

Update Report on Las Olas Project
By David Aven, Owner Representative
To: US INVESTORS and Buyers
Subject: Injunction against the project
Dated: January 15, 2012

This is not an email that I enjoy writing, but in our policy of being 100 percent transparent, it's an email that I have to write. There has been a Costa Rica court injunction to stop all work on the Las Olas Project. I want to give you detailed information about what has transpired with the project and you will see clearly that the Government acted illegally in shutting the Las Olas project down based upon a false claim that there are wetlands on the project site. **TO BE CLEAR THE PROJECT HAS BEEN ISSUED ALL LEGALLY REQUIRED GOVERNMENT PERMITS WHICH SAYS THERE ARE NO WELANDS, FOREST OR ANY OTHER ENVIRONMENTAL PROBLEM WITH THE PROJECT SITE.** If words in documents, Government permits, Government reports and signed contracts have meaning, then it's clear the Actions of the Costa Rica Government are clearly improper, egregious and illegal and in violation of our their own laws, customary International law and our human rights.

A criminal prosecutor by the name of Luis Martinez filed criminal charges against me and Jovan Damjanc for committing environmental crimes against a property. When he did that he knew we had not committed any crimes since we had all the lawful permits, but that didn't stop him from filing those false charges. The SETENA environment permit that was issued in June of 2008 and the issuance of the permit it confirmed that there are no environment problems with the project site and the permit green lighted the project for development.

Further, there were a number of Government studies performed by MINAE, SETENA and INTA at different times from 2008 through 2011 that also state there are no wetlands or forest on the project site. Further, there are three forestry engineer reports that were done between 2009 through 2011, all clearly stating that there is no forest on the project site as defined by Costa Rica forestry laws. The prosecutor knew about all of the above before he filed his criminal charges against me and Jovan and therefore he knowingly charged us with a crime that he knew we did not commit. That act, by the "CRIMINAL PROSECUTOR", in my belief, is a crime in itself he should have been fired, charged with that crime and put on trial. Not only did that act constitute a crime, it also was violation of my human rights. These Government illegalities have caused irreparable damages to project and to the US investors that invested their time and money into the Las Olas Project and we may have to seek appropriate legal remedies for them as well if we cannot get this quickly resolved.

As stated about the project was fully permitted and received the following permits:

1. SETENA environmental permit for the beach club concession.
2. SETENA environmental permit for the housing development in back of the concessions.
3. Construction permit for Beach Club Concession issued by the Municipality of Paritta.
4. Construction permit for housing development in back of the Concessions including permit to construct the infrastructure according to the permit issued by the Municipality of Paritta.
5. Construction permits for road easements along main road going into Esterillos Oeste issued by the Municipality of Paritta.

Let me briefly lay out for you the events that occurred so you can understand what happened and why the Government was totally wrong in illegally shutting the Las Olas Project down.

The process for getting a development permit in Costa Rica is long, complicated and expensive. The very first thing that has to be done is to get a project environmental permit. The purpose of this permit is to determine that there are no environmental problems with the project site. No wetlands, no forest, no lakes or lagoons, no bird sanctuaries, no turtle nesting areas, etc. We absolutely agree that Costa Rica has a duty and obligation to protect the environment and that is why they put regulations and laws in place to determine if there is any negative environment impact on development sites. That is why the Costa Rica Government and the courts have given the responsibility of issuing Development permits to SETENA, an agency of the Government. It took us over two years to get the permits and cost over a million dollars. I do not speak Spanish, do not know the laws or customs in Costa Rica so we had to at all time work with Costa Rica professionals who had the knowledge and expertise in handing all aspects of the permitting process. An architect and engineering company called MUSSIO MADRIGAL, was selected and engaged to acquire those permits. MUSSIO and MADRIGAL is an experienced architect and engineer firm and had done similar work for other large developers in the past. The following is a brief overview of the process in Costa Rica for getting a project permit as established by the Costa Rica Government right from the Governments hand book in their own words.

1. Request and obtain zoning authorization (uso de suelo) from the Municipal Government

Agency: Municipal Government. This request can also include a request for property line setbacks to be indicated by the Municipal Government. New land use policies were approved in April 2006. The greater San Jose metropolitan area includes 31 municipalities. The zoning authorization will be valid for 6 months, or up to 12 months. Many municipal authorities, such as the Belen Municipality, do not respect their own land-use regulations when granting the final construction permit.

2. Request and obtain an approved environmental permit from National Environment Technical Secretary (SETENA)

Agency: National Environment Technical Secretary. Developer must obtain approval from the National Environment Technical Secretary (Secretaría Técnica Nacional del Ambiente, SETENA), using two forms (in Spanish) available on SETENA's Web site (www.minae.go.cr/setena.html). This procedure and the next can be completed simultaneously.

3. Preparation of the environmental impact study which is done internally by Developer. Once the SETENA permit is

granted, Developer must hire a SETENA approved environmental representative to do monthly on-site inspection reports and send them to SETENA to confirm that Developer is abiding by the terms and conditions of the SETENA permit. The issuance of the SETENA permit states there are no environmental problems, and green lights the project towards final construction permits.

4. Request and obtain approval of master site plan blue prints by College of Architects and Engineers

Agency: College of Architects and Engineers: Developer must submit the property survey map and a contract, signed by two members of the College of Architects and Engineers: an electrical engineer and either a civil engineer or an architect. It is preferred that at least four blueprint copies be submitted. The approval fee is 0.265% of the project value, plus a fixed fee of CRC 1,500.00 for two construction logbooks.

5. Request and obtain approval by the Water Department (Acueductos y Alcantarillados)

Agency: Water Department: Developer must complete and submit an approval form to the Water Department. In turn, the Department must verify that the construction project site has a water source.

6. Request and obtain workers compensation insurance proof from National Insurance Institute

Agency: National Insurance Institute: The National Insurance Institute requires proof that worker compensation insurance has been paid prior to issuing a building permit. This proof is required to start each new project. The cost can range from 4.23% to 5.53% of the coverage amount. The completed form must be presented with copies of the workers' identification cards or (for underage employees) working permits.

7. Request and obtain construction permit from Municipal Government

Agency: Municipal Government: According to Law 8220, the relevant authorities must respond to a construction permit request within 30 days. However, on average, it should take 15 days. The construction permit fee is 1% of the project value.

8. Receive on-site inspection - I

Agency: Municipal Government: During construction, inspections occur monthly, though not according to a specific schedule. The inspector may show up randomly to view the construction and review the construction log book (bitacora de construccion), which the engineer/architect uses to register entries for each stage of construction. Under Costa Rican law, the engineer is responsible for complying with construction laws and regulations. There is no need to request inspections.

9. Receive on-site inspection - II

Agency: Municipal Government

10 Receive on-site inspection - III

Agency: Municipal Government

11. Request water connection

Agency: Water Department: After the connection is requested, an inspector from the Water Department visits the construction site, determines the connection requirements, and, on this basis, estimates the costs. Sewage connection is not included. Developer must complete an application form and present all the required documents, including a copy of the company's identification card.

12. Receive inspection from Water Department and pay connection cost

13. Agency: Water Department

14. Connect to water services

Agency: Water Department

15. Obtain proof of completed construction (Constancia de Obra Terminada) from Municipality

Agency: Municipal Government: The certificate of completed construction is issued by the Inspection Department of the Municipality stating that the construction has been completed in accordance with what was stated in the permit and with the municipal regulations. The legal basis is the Urban Master Plan published in La Gaceta N. 148 of August 3, 2005 ("Plan Director Urbano del Cantón de San José")

The professionals we engaged followed all of the above established rules and procedures and were successful in acquiring the SETENA permits and the Construction permits. Once those permits were issued we immediately started the infrastructure work until the Government illegally shut the project down in April of 2011. So it begs the question, why then did the Government of Costa Rica breach their own established rules and regulations? Why were the developer's representatives falsely charged with violating a non-existence wetlands and cutting a non-existent forest? These are questions the Government of Costa Rica will one day, hopefully very soon, have to answer in a court of law.

As part of our due diligence, we engaged the services of EDSA and Norton Consulting to do a market study and land planning study. EDSA is a world-renowned land planning company from Fort Lauderdale, Florida. Norton Consulting is world-renowned as a leader in real estate marketing research. The two companies worked together in 2006 to do studies for us on what is known today as the Las Olas Beach Community. We did extensive due diligence before embarking on this development project and checked out other developments in the area, the main one being Los Suenos. We had the marketing study done and wanted to be certain that the real estate development would work. We knew we had one of the best locations in Costa Rica with 100 acres on a beautiful beach close to the capital San Jose, but we had confirmation that this could be successfully implemented. We knew that you don't show up at the SETENA office and tell them you need a permit and they just give you one. It's an extensive process that requires a number of different rules and regulations you have to comply with before they issue the permit. Those requirements vary with the type of development you want to do. If you were wanting a permit for a low density development of subdividing your lots into 5000 square meters, you wouldn't need an in-depth study and it would not require a sewage treatment plant, just a septic tank. However, the higher the density the more requirements and studies are needed. We were applying for a high-density permit, which required the most in-depth studies possible. SETENA also required that we build a treatment plant for the project and not use septic tanks.

Essentially, SETENA has a checklist of things they need to approve the environmental permit. As they get what they need, the boxes are checked off. Mussio Madrigal worked with us in providing SETENA with all the required information, studies and other documentation necessary to check off all the boxes. Once that was done SETENA issued the environmental project permit.

One very important item on the checklist was an approval letter from MIANE, another government environmental agency. MINAE had to conduct a study of the project site and then send SETENA a letter with their finding. If the letter came back stating there were no environmental problems with the project site, SETENA would issue the permit. If the letter came back stating that there were environmental problems then SETENA would not issue the permit. MINAE did send that letter to SETENA in April of 2008, which was one of the last things on their checklist. After getting that letter SETENA, and after SETENA verified all other boxes have been checked off, SETENA issued their environmental permit on June 2, 2008, which green lighted the project for development.

With the issuance of the Environmental permit by SETENA, it in effect stated that there were no environmental issues with the project site, no wetlands, no forest, no lakes or lagoons, no bird sanctuaries, no turtle nesting areas, nothing that would inhibit the project from being built. In fact a lay person looking at the project site at Las Olas would never ever suspect that Las Olas was a suspected wetlands area since Las Olas has gently rolling hills right next to the ocean. So how could there be wetlands on rolling hills. Further, there are homes all around Las Olas and a number of housing projects “right” around Las Olas. One being Hills of Esterillos, Cabo Caletas as well as a project of 90 plus homes adjoining Las Olas. So it begs the question, how can property with gently rolling hills have wetlands, while all the other housing project that are adjoining Las Olas and in lower areas have no wetlands?

As stated above it took us over two years to get the SETENA permit, but as stated above that was just the beginning and merely green lighted the project to continue and many more things need to be done before the construction permit was issued.

The plan was to do the development in stages; larger areas were cut out in the project site that was designated for future condo development. Our plan was to have a vertically integrated project and provide work and services that the buyers would need and would have to obtain from someone and we wanted that someone to be us. We not only wanted to sell buyers a lot, we wanted to build their homes, provide mortgages for those homes, manage their HMO, provide a rental service for their home when they were away and even rent them a car when they needed one. The plan including doing time-shares on the beachfront condos that would be built on the concession and also provide time-share financing for those units. We also planned to handle home rentals for buyers when they were not using their homes and also handle sales when buyers wanted to sell their homes, manage the HOM and handle resale’s for the owners.

By vertically integrating the project, we could maximize the profitability of the project over the years. So that was our plan, but right now at this point that simple plan has been stopped dead in our tracks by the capital punishment the Government executed on project. Although we are confident we will prevail at trial, right now our momentum has been stopped, the reputation of

the project and my personal reputation have been severely damaged and for all intent and purposed, it's "Blackhawk Down". Unless we can get this turned around quickly, we won't be able to get the Blackhawk flying again and we could face bankruptcy. The following is a brief time line overview so you can see the progression or what happened and when:

1. In 2007 we contracted with MUSSIO MADRIGAL to come up with a master site plan, do site plan engineering, survey work, and apply for the project environment permit, which is the very first thing we had to get. Without that there is no project.
2. In April of 2008 SINAC, a part of MINAE, issues their environmental report to SETENA, which stated there is no problem with the environment.
3. Based upon that MINAE report, SETENA issued a Resolution granting Las Olas the environmental permit on June 2, 2008, clearing the project environmentally and approving the developmental master site plan that was submitted by MUSSIO MADIRGAL.
4. There was a problem with water supply to the village of Esterillos Oeste and the water was constantly being shut off. So in 2009, Las Olas, Costa Developers and Cabo Caletas got together and contracted for a study to be done to determine how to get a better water supply into the area. The study found out that there was plenty of water in the municipal wells about 4 miles from Esterillos Oeste, but it needed new pumps and a bigger line. So the developers agreed to provide the funds to buy new pumps and large pipes and pay to have the pipes run from the municipal wells to Esterillos Oeste. The cost was \$127,000 US dollars. That did two things, it provided the people in Esterillos Oeste with a more stable water supply and in return for our investment, we were guaranteed water lines for our project. So as developers we felt it was a win win. We did something for the community and it also helped us secure needed water lines for our projects.
5. In 2010, Las Olas also agreed to put in storm drains on two interior roads running in Esterillos Oeste. During heavy rains the water would run off the hills and roads and flood the streets. So we agreed to provide the money and manpower to buy the storm drains and the municipality agreed to provide the machinery to dig the ditches and to install the storm drains. That cost us over \$100,000, but again we felt is was good investment for the community and would benefit all.
6. In July of 2010 we got permits to put in easements along the road going into Esterillos Oeste and started working on the construction of those easements while at the same time we were also working on putting in the storm drains.
7. Also in 2011 a Competitor living in Esterillos Oeste, by the name of Mr. Steve Bucelato who didn't want the project built, filed a complaint to both SETENA and MINAE, claiming that there were wetlands on the project site. Both SETENA and MINAE, out an abundance of caution, ordered additional studies to be done in the summer of 2010. Based upon the results of those studied they issued the following reports:

8. On July 16, 2010, MINAE reconfirmed their previous report and issued a report stating there were no wetlands on the project site.
9. On September 1, 2010 SETENA issued a resolution, which reconfirmed their environmental permit and it also stated no wetlands and rejected Mr. Bucelato's complaint
10. Now these two reports should have finally ended the question of whether there were wetlands on the project site. However, Mr. Bucelato had also filed a complaint with TAA, an administrative environmental court that has a lot of authority. He also filed a criminal complaint with the criminal prosecutor's office in Costa Rica. I know it sound crazy, but in Costa Rica, unlike in the US and other countries, private citizens in Costa Rica can file criminal complaints against another citizen, residents and non-resident or Investors with the criminal prosecutor's office. Once the prosecutor receives a complaint, he can at his discretion, start a criminal investigation. What's even scarier is the prosecutor has the power to put a person in jail for up to a year under a provision they call "preventative detention". Under a mere allegation of a crime, a criminal prosecutor can put a person in jail for up to a year while they investigate to see if a crime was committed, with no charges, no habeas corpus, no trial and no evidence of a crime. To me this is totally outrageous and a human rights violation. I guess the prosecutors don't have enough work coming in from the police, so they need citizens also sending them criminal complaints to keep them busy. However, most of these "citizens criminal complaints" are baseless and done just to force an adversary to settle with the person filing the complaint. Costa Rica's preventative detention law is really a human rights violation and should be repealed. Many innocence people have been unlawfully thrown in jail and held there for months, in deplorable conditions, with no way to get out and no way to get a speedy trial. So based on Bucelato's criminal complaint, the criminal prosecutor started a criminal investigation into the question of whether the developers violated Costa Rica's wetlands law. I know it sounds crazy, in light of the fact that lawful permits had been issued, but unfortunately it gets even worse.
11. Later part of August 2010, I was asked to pay a bribe by Christian Bogantes, the director of the MINAE office in Quepos, Costa Rica. I Told him the same thing I told to the People at the Municipality in Paritta in 2009, that is was against the law in Costa Rica and United States to pay bribes and that I wasn't going to risk going to jail in either country. Soon thereafter MINAE started to claim there were wetlands on the Las Olas project site after years of various MINAE reports all stating that there were no wetlands.
12. On February of 2011, a Mr. Luis Picardo, the MINAE head in the area, sent me a shut down notice for Las Olas claiming there were wetlands on the Las Olas site. Now to show you how twisted this was, just 6 months before in July of 2010, MINAE issued a report that said there were no wetlands, lakes or lagoons or forest on the project site. So how could that change in six months? Answer is it couldn't and it was a blatant lie!!! It was also six months earlier after I refused to pay a bribe to MINAE. Strangely enough,

although I reported this bribe to the prosecutors in both San Jose and Quepos, neither of them, ever did anything about it. Then in March of 2011, Mr. Luis Picardo then sends SETENA a letter telling SETENA two lies. (1) That there was a forged document, intimating that we forged it and (2) That it was the document that SETENA relied upon in issuing their environmental permit.

13. Based upon these two lies MINAE on April of 2011 SETENA rescind their environmental permit. We objected and started providing proof to SETENA that MINAE had lied to SETENA and SETENA started their own investigation. When SETENA discovered that we were telling them the truth and the MINAE was lying, they issued a resolution rescinding their shut down notice with a stinging rebuke to MINAE. Amazingly, at the very same time the prosecutor was filing his criminal charges against me, for violating wetlands and against Jovan for cutting a forest, SETENA was filing a resolution dated November 15, 2011. So just to show you the vast dysfunction, one Government agency is confirming their environmental permit stating there are no environmental problems at the very same time the other government agency, the criminal prosecutor's office, is filing criminal charges against us for committing environmental crimes against the property. I know that you are thinking this just doesn't make any sense for this to happen in country that is supposedly based upon the rule of law and you would be right. The only conclusion one can draw is that obviously Costa Rica does not fall into that category.
14. Now at this stage the prosecutor was just conducting an investigation and had not filed any criminal charges against me. In April of 2011, I was ordered by the prosecutor to appear at his office for questioning. I was advised by my attorney not to speak to the prosecutor since it was a criminal matter and anything I said could be used against me. However, I rejected that advice and insisted upon speaking directly to the prosecutor so I could personally show him all the Government reports that were done for over two years indicating there were no wetlands on the project site, show him all of the legally required Government permits that were issued by the Government and fully answer all his questions. Since we had done nothing wrong, had followed everything by the book and had nothing to hide, I believed that some forthrightness and a little clarity would clear up any concerns and questions the prosecutor might have. I was sure once the prosecutor saw all the evidence of the reports and permits he would dismiss the investigation since that would clearly show there was no intent to commit a crime and we were only operating under the authority of the permits. Sadly, I WAS WRONG ON ALL COUNTS. After showing the criminal prosecutor all the permits and numerous Government studies, all stating that there were no wetlands, to my amazement, instead of dismissing his investigation, based upon existing evidence, the prosecutor decided to order two more studies to determine if there were wetlands. NOW GET THIS PLEASE, the prosecutor is ordering future studies trying to determine past crimes, think about that one for a minute and see if you think that makes any sense at all. The prosecutor is not SETENA or

MIANE whose job is to determine if there are wetlands. The criminal prosecutor it just that, a criminal prosecutor and his job is to determine if a crime has been committed, based upon available evidence at the time a crime was allegedly committed. In this particular situation, a criminal prosecutor doesn't order future studies to trying to gather evidence to prove a past crime. To me this is another human rights abuse and violation. What is even more amazing is that the criminal prosecutor ordered a "FUTURE" study from MINAE, the agency I told him had asked me for a bribe in August of 2010. Why weren't the 4 other studies that MINAE and the SETENA did good enough? How many studies are necessary before enough is enough? The other study he ordered was from INTA, the top Government wetland authority in Costa Rica, who actually teaches MINAE how to determine wetlands. INTA was totally unbiased, since we had never had any dealings with them and we knew no one there and no one knew us.

15. On May 5, 2011 INTA issues their report and it stated there are no wetlands at Las Olas.
16. On May 13, 2011 MINAE issues their report and, not surprisingly, their report now stated there were wetlands on the property. Please understand, this is the same Government agency that sent SETENA a report on April 2, 2008 telling them there were no wetlands. The same agency that issued at least four other reports between 2008 and December of 2011, all stating that there were no wetlands. But after I refused to pay a bribe then suddenly wetlands appeared. To me this is just another human rights violation and a flagrant abuse of the law. Just to let you know, bribes seems to be a way of life in Costa Rica, in 2009 I was asked for a bribe by the Municipality of Paritta by the City Manager, who said he was representing 12 other people in the Municipality including the Mayor. I made a recording of that meeting, in which I was asked to pay a bribe of \$200,000 US dollar for a permit. I told them that I could not do that since it was a crime in Costa Rica and the United States to pay bribes to Government officials and I wasn't going to risk going to jail in either country. His remark was, in Costa Rica the way it works is "when it rains everyone gets wet". I later was told that is a well-known Costa Rica expression that is only used when someone wants a bribe.
17. On October 2, 2011, MINAE issued another report to the prosecutor stating that there was also a forest at Las Olas. Again this was in conflict with all their other previous reports that stated there were no the same agency that issued a report to SETENA on April of 2008 stating there were no environmental problems with the project now states there is also a forest.
18. Disregarding all the reports and permits, all of which stated, that there were no wetlands or forest at Las Olas, and the INTA report, which the prosecutor ordered that also stated there were no wetlands, on November 13, 2011, the prosecutor charges me personally with a crime for violation of wetlands and seeks an injunction against the property. He also charged Jovan Damjanc, our sales and marketing director for cutting a forest, which was an after thought and was done to pile on more criminal charges on top of mine just to make it more painful. I want to be clear, by filing criminal charges against myself and

Jovan, the Prosecutor, Mr. Luis Martinez, had knowingly filed false criminal charges, since he knew we had committed no crime. In fact, in the INTA report. Dr. Diogenes Cubero Fernandez, who did the report ordered by the prosecutor, stated this very clearly in his report the following, “It is not up to the developer to know what wetlands are, it is up the appropriate Government agencies to make that determination” (paraphrased from Spanish) For a prosecutor to knowingly file false criminal charges knowing the person/persons are not guilty is a serious crime and the worse form of a human rights abuse that a state can take against a foreign investor. Mr. Martinez should be fired and charged the filing false criminal charges and put on trial for his crimes. But of course the chances of that happening is slim to none since I am a GRINGO and he is the untouchable criminal Costa Rica prosecutor and can do anything he wants to and will be probably be supported by the corrupt judicial system.

19. To take a step back, in May of 2011 the prosecutor contacted us and told us he would like to come down to look at the property. We has already saw the INTA report and I was sure he saw it as well, so I thought this was the end of his investigation, since INTA as the highest wet land authority in Costa Rica had ruled there were no wetlands and their report would trump the corrupt and biased MINAE report. I really thought the criminal prosecutor, Luis Martinez, was just coming down to have a causal look around to tell me that in light of the INTA report he was dismissing the investigation. So I didn't even have my attorney with me. However, Esteban Bermudez, our environmental representative was there as well as a minor attorney I was using at the time. However, to my shock and surprise, Mr. Martinez came down with an army of people, from different offices and of course a contingent from MINAE. We met them on the property and he immediately came over to me and asked me if he could borrow some of my people so they could mark were the wetlands were. I said what, are you kidding me, did you read the INTA report. Now listen to this amazing statement from the mouth of the criminal prosecutor, **“YES I READ THE REPORT, BUT I DON'T BELIEVE THAT REPORT”**. I was dumbfounded, is the law based upon the personal belief system of a criminal prosecutor? I am not an attorney, but I always thought the law was based upon facts and evidence not upon a prosecutor belief system, but that is exactly what came out his mouth. So he and his minion of MINAE agents started walking all over the property pointing randomly there is a wetlands, there is a wetlands, and driving stakes into the ground. That day, they not only drove stakes into the ground, they also drove a stake into the heart of the project and assured its death and bankruptcy. What was really amazing is that near where they were taking wetlands co-ordinance, a buyer had bought a lot and was building a home and had dug out an area for a swimming pool to a depth of about 5 feet, that hole was completely dry.
20. I want to tell you about one other amazing statement the criminal prosecutor, Mr. Luis Martinez, made that day that will shed some more light into the mind of this “criminal prosecutor”. He alleged in his complaint that we had cut down 400 hundred trees. I kept

asking him, please show me the 400 trees that you alleged in your complaint that we cut down. Where are these trees? He said on the other side of the property and we'll go there after we are finished here. After spending hours putting stakes into the ground and into the heart of the project, we finally made our way over to the other side of the property and started to walk the entire area, where he had alleged 400 trees had been cut down. There were a number of people that took that walk including myself, Esteban Bermudez, the prosecutor and Luis Picardo the head of the MINAE office. There was nothing there; it was totally pristine since this was not an area that we were not doing any work. So when we got back to the starting place, which was on a main road at the back side of the property, I was standing with Esteban, Mr. Martinez and Mr. Picardo and I said so where are the 400 trees you said were cut down, we didn't see any. Where are they? So then both Mr. Picardo and Mr. Martinez got very upset and they stormed off into the property about 100 feet and motioned for me and Esteban to come where they were. So we went. When we got there, I asked him again where are the 400 trees you said we cut, he points down to a small tree stump about 6 inches in diameter that was cut down years ago and said there. By the way, in Costa Rica you are permitted to clear your land and cut small trees less than 15 inches without a permit. So I said, that's a small tree and then he made this shocking statement. **"IF YOU KILL A SMALL CHILD IS THAT NOT MURDER"?** Both Esteban and myself were shocked and stunned. I said to Mr. Martinez, are you correlating cutting a small tree with killing a small child, and he replied yes. So at that point I realized I was not dealing with a rational human being at all, no rational human being would ever make that ridiculous comment, and for that to come out of the mouth of a criminal prosecutor was just beyond belief. Now to get back to the time line.

21. There was a court hearing about the filing of the criminal charge and we objected due the fact that we had all the lawful permits. However, the judge ruled against us and let the criminal case proceed and granted the injunction, which was the final death stake in the heart for the project. The matter will now have to go to trial and we have no doubt that we will prevail at trial with the overwhelming evidence that we committed no crime. However, that could take years to play out and in the meantime we are shut down and cannot do any construction, can make any further sales and buyers cannot build any homes that were being planned to build. No project can survive a lengthy Government shut down and this could very well bankrupt the project if not cleared up quickly. The Government knows this and I have heard that the Government often illegally uses the criminal justice system to punish political enemies and other enemies of the state. Further, people who bought lots at Las Olas are also affected and they have no recourse and their rights have been adversely affected as well.

Now here is what is important for you to understand. Either MINAE was wrong in 2008 when they gave SETENA a report stating there were no environmental problems with the project site, or they were wrong in February of 2011 when they sent me a shut down notice. They were wrong

again in May of 2011 when they issued a report to the prosecutor that stated there were wetlands on the project site and wrong again in October of 2011 when they issued a report to the prosecutor that stated that there was a forest. Either way those wrongs has created huge problems and damages for the Las Olas developmental and the US Investors, as well as the other lot buyers and Investors.

If MINAE would have told the prosecutor in 2011 the same thing they told SETENA in 2008, and the same things their reports said from 2008 to 2011, the prosecutor would have immediately ended his investigation and would have dismissed the case. So how in the world can MINAE say there were no wetlands or forest in 2008, issue a number of reports between 2008 and 2011 all saying no wetlands, and then do a 180-degree turn in 2011 and state there were now wetlands at Las Olas? Could it have anything to do with me refusing to pay a bribe in the latter part of August of 2010? How can a criminal prosecutor just ignore valid permits and reports all saying there are no wetlands? How can a criminal prosecutor throw out the rule of law requiring facts and evidence before filing his criminal charges and substitute in its place his personal feelings and irrational beliefs? These are very serious questions that will one day have to be answered. There are multi millions of dollars at stake, peoples lives and reputation have been forever damaged as well as the lives of many people who invested their money, time and dreams in in our project in Costa Rica. None of this seemed to matter to MINAE or the criminal prosecutor and they seemed intent to shut down the Las Olas project at all cost. One has to realize that the Government has the power, with a pen, to make a project worth millions or worth nothing and this abusive use of Government power has right now made the Las Olas project worthless.

At one of the hearings we had before a judge prior to the filing of his criminal charges, I was asked to give a statement and said something like the following: Your honor, I always thought that before you could be charged with a crime a law would have to be broken. Tell me what law I have broken. (I then held up a copy of the Setena permit I had in my hands and said) This is the Government permit for the project issued by Setena, it's a lawful and legal Government permit that gave us rights to develop the project. Based upon this permit we got construction permits from the Municipality and sold lots to buyers who we rightfully told that the project was legally permitted. So again what law did I violate?

I said Judge; put yourself in my position and our buyer's position. You go to a foreign country and invest your time, money and dreams in that country. You do your research on that country to make sure that they will protect your rights and you expect that you will have both financial and legal security if you make an investment in that country. If this injunction is granted and you stop this project, then the investment will be lost and the project will go bankrupt. Is it unreasonable to expect legal and financial security when you get a legal permit from a Government agency that tells you that you can proceed under the legal authority of those permits without fear of getting shut down by another Government agency? At all times we were operating under the authority of the permits that was issued to us. So how can this be illegal and how can I be guilty of a crime after relying on the security of legally issued Government permits?

The Judge had an opportunity to fix this and do the right thing and dismiss the case and stand up for the rule of law, but he didn't. Instead he backed up the prosecutor illegal conduct and rules against the GRINGO. Damage has now been done and it's been done by different agencies of the Government namely MINAE, the Municipality of Parrita and the Criminal Prosecutor working in concert and getting the courts to back them up. TAA, which is an administrative court dealing with environmental issues also issued a shut down notice in April of 2011, based upon Bucelato's complaint and the action of the Criminal Prosecutor. However, TAA did not follow the legal procedure either and never notified us about their shut down notice as required by law. We didn't find out about that shut down until months later. That was just overkill, since the damage had already been done by the criminal prosecutor when he filed criminal charges against us and got a court order to shut the project down. As this point I am in disbelief about all of this. I was a big supporter of Costa Rica being the oldest democracy in Central and South America and sincerely believed that they were a country that respected the law and provided legal and personal security to foreign investors. If I, and the other US investor, didn't believe that we never would have invested any money, our time and resources in that country. As I write this I am still in bewilderment about all of this. Does the law mean anything? Do legally issued permits mean anything? Do the laws pertaining to criminal justice mean anything? Do bribery laws mean anything? Do human rights laws mean anything? Right now based on what has happened to me and the Las Olas project that answer is no. The GRINGO investors never had a chance in this rigged game where you have leaders of the country looking to get wet when it rains and demand that you either break the law and pay them bribe money or get destroyed personally and economically. This is total dysfunction and corruption at its worst. We relied on the Government to obey their own laws and honor their commitments and they didn't. We relied upon the rule of law being honored and respect in Costa Rica and it wasn't. We relied on the Costa Rican courts to uphold the rule of LAW and they didn't. There is a term for these major Governmental failures and it's called DETRIMENTAL RELIANCE.

Inherent, in every Agreement, is the expectation that all parties will work together in good faith to carry out the terms and conditions of the terms and conditions of the Agreement that they enter into. We relied on the SETENA permit being a legally binding document that would provide us with legal and financial security. We believed we could operate under the authority of Government issued permits safely without being shut down and charged with a crime by another Government agency. We spent millions of dollars and a lot of time, effort and hard work getting all the permits and lining up the necessary resources to construct the development project. Then because we refuse to pay a bribe and commit a crime, the Government shuts down the project and charges the developer with a crime. Now think about that for a minute, because I refuse to commit a crime and pay a bribe, I get charged with a crime. How twisted is that?

NO, THIS IS TOTALLY WRONG AND IT WILL NOT STAND. Do words have meaning? Do contracts have meaning? Do laws have meaning? They should, but in Costa Rica it seems they don't. This just hit me the other day when I was thinking about all of this. When you do business

with the Government it's like a relationship between an ant and an elephant. The Government has all the power; they have the courts, the judges, the prosecutors, the police and the jails. We see everyday examples of Governments all over the world abusing the human rights of citizens, residents and foreigners in one way or the other. The ant is defenseless against the Elephant and can be squashed and that is the position we find ourselves in right now. When Government officials can lie, cheat, disregard the law and falsely charge you with a crime, and throw you in jail without proof or probably cause that is not democracy that is tyranny. Frankly I am not feeling very safe in this country right now, but I have to stay to see this through. I just want to tell you this. The only agency that I have found to be totally upstanding and has done the right thing all the way down the line is SETENA. They did their job correctly and have stood behind their permit and as you can see they are still standing behind it. They never asked me or my representatives for a bribe. It's MINAE, the Criminal prosecutor, the Municipality and TAA who are the corrupt and abusive Elephant, who seem intent on stepping on the ant and destroying the anthill.

We have immediate grounds for taking legal action against the Costa Rica Government for those damages. The fact that the Government is wrong is indisputable, but at this point we are reluctant to go to do that and still have a sliver of hop that in someday this can still work itself out and we can get back on track. But the longer this goes on the harder it will be. We will keep you informed as this plays out.

Regards,

David Aven
Owner Representative