY IT	WHAT IT COULD CHANGE
1	Official land register extracts for every plot, dated within the last 7 days	Shows who owns the land and every charge, seizure and court order on it	The Client's Georgian solicitor, from the public register	Decides which case applies: chance of losing capital 7.8% (land free of charges) or 99.8% (charges confirmed)
2	Land purchase contracts, proof of the USD 3.6 million paid, and the terms for the USD 9.0 million still owed	Until the land is paid for and transferred, no mortgage can be given	The Sponsor and the landowners	Whether, and when, the bondholders' mortgage can exist at all
3	A full list of every debt of the Project Company and the Sponsor, with a tax clearance certificate	Shows who is paid before bondholders	The Sponsor; the Georgian tax authority	Recovery in a forced sale: anything ranking ahead comes out of bondholders' share
4	Bank A's existing and proposed loan agreements, and its agreement on who is paid first	The plan shows a USD 6.4 million loan; the term sheet implies USD 38 million to USD 54 million, all ahead of bondholders	The Sponsor and Bank A	Recovery could fall from most of the amount owed to little or nothing if the larger loan is drawn
5	A corrected cash flow including the sales commission and advertising left out of the plan (USD 10.05 million), using the bond on offer and its real issue date	On the corrected figures the plan is USD 7.7 million short at month 36	The Sponsor	Whether the bond can be repaid on time on the Sponsor's own figures
6	An up-to-date sales list for every block and bank statements showing buyers' payments received	Only USD 4.1 million has been received; no sales are shown since March 2025	The Sponsor; its bank	The plan needs buyers to pay about 11% more than planned just to break even

14.3 Gaps that could change the size of the risk

RANK	WHAT IS MISSING	WHY IT MATTERS	WHO CAN SUPPLY IT	WHAT IT COULD CHANGE
7	Audited accounts for the last three years for the Sponsor and the Project Company	The plan's balance sheet does not balance; no accounts are filed	The Sponsor and its auditor	Whether any of the Sponsor's figures can be relied on
8	Shareholder registers of the Project Company and the Issuer; who owns the other 50%; who gives the guarantee and what it owns	Bondholders do not yet know who they are lending to	The Sponsor; the company registers	Who controls the borrower and whether the guarantee is worth anything
9	A signed extension of the brand agreement with new dates, and the franchisor's written confirmation that it will not end the agreement	Both brand deadlines have passed; the franchisor can end the agreement now	The Sponsor and the franchisor	Sale prices, buyer claims and the value of the land and buildings in a forced sale

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RANK	WHAT IS MISSING	WHY IT MATTERS	WHO CAN SUPPLY IT	WHAT IT COULD CHANGE
10	The construction contract, contractor, a quantity surveyor's cost report and the building permits	The cost estimate rose 20% in nine months with no contingency	The Sponsor, the contractor and an independent quantity surveyor	Cost overruns of 10% to 20% would need USD 7.0 million to USD 14.0 million more
11	An independent valuation of the land and work done, on a forced-sale basis	The recovery figures use cost with assumed discounts of 30% to 60%	An independent valuer appointed by the Client	How much bondholders get back if the land is free of charges
12	A sample of signed buyer contracts	Refund rights, delay penalties and what buyers were told about the brand	The Sponsor; reviewed by the Client's solicitor	Buyer refund claims that could rank ahead of or alongside bondholders
13	A list of every fee and salary paid and who receives it, and every contract with a Sponsor-owned company	About USD 19.6 million is paid out before bondholders in 36 months; the Sponsor owns half of a construction company and a management company	The Sponsor	How much cash leaks out before bondholders are paid
14	Written refinancing terms from a lender for month 36	No refinancing is committed; a committed lender raises the chance of being paid by month 36 from 25% to 75%	The Sponsor and lenders	Whether bondholders are paid at month 36 or wait for a forced sale

14.4 Gaps that complete the picture

RANK	WHAT IS MISSING	WHY IT MATTERS	WHO CAN SUPPLY IT	WHAT IT COULD CHANGE
15	The final bond documents, the Issuer's loan agreement with the Project Company, the guarantee, the mortgage and the trust deed	The term sheet is a marketing summary, not a contract	The Issuer's lawyers	What bondholders can actually enforce, and against whom
16	A Georgian legal opinion on enforcing the mortgage for a DIFC Security Trustee	Enforcement runs through Georgian courts, whose independence the European Commission says has weakened	The Client's Georgian solicitor	How long a forced sale takes and how much it returns
17	The political risk insurance policy and a signed currency hedge	Both are claimed in the term sheet; neither has been supplied	The Sponsor and its broker or bank	Cover for state action; a 10% stronger lari would add USD 10.2 million to building costs
18	Confirmation that no Georgian withholding tax is deducted on interest under the DIFC structure	The term sheet says 5% is deducted; this review assumes none	The Client's tax adviser	Bondholders' return falls to about 13.5% a year if 5% is deducted and not made up
19	An independent hotel operating forecast	The plan's room rates are close to peak-season hotel rates	A hotel consultant	Value of the scheme after opening; hotel income does not repay the bond either way
20	Litigation, sanctions and politically exposed person checks on the Sponsor, its owner and directors; evidence of delivery on the group's other schemes	The only documented delivery test, the brand deadlines, has been missed	The Client's solicitor and search providers; the Sponsor	The Client's own legal and reputational exposure, and the Sponsor's record

14.5 Where to start

The first gap is also the cheapest to close. A search of the Georgian public register takes days, not weeks, and decides which case applies. If it confirms the charges, no further work is needed before the deal is either restructured or declined. If it shows the land free of charges, gaps 2 to 6 come next, because they decide whether the bond can be repaid on time at all.

CONCLUSION

Twenty gaps stand between the Client and a decision. The six that could change the answer completely are the land register extracts, the land purchase and payment records, a full list of debts with a tax clearance certificate, Bank A's loan agreements, a corrected cash flow including the USD 10.05 million of sales commission the plan leaves out, and an up-to-date record of sales and buyers' payments. The first, an official land register search, is the cheapest and decides whether the chance of losing capital is 7.8% or 99.8%. It should be obtained before anything else is spent on this deal.

Source line: Gentium Advisers analysis of the documents supplied and Sections 1 to 13. Schemes are anonymised; the market data is real.

SAMPLE REPORT
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SECTION 15 · RISK REGISTER AND SCORECARD

Evidence held: built from Sections 2 to 14

Of 25 risks found, 18 are high; the bond scores 30 out of 100 if the land is free of charges and 24 out of 100 if the charges are confirmed

15.1 What this section does

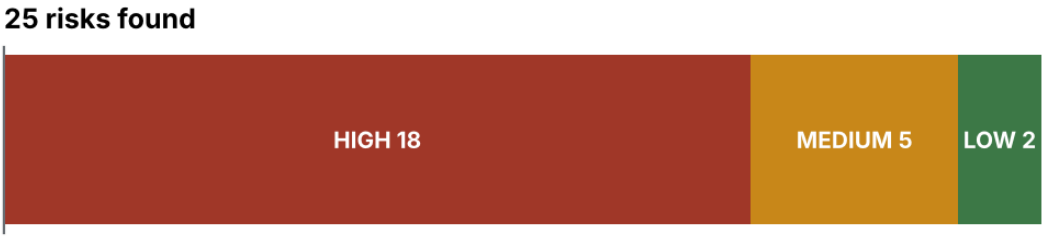
The bond (USD 20 million, 36 months, 14.25% a year, paid twice a year, repaid in one payment at month 36) has been tested from every side in Sections 2 to 14. This section brings the risks together in one register and gives the bond a single score out of 100, so a reader can see at a glance where it is weak.

Two cases are used where the answer depends on the land register:

- **Land free of charges:** the land register shows no tax charges, seizure or court orders; the land is paid for and the bondholders' mortgage is registered, second behind the bank.
- **Charges confirmed:** the claimed tax charges, seizure and court orders are real, so no mortgage can be registered and bondholders are unsecured.

15.2 Risk register

Exhibit 15.2 Risk register



HEADING	RISK	WHAT IT COULD DO TO BONDHOLDERS	BADGE	SECTION
Legal and security	Tax charges, a seizure and court orders claimed against the Sponsor and its land	No mortgage can be registered; bondholders unsecured, losing capital in 99.8% of scenarios	HIGH	3, 11
Legal and security	Land not paid for (USD 3.6 million paid of USD 12.6 million) or transferred	No security until bond money buys the land	HIGH	3, 5
Legal and security	Bank A planned to rank first, possibly with a loan of USD 38 million to USD 54 million	Less left for bondholders in a forced sale	HIGH	3, 9
Legal and security	Buyers' refund claims if delays continue or the brand is lost	Claims ahead of or alongside bondholders	MEDIUM	7, 8
Sponsor	No audited accounts; the plan's balance sheet does not balance	The Sponsor's figures cannot be relied on	HIGH	4
Sponsor	Owner of the other 50% of the Project Company and the guarantor not named	Bondholders do not know who they are lending to	HIGH	4
Sponsor	About USD 31,500 of Sponsor money at risk against USD 20 million from bondholders	Little reason for the Sponsor to protect bondholders	HIGH	4, 12
Sponsor	Possible payments to companies the Sponsor owns (building, management)	Cash leaves before bondholders are paid	MEDIUM	12
Construction	Cost estimate up 20% in nine months, no contingency, no fixed-price contract	An overrun of 10% to 20% needs USD 7.0 million to USD 14.0 million more	HIGH	6
Construction	Most units not finished or sold by month 36	Repayment cannot come from a finished scheme	HIGH	6

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HEADING	RISK	WHAT IT COULD DO TO BONDHOLDERS	BADGE	SECTION
Construction	No building contract, contractor or permits supplied	Unknown delivery risk	MEDIUM	6
Sales	Plan needs about 26 sales a month (27% of all new-build sales in the district) against about 12 achieved	Too little cash to pay interest and repay	HIGH	7
Sales	Plan prices 20% to 60% above the district average; Block A sold at about USD 1,515 per m²	Lower sales value than planned	HIGH	7
Sales	Only 31% of signed sales value received; no sales shown since March 2025; no escrow	Buyers' money is late, uncertain and not ring-fenced	HIGH	7
Brand	Both brand deadlines passed; the franchisor can end the agreement now	Lower prices, buyer claims, lower forced-sale value	HIGH	8
Brand	Brand agreement covers 262 of 1,385 units	Most units sold as branded have no brand agreement	HIGH	8
Debt and refinancing	The plan's cash flow leaves out USD 10.05 million of sales commission and advertising	On the corrected figures the plan is USD 7.7 million short at month 36	HIGH	9, 12
Debt and refinancing	Interest falls short at month 24 on the corrected plan; cover at month 36 is 0.95 times	Late interest and a failed repayment	HIGH	9
Debt and refinancing	No committed refinancing for month 36	Bondholders wait for a forced sale, two years or more	HIGH	9, 11
Use of the bond money	39% of the bond builds nothing; no interest reserve	Less built; interest depends on sales from the start	HIGH	5
Reward against risk	9.6 points a year over the US Treasury against a late or short payment in all but 1 of 20,000 scenarios	Return does not pay for the risk (Sharpe 0.58 at best)	HIGH	11
Currency	Lari about 4% stronger than the plan assumes; no hedge	USD 3.0 million more building cost now; USD 10.2 million more if the lari strengthens 10%	MEDIUM	10
Political and regulatory	EU says Georgia's progress has stalled and its courts' independence has weakened	Slower, less certain enforcement of the mortgage	MEDIUM	10
Political and regulatory	Withholding tax on interest assumed to be avoided through the DIFC structure	Return about 13.5% a year if 5% is deducted and not made up	LOW	2, 16
Political and regulatory	Georgia's government credit: BB (Fitch, S&P, both positive outlook), Ba2 (Moody's, stable)	Sound economy and public finances	LOW	10

Source: Sections 2 to 14 of this report.

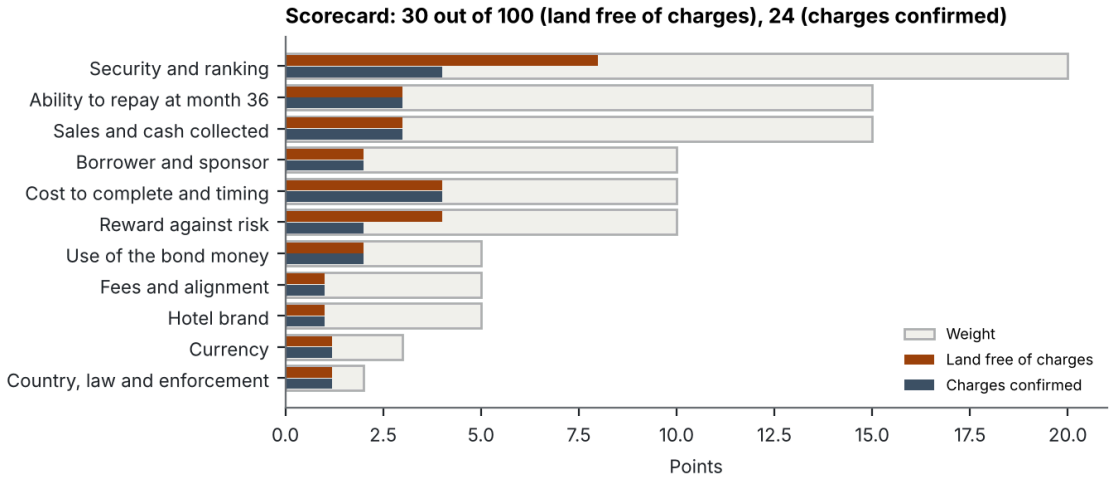
Overall: 18 HIGH, 5 MEDIUM, 2 LOW. The high risks sit in security, the Sponsor, sales, the brand and debt, which are the things a lender relies on to be repaid.

15.3 Scorecard

Each criterion is scored from 1 (very weak) to 5 (very strong). Points = score ÷ 5 × weight.

SAMPLE REPORT
GENTIUM ADVISERS NOT FOR RELIANCE

Exhibit 15.3 Underwriting scorecard



CRITERION	WEIGHT	SCORE, LAND FREE OF CHARGES	POINTS	SCORE, CHARGES CONFIRMED	POINTS	REASON
Security and ranking	20	2	8.0	1	4.0	Free of charges: mortgage possible but second behind the bank, land not yet paid for; confirmed: no mortgage
Ability to repay at month 36	15	1	3.0	1	3.0	USD 7.7 million short on the Sponsor's corrected plan; cover 0.95 times; no refinancing
Sales and cash collected	15	1	3.0	1	3.0	Half the pace needed, prices above the district average, 31% of signed value received
Borrower and sponsor	10	1	2.0	1	2.0	No audited accounts, half the ownership unknown, about USD 31,500 at risk
Cost to complete and timing	10	2	4.0	2	4.0	12% spent, cost up 20%, most units unfinished at month 36
Reward against risk	10	2	4.0	1	2.0	Free of charges: median 7.5% a year, Sharpe 0.58; confirmed: median minus 39.5% a year
Use of the bond money	5	2	2.0	2	2.0	60% builds, 39% builds nothing, no reserve
Fees and alignment	5	1	1.0	1	1.0	About USD 19.6 million paid out before bondholders; Sponsor keeps all the upside
Hotel brand	5	1	1.0	1	1.0	Deadlines missed; franchisor can end the agreement now
Currency	3	2	1.2	2	1.2	Lari already stronger than planned; no hedge
Country, law and enforcement	2	3	1.2	3	1.2	Sound economy; courts' independence weakened
Total	**100**		**30.4**		**24.4**	

Source: Gentium Advisers scoring of Sections 2 to 14.

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Exhibit 15.4 Total scores

CASE	SCORE OUT OF 100
Land free of charges	30
Charges confirmed	24
With all the tested protections in Section 13 in place, land free of charges (indicative)	about 58

Footnote: the protected score is indicative. It assumes the protections in Section 13 are delivered in full (bond money held until the mortgage is registered, a 25% cash sweep, USD 5 million of new Sponsor money, no payment to the former partner, a fixed-price contract and hedge, and a committed refinancing), which raises the scores to: security 4, ability to repay 3, borrower and sponsor 2, cost and timing 3, reward against risk 4, use of the bond money 4, fees and alignment 3 and currency 4, with the other criteria unchanged (total 57.6). It is shown to indicate how far the protections could move the bond, not as a score of the bond on offer.

CONCLUSION

Of 25 risks found, 18 are high, 5 medium and 2 low. The high risks are in exactly the places a lender relies on: security, the Sponsor, sales, the brand and the cash to repay at month 36. On the approved weights the bond scores 30 out of 100 if the land is free of charges and 24 out of 100 if the charges are confirmed. Only the country's economy and government credit score above the midpoint. With the full set of protections tested in Section 13, the score could rise to about 58, which shows that the bond's weaknesses lie in how it is structured and secured, not only in the scheme itself.

Source line: Gentium Advisers analysis, Sections 2 to 14. Schemes are anonymised; the market data is real.

SAMPLE REPORT
GENTIUM ADVISERS · NOT FOR RELIANCE

SECTION 16 · QUESTIONS FOR YOUR VALUER, TAX ADVISER AND SOLICITOR

Thirty questions to put to three specialists, each tied to a finding in this report, so their time is spent on what decides the bond

16.1 Why this section is here

Gentium Advisers are Land Economists. We do not carry out RICS valuations or give tax or legal advice. This review of the bond (USD 20 million, 36 months, 14.25% a year, paid twice a year, repaid in one payment at month 36) has found the points on which the answer turns. The questions below are a brief for the Client's valuer, tax adviser and solicitor. They are questions only; the answers are for those specialists.

The two cases referred to:

- **Land free of charges:** the land register shows no tax charges, seizure or court orders; the land is paid for and the bondholders' mortgage is registered, second behind the bank.
- **Charges confirmed:** the claimed tax charges, seizure and court orders are real, so no mortgage can be registered and bondholders are unsecured.

16.2 Questions for your solicitor (Georgian law and the bond documents)

NO.	QUESTION	WHY WE ASK	SECTION
S1	What do official register extracts, dated within 7 days, show for every plot: owner, charges, seizures, court orders and pending applications?	Decides which case applies	3
S2	Are the tax charges, seizure, enforcement listing, share pledge and court orders claimed in the preliminary report real, and what amounts do they secure?	They would rank ahead of bondholders	3
S3	While a court order freezing title stands, can any mortgage for bondholders be registered, and how are such orders lifted?	Whether security can exist at all	3
S4	Is title to the land held by the Project Company now, and what must happen for full ownership to transfer?	USD 9.0 million of the USD 12.6 million land price is unpaid	3, 5
S5	In what order are the tax authority, enforcement creditors, Bank A, buyers seeking refunds and bondholders paid on a forced sale under Georgian law?	Recovery depends on the order	3, 11
S6	Can a mortgage be held for a DIFC Security Trustee, how is it enforced in Georgia, how long does enforcement usually take and what can delay it?	The recovery case assumes two years	10, 11
S7	Do the bond documents let the Security Trustee hold the bond money until the mortgage is registered, and return it if it is not?	The single protection that turns a 99.8% chance of loss into money back	13
S8	What does the Issuer's loan to the Project Company say, and who gives the corporate guarantee and with what assets?	Bondholders lend to the Issuer, not to the Project Company	2, 4
S9	Does any existing Bank A agreement forbid a second mortgage without its consent, and can an agreement cap Bank A's loan ahead of bondholders?	Bank A is planned to rank first	3, 9
S10	What does the share pledge to Bank A allow Bank A to do, and what happens to bondholders if it takes control of the Project Company?	Control of the borrower	3
S11	Who owns the other 50% of the Project Company and the Issuer, and does any shareholder agreement affect bondholders?	Ownership is half unknown	4
S12	Can buyers cancel or claim refunds if completion is late or the brand is lost, and would those claims rank ahead of bondholders?	No escrow; brand deadlines passed	7, 8
S13	Could sales made while court orders stand be challenged by buyers?	Claimed in the preliminary report	3, 7
S14	Can the franchisor end the brand agreement now for the missed deadlines, what liquidated damages would be due, and can a direct agreement give the Security Trustee notice and time to put defaults right?	Clause 19 termination rights	8
S15	Are there any court claims, enforcement actions or sanctions listings against the Sponsor, its owner, directors or group companies?	Sponsor and reputation risk	4, 10

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16.3 Questions for your valuer

NO.	QUESTION	WHY WE ASK	SECTION
V1	What is the land worth today, on a market basis and on a forced-sale basis within 6 and 12 months?	Recovery uses cost with assumed discounts of 30% to 60%	3, 11
V2	What is the work done to date worth, against the Sponsor's figure of USD 9.1 million spent?	Collateral value	3, 6
V3	What would the part-built scheme sell for with the brand and without it?	The franchisor can end the agreement now	8, 11
V4	Are the plan's prices of USD 2,400 to 3,200 per m² supported by achieved sales of comparable branded seafront schemes, against the district average of USD 1,998 per m²?	Plan prices 20% to 60% above the district average	7
V5	How fast can this many units realistically sell in the district, against the plan's about 26 a month?	Sales pace drives repayment	7
V6	Is the building cost of USD 76.6 million, up 20% in nine months, in line with similar schemes, and what contingency would you expect?	No contingency in the plan	6
V7	Would a lender refinance the bond at month 36 against the scheme as it would then stand, and on what loan to value?	No refinancing is committed	9, 13
V8	Are the plan's hotel room rates (USD 122 to 144 a night as a yearly average) realistic for this location and brand?	Close to peak-season hotel rates	8

16.4 Questions for your tax adviser

NO.	QUESTION	WHY WE ASK	SECTION
T1	Is Georgian withholding tax deducted on interest paid by the Project Company to the DIFC Issuer, and if so at what rate?	The term sheet says 5%; this review assumes none	1, 2
T2	If tax is deducted, must the Issuer make it up so bondholders still receive 14.25%?	Bondholders' return falls to about 13.5% a year if not	2
T3	How are bondholders taxed on the interest in their own country, and is any tax deducted at the Issuer?	Net return to the Client	2
T4	Does the Project Company's claimed unpaid tax create any liability that could follow the land or the Issuer?	Tax charges are claimed over the owner's property	3
T5	What taxes and costs would arise on a forced sale of the land and buildings?	They reduce recovery	3, 11
T6	How is VAT treated on apartment sales and building costs, and is the plan's VAT recovery realistic?	The plan counts VAT recovered on building costs	6
T7	Does paying the bond's placement fee or the former partner from the bond money create any tax charge for the Issuer or the Project Company?	USD 1.05 million and USD 1.7 million paid from the bond	5, 12

CONCLUSION

These thirty questions, fifteen for the solicitor, eight for the valuer and seven for the tax adviser, are the brief for the Client's specialists. The first two for the solicitor (S1 and S2, the register extracts and the claimed charges) should be answered before anything else, because they decide which case applies. The valuer's first three (V1 to V3) then decide how much bondholders could get back, and the tax adviser's first two (T1 and T2) whether the 14.25% is what bondholders actually receive.

Source line: Gentium Advisers analysis, Sections 1 to 15. Schemes are anonymised; the market data is real.

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APPENDIX A · DATA SOURCES

A.1 Documents supplied by the Client

DOCUMENT	DATE	EVIDENCE GRADE
Issuer, indicative term sheet for the bond	May 2026	Stated
Sponsor, financial projections (13 sheets)	March 2026	Stated
Sponsor, earlier financial projections with ownership chart, land schedule and existing bank loan schedule (two versions)	February 2025	Stated
Sponsor's consultant, marketing reports and cash flow tables for the scheme	June 2025	Stated
Market feasibility study for one plot	2024	Stated (not quoted)
Memorandum of understanding with the brand's regional franchisee	29 May 2023	Documented
Franchise service agreement with the brand's regional franchisee	15 December 2023	Documented
Preliminary security and creditor report (author not named)	2026	Stated (claimed, not yet checked)

A.2 Market and public data

SOURCE	USED FOR
Galt & Taggart, Batumi Residential Real Estate, 2Q26 overview, 14 August 2026	Sales, prices and rents (Sections 7 and 8)
Galt & Taggart, Batumi Residential Real Estate, 8M26 overview, 5 November 2026	District sales and prices, primary and secondary prices, rental yield (Sections 7 and 8)
Galt & Taggart, Tourism Market Watch, 2Q26 overview, 23 July 2026	Visitor numbers (Section 10)
Galt & Taggart, Tourism Market Watch, 3Q26 overview, 22 October 2026	Visitor numbers, hotel occupancy and rates (Sections 8 and 10)
Galt & Taggart, Central Bank Watch, 20 October 2026	Policy rate and outlook (Section 10)
Investing Live, U.S. Treasury sells $58 billion of 3 year notes at a high yield of 4.627%, November 2026 (https://investinglive.com/news/u-s-treasury-sells-58-billion-of-3-year-notes-at-a-high-yield-of-4-627/)	Risk-free rate (Sections 1 and 11)
Interfax, Georgia places $500 mln of 5-year 5.125% notes, 27 January 2026 (https://interfax.com/newsroom/top-stories/115808/)	Georgian government dollar bond (Sections 1, 10 and 11)
Xe, GEL to USD rate, 12 November 2026 (https://www.xe.com/currencycharts/?from=GEL&to=USD)	Exchange rate (Section 10)
Interfax, National Bank of Georgia foreign exchange interventions, 5 December 2024 (https://www.interfax.com/newsroom/top-stories/108340/)	Pressure on the lari, October 2024 (Section 10)
Interfax, Fitch affirms Georgia's rating at 'BB', revises outlook to 'positive', 2 November 2026 (https://interfax.com/newsroom/top-stories/119775/)	Rating (Section 10)
National Bank of Georgia, S&P Global Ratings affirms Georgia's sovereign credit rating at 'BB', upgrades outlook to 'Positive', 8 August 2026 (https://nbg.gov.ge/en/media/news/s-p-global-ratings-affirms-georgia-s-sovereign-credit-rating-at-bb-upgrades-outlook-fro)	Rating (Section 10)
National Bank of Georgia, Moody's affirms Georgia at Ba2, outlook stable, 1 July 2026 (https://nbg.gov.ge/en/media/news/moody-s-economic-strengths-are-further-bolstered-by-highly-effective-fiscal-and-monetary)	Rating (Section 10)
JAMnews, European Commission: Georgia's EU integration process remains stalled, 4 November 2026 (https://jam-news.net/?p=237941)	Courts and politics (Section 10)
German Marshall Fund, Georgia civil society paper, August 2026 (https://www.gmfus.org/sites/default/files/2026-08/Melashvili%20-%20Georgia%20civil%20society%20-%20paper.pdf)	Foreign funding law (Section 10)

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APPENDIX B · METHODOLOGY

B.1 Evidence grading

Every finding carries one of four labels: Documented (a signed document or official record), Stated (a claim without proof), Assumed (Gentium's assumption, shown with and without) or Missing (needed, not supplied). Each section heading carries an evidence marker: full, partial or none.

B.2 Bond cash flows and yields

- Coupon each half-year = USD 20,000,000 × 14.25% ÷ 2 = USD 1,425,000. Six coupons = USD 8,550,000. Total due = USD 28,550,000.
- Effective annual yield = $(1 + 0.1425 \div 2)^2 - 1 = 14.76\%$.
- Issuer's all-in cost: the rate r at which USD 18,950,519 (USD 20 million less USD 1,049,481 of commissions) equals the present value of the six coupons and the repayment, converted to an annual rate: 17.2% a year.
- Government bond gains over 36 months = USD 20 million × $((1 + \text{yield} \div 2)^6 - 1)$, interest reinvested at the same rate: US Treasury at 4.63%, USD 2.94 million; Georgian Eurobond at about 5.1%, USD 3.26 million.

B.3 Recovery waterfall (Section 3)

Left for bondholders = (land at agreed price + work done at cost) × (1 − forced-sale discount) × (1 − 5% selling costs) − Bank A's loan. Share recovered = left for bondholders ÷ USD 20 million.

B.4 Debt ladder (Section 9)

For each year: cash before debt (the Sponsor's cash flow, less sales commission and advertising that it leaves out) + money borrowed − debt payments = cash left. Cover = cash before debt ÷ debt payments. Break-even = the change in buyers' cash in years 2 and 3 that makes cash at month 36 zero.

B.5 Scenario analysis (Sections 11 and 13)

- 20,000 runs per case, fixed random seeds, annual steps for the bond's three years, half-yearly payment dates.
- Order of payment in each year: Bank A; running costs and sales commission; land and other fixed payments; building work (limited to the cash available); bondholders.
- If building money runs short, the share of work done falls and later sales fall in the same proportion.
- If anything is owed at month 36: a new lender pays it at month 36 with the stated chance; otherwise a forced sale pays it at month 60, limited to the recovery waterfall (land free of charges) or to 0% to 10% of the amount owed (charges confirmed).
- Bondholder return = internal rate of return on all payments received, converted to an annual rate.

B.6 Risk measures

- Volatility: standard deviation of the bondholder's annual return across the 20,000 runs.
- Sharpe ratio = (average annual return − 4.63% US Treasury) ÷ volatility.
- Sortino ratio = (average annual return − 4.63%) ÷ downside deviation (the square root of the average squared shortfall below 4.63%).
- 95% value at risk: the 5th percentile of the gain (all payments less USD 20 million).
- Correlation: the link between what bondholders get back and the sales factor, and the lari rate, from −1 to 1.

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THE SHARPE RATIO SCALE

A Sharpe Ratio of 1.0 is considered good in the investment world. It means that for every 1% of volatility (risk) you take on, you are earning 1% of excess return above the risk-free rate (like a safe government bond). Mathematically, it represents a perfectly balanced 1:1 ratio of risk to reward.

- Under 1.0: Suboptimal. You are taking on more volatility than the excess return justifies.
- 1.0 to 1.99: Good. The portfolio delivers solid returns relative to its risk profile.
- 2.0 to 2.99: Very Good / Excellent. High returns with low volatility.
- 3.0 or Higher: Exceptional. Rarely sustainable over the long term without structural anomalies.

B.7 Break-even default rate (Section 11)

Yearly chance of default the spread pays for = spread ÷ (1 − recovery). Spread = 14.25% − 4.63% = 9.62 points. At 30% recovery: 9.62 ÷ 0.70 = 13.7% a year. At 50%: 9.62 ÷ 0.50 = 19.2% a year.

B.8 Scorecard (Section 15)

Points = score (1 to 5) ÷ 5 × weight. Weights: security and ranking 20; ability to repay at month 36 15; sales and cash collected 15; borrower and sponsor 10; cost to complete and timing 10; reward against risk 10; use of the bond money 5; fees and alignment 5; hotel brand 5; currency 3; country, law and enforcement 2.

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APPENDIX C · FULL CALCULATIONS AND ASSUMPTIONS

C.1 Key calculations

CALCULATION	WORKING	RESULT	SECTION
Interest as a share of cash the Issuer receives	2.85 ÷ 18.95	15.0% a year	2
Term sheet profit check	132 − 76.5 = 55.5, against 59 claimed; 59 ÷ 76.5 = 77%	Not 130%	2
Bank loan check	70% × 76.5 = 54; 29% × 132 = 38	Gap about USD 16 million	2
Land cover	12.6 ÷ 20	0.63 times	3
Land and work done at cost cover	21.7 ÷ 20	1.09 times	3
Quick sale recovery	(21.7 × 0.70 × 0.95) − 6.4 = 8.0	40%	3
Forced sale recovery	(21.7 × 0.50 × 0.95) − 6.4 = 3.9	20%	3
Bondholders' money per USD 1 of Sponsor share capital	20,000,000 ÷ 31,500	about USD 635	4
Share of the bond that builds nothing	7.76 ÷ 20	39%	5
Cost rise, June 2025 to March 2026	76.6 ÷ 63.9 − 1	20%	6
Sales pace needed	1,105 units ÷ 42 months	about 26 a month	7
Share of district new-build sales	26.3 ÷ (779 ÷ 8)	27%	7
Plan price premium over the district average	2,400 ÷ 1,998 − 1 and 3,200 ÷ 1,998 − 1	20% to 60%	7
Share of price received by month 36 for a buyer signing in month m	20% + 80% × min(36 − m, 30) ÷ 30	100% at month 6 to 20% at month 36	7
Sales commission and advertising left out of the cash flow	1.07 + 6.87 + 2.11	USD 10.05 million	9, 12
Cover in year 3	25.45 ÷ 26.67	0.95 times	9
Break-even buyers' cash	7.69 ÷ (26.54 + 55.01 − 6.87 − 2.11)	about 11% above the plan	9
Cost of building at five exchange rates	69.8 × 2.70 ÷ rate	USD 60.6 million to USD 87.3 million	10

C.2 Every assumption, with the result without it

Results are for the "land free of charges" case unless stated (base: on time 1 in 20,000; chance of loss 7.8%; median return 7.5% a year).

ASSUMPTION	USED	RESULT WITH IT	CHANGED TO	RESULT WITHOUT IT
Withholding tax on interest	None (DIFC structure)	Bondholders receive 14.25%	5% deducted, not made up	About 13.5% a year promised
Issue date	Start of 2026	Month 36 = end of 2028	A later date	All dates move later; the plan must be updated
Sales against the plan	Range 40% to 110% pace × 80% to 105% price (most likely about 70% overall)	Chance of loss 7.8%; median 7.5%	Exactly as planned	Chance of loss 0%; median 9.2%; on time still under 1%, because of cost and lari swings
			11% above the plan	Chance of loss 0%; median 10.8%
Building cost overrun	0% to 30%, most likely 10%	7.8%; 7.5%	No overrun	Chance of loss 4.3%; median 8.1%
Forced-sale discount below cost	30% to 60%	7.8%; 7.5%	20% to 40%	Chance of loss 0%; median 7.7%
			40% to 70%	Chance of loss 26.7%; median 5.7%
Time to recover through a forced sale	2 years after month 36	Median 7.5%	1 year	Median 9.5%
			3 years	Median 6.3%
Chance a new lender repays at month 36	25%	7.8%; 7.5%	0%	Chance of loss 10.4%; median 7.4%
Lari against the dollar	2.59 today, moving about 10%	7.8%	Fixed at today's rate	Chance of loss 6.9%
Sales commission and advertising added back	Yes	7.8%; 7.5%	Not added back (the Sponsor's cash flow as supplied)	Chance of loss 1.9%; median 8.0%
Bank A's loan ahead of bondholders	USD 6.4 million	7.8%	USD 38 million, with the extra borrowing adding no value in a forced sale	Chance of loss 74.5%
Recovery if the charges are confirmed	0% to 10% of the amount owed	Chance of loss 99.8%	Not modelled higher: any recovery depends on amounts owed to the state and others, which are unknown	
Chance the charges will be confirmed (Bayesian)	82%	Weighted chance of loss 83%	50% (even odds)	54%

Source: Gentium Advisers scenario analysis, fixed seeds (scripts mc3.py and mc4.py, filed in the Monte Carlo workings folder).

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APPENDIX D · GLOSSARY, FEES AND IMPORTANT NOTICE

D.1 Glossary

TERM	MEANING
Bond	A loan made by investors (bondholders) to an issuer, paying fixed interest and repaid on a set date
Coupon	The fixed interest paid on the bond, here 14.25% a year, paid twice a year
Effective yield	The yearly return when each payment is counted from the date it arrives: 14.76% here
Straight bond	A bond that is repaid in cash and cannot be turned into shares
Issuer	The company that issues the bond, here a special purpose company in the Dubai International Financial Centre (DIFC)
Security Trustee	An independent firm that holds the mortgage and other security for bondholders
Mortgage (charge)	A registered right to sell land or buildings if a loan is not repaid
Ranking	The order in which lenders and others are paid from a sale
Intercreditor agreement	An agreement between lenders fixing who is paid first and what each may do
Forced sale	A sale under pressure of time, usually at a discount to market value
Escrow	An account where buyers' money is held until set conditions are met
Cash sweep	A rule that a set share of incoming cash goes straight to an account for lenders
Interest reserve	Cash held back to pay interest whatever happens to sales
Cover	Cash available divided by debt payments due; lenders normally look for at least 1.25 times
Refinancing	Repaying one loan with a new one
Franchise	A licence to use a brand's name, standards and booking system; the brand does not run the hotel
Liquidated damages	A sum fixed in a contract that is payable if the contract is broken
Internal rate of return (IRR)	The yearly rate that makes the value of all payments received equal to the money lent
Scenario analysis	A computer test that runs the same plan many times with different values for uncertain inputs
Percentile	The 10th percentile is the result that 1 in 10 scenarios fall below; the median is the 50th
Volatility	How far results spread around the average
Sharpe ratio	Extra return over a risk-free bond for each unit of volatility (scale in Appendix B)
Sortino ratio	As the Sharpe ratio, but counting only results below the risk-free rate
Value at risk	The worst result in 1 in 20 scenarios (95%)
Correlation	How closely two things move together, from −1 to 1
Bayesian estimate	A starting view updated by evidence, with every step shown (Appendix E)
Lari	Georgia's currency

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D.2 Fees

The fee for an Underwriting Deal Review is agreed with each client. Gentium Advisers never acts for both sides of a transaction.

D.3 Important notice

This report has been prepared by Gentium Advisers, Land Economists, for the Client named on the front page and for no other purpose. It is research. It is not a RICS valuation, not investment, tax or legal advice and not an offer or recommendation to invest or not to invest. The findings concern what to check and which protections to seek. No site visit or building inspection was carried out. The report relies on documents supplied by the Client and on public market data, which have not been independently verified unless stated. Forecasts and scenario results are estimates of possible outcomes, not predictions. Gentium Advisers receives no commission, placement fee or success fee linked to the bond, holds no mandate from the Issuer or the Sponsor and takes no paid placement. Schemes are anonymised; the market data is real.

APPENDIX E · BAYESIAN WORKINGS

Model E1: Will the claimed charges be confirmed?

1. **Question.** How likely is it that the tax charges, seizure and court orders claimed in the preliminary report (Section 3) are real? Supports the weighted results in Sections 11 and 15.
2. **Plain-English summary.** With no other information, we would give an unsigned claim even odds. Three documented facts point the same way as the claim, so the estimate rises to about 82%. It goes to 0% or 100% as soon as the register extracts are seen.
3. **Model.** Odds form with likelihood ratios (the standard model for testing a claim).
4. **Prior.** 50% (odds 1.0). Assumed: no base rate exists for the accuracy of unsigned creditor reports in Georgia, so even odds are used and tested in the sensitivity below.
5. **Prior predictive check.** Even odds give a weighted chance of loss of 54% before any evidence, which lies between the two cases (7.8% and 99.8%) as it should.
6. **Evidence and likelihood ratios (all Assumed).**
7. The report cites specific register entry numbers and dates (× 2.0): a fabricated or careless report is less likely to give checkable references.
8. The brand deadlines of February and May 2026 have been missed (Documented, Section 8) (× 1.5): a sign of strain consistent with the claims.
9. No sales are shown since March 2025 (Stated, Section 7) (× 1.5): consistent with the claim that buyers' payments and sales are disrupted.
10. **Calculation.** Posterior odds = 1.0 × 2.0 × 1.5 × 1.5 = 4.5. Posterior probability = 4.5 ÷ (1 + 4.5) = 81.8%.
11. **Posterior.** About 82%.
12. **Posterior predictive check.** Not possible until register extracts are seen; the result is deliberately provisional.
13. **Sensitivity.**

ALTERNATIVE	POSTERIOR	WEIGHTED CHANCE OF LOSS
Main (prior 50%, ratios 2.0, 1.5, 1.5)	82%	83%
Drop the missed-deadlines evidence (may share a cause with stalled sales)	75%	77%
Weaker ratios (1.5, 1.25, 1.25)	70%	72%
Narrower prior: 25%	60%	63%
Wider prior: 75%	93%	94%

The conclusion does not change: in every alternative the weighted chance of losing capital is above 60%.

11. **Assumptions and limits.** The three items are treated as independent; the missed deadlines and the stalled sales may share a cause, which is why the sensitivity drops one of them. All ratios are Gentium assumptions.

12. **What it feeds.** Exhibit 11.6 (weighted results) and the Summary key findings.

Model E2: How fast does the scheme really sell?

1. **Question.** What sales pace does the evidence support, against the plan's about 26 units a month? Tests the sales range used in the scenario analysis (Section 11).
2. **Plain-English summary.** Starting from the Sponsor's own pace and updating for the sales actually recorded, the evidence supports about 12 units a month, or about 6 if no sales have been made since March 2025. The scenario analysis's most likely sales outcome (about 70% of the plan) is therefore kinder to the Sponsor than the evidence.
3. **Model.** Gamma-Poisson (sales per month).
4. **Prior.** Gamma (shape 2, rate 2 ÷ 26): mean 26 units a month, the Sponsor's planned pace (Stated), widened deliberately. Likely range (5th to 95th percentile) 4.6 to 61.7 units a month.
5. **Prior predictive check.** The prior allows anything from a very slow scheme to more than twice the plan, so it does not force the answer.

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6. **Evidence.** About 280 units sold over about 24 months to March 2025 (Stated, Section 7). No sales shown in the 20 months since (Stated).
7. **Calculation.** Posterior shape = 2 + 280 = 282. Posterior rate = 2 ÷ 26 + 24 = 24.08 (evidence to March 2025), or 2 ÷ 26 + 44 = 44.08 (including 20 months with no recorded sales). Posterior mean = 282 ÷ 24.08 = 11.7 units a month, or 282 ÷ 44.08 = 6.4 units a month.
8. **Posterior.** 11.7 units a month (likely range 10.6 to 12.9), or 6.4 units a month (likely range 5.8 to 7.0) if no sales have been made since March 2025.
9. **Posterior predictive check.** At 11.7 units a month the model reproduces the roughly 280 units sold in 24 months, as it should.
10. **Sensitivity.** A narrower prior centred on the plan pulls the estimate up only slightly, because 280 recorded sales outweigh the prior; the conclusion that the evidence supports less than half the planned pace does not change.
11. **Assumptions and limits.** Sales are treated as arriving at a steady rate; launches and seasons make them lumpier. The figures since March 2025 may simply not have been updated (Section 7).
12. **What it feeds.** Confirms that the sales range used in Section 11 (most likely 75% of planned pace) does not overstate the risk.

Source line: Gentium Advisers analysis. Schemes are anonymised; the market data is real.

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