

# BVIH

May  
2008



**An  
Investment  
In Lifestyle**



May 2008

Dear Fellow BVIH Club Members,

First of all, I want to thank you for becoming a member of the BVIH Club.

Making the decision to invest in real estate in the Dominican Republic (or the D/R as it is affectionately known) as opposed to other Caribbean countries, was based on much due diligence with regard to that country and other countries. Having been situated in the D/R for over a year now, I can safely say that I am impressed with the country, from the culture of the people, to the beauty of the Island.

With the exception of its people (warm and immensely friendly) and the beauty of its beaches and mountains; much of what you may have heard about the D/R is not accurate.

The Dominican Republic is not unlike Canada and the U.S., complete with all the modern facilities offered by big cities such as the capital, Santo Domingo (4,000,000 people) and Santiago (1,000,000 people). With a population on the Island of over 9,300,000 people, I feel as safe living in Santiago as Toronto, Canada.

Any suggestion that the crime rate in the D/R is the same as or greater than North American cities is simply not true. While there may be many poor folk, the reality is the poor are relatively happy and no one goes hungry; while some crime may exist, it is usually that of petty theft. Of course road traffic is another matter and Santiago and Santo Domingo is much like Toronto and Montreal, with congestion everywhere.

Interestingly, while you may see someone driving with a Presidente beer in their hand, and people treating red lights with little respect, there are very few accidents.



I have now obtained my “Cedula” and work permit, which is the first requirement before obtaining citizenship and a Dominican passport in this country.

Which brings us to the next part of this information letter to Club Members; why become a BVIH Club Member in the first place? And what’s with this “Cedula” and D/R passport business? I will get to that shortly.

The reality is; we are all going to retire some day. Having been in the financial planning and securities business for 40 years, I can safely say that the vast majority of people do not plan for retirement; it just sort of sneaks up on you like a bad cold. I only mean “bad” in the sense of not being prepared. And while I am a firm believer in mutual funds and other forms of investment securities for retirement purposes; the fact remains that real estate, although subject to ups and downs, always wins the race.

We have all heard the saying, “You can always be sure of two things, death and taxes”. The death aspect, I will tend to agree with; taxes, that’s a completely different matter.

While we can choose to hold off on the death aspect as long as possible by taking care of ourselves with proper nutrition and exercise, we need to consider taxes and how they impact retirement. Effectively, we are being taxed to death; no pun intended.

Investing in offshore real estate has many advantages, not the least of which is potential tax savings, or at least, deferring taxes to a later date.

While I do not purport to be a tax accountant, nor do I give tax advice, I am quite aware that there are certain advantages in investing offshore.

If you are a Doctor, think “malpractice suit”; if you are a business owner, think “no pension”; if you just got divorced, think “lawyers”; if you paid over \$50,000 in taxes last year, think “oops!”

So, it makes perfect sense to me, and hopefully it makes the same sense to you to give serious thought to broadening your investment horizons to include offshore investments.

While we think of the term “investment” as having to do with investing in stocks, bonds, real estate or art, we tend to forget about that other investment; lifestyle.

The philosophy and concept behind the BVIH Ownership Group, or BVIH Club, brings together (3) three objectives; lifestyle, investment, retirement.

Let’s consider lifestyle first.



During my many years as a financial planner and broker, I have had the opportunity to provide professional services to many successful entrepreneurs. I noticed that the more successful the businessman or businesswoman, the more time they took to enjoy life itself. At first I thought that this was only possible because they already had the money, and therefore could afford a better lifestyle.

In fact, as I got to know these clients better, it became very clear to me that lifestyle came before money.

In other words, having a nice lifestyle was as important, if not more important to these clients than money itself. It just so happened that while they enjoyed a good lifestyle, they happened to make more money. Or, was it because they enjoyed a good lifestyle that it permitted them to make more money?

Reality is this; if you enjoy what you are doing you tend to do more of it. Obviously these successful clients worked hard but also played hard.

So what has all this to do with your ownership in the BVIH Club Membership program?

Look at it from this point of view. You convince yourself to make use of the membership by visiting the D/R and staying at the Casa Cayena Hotel. While there, you attend our Offshore Investing Seminar, before having lunch by the pool.

From that experience you may determine that there is a benefit to offshore investing. You may also come to the realization that taking such action can result in an improved lifestyle. By being there you have already started on that journey.

It just so happens that the trip may be tax deductible, due to the nature of the trip. I came up with the idea of BVI which stands for Business Vacations Inc., not to be confused with the British Virgin Islands. I am of the opinion that taking a vacation and doing business at the same time can make good economic sense.

Very successful entrepreneurs have a habit of doing just that....travel and business.

Now, let's consider investment.

During my many travels, including visiting the Turks & Caicos Islands (TCI) in 1980, I came across many successful entrepreneurs, including Canadians, Americans and Europeans. They came from many walks of life but most had one thing in common; they invested in offshore real estate. Unfortunately, I remember my lawyer at the time, Clare, telling me to buy a small lot on the north end of Grace Bay in the TCI's, which was selling for \$25,000 (I thought it was too expensive at the time), today it goes for over \$2,000,000.



Caribbean property values have only one way to go and that's....Up.

Donald Trump, like many others recently, chose the D/R for good reason....undervalued real estate, a stable economy, and a democratic government. In real estate it is usually wise to follow smart money.

True, you could buy a building lot, a condo on the beach, or some other form of real estate, but that usually entails a sizable up-front expense. Then you have to decide whether you want to rent the condo, and if so, who to and how. You could buy a time share (more on this later) and be stuck with hefty weekly maintenance expenses; or you could buy into a club structure such as BVIH Club for little down, but a lot of leverage.

Think of the club membership approach as somewhat analogous to joining a golf club membership. While not all golf memberships are the same, some have equity participation attached, which provides for the member with the use of club facilities at a discount. Over time, the value of the property increases in value and theoretically, the club membership.

The BVIH Club is a hybrid type of club membership which does not involve shares (shares could be considered equity, hence restricting the ability of the Club to grow due to restrictions on sales to the public....more on this later) but rather FOU's, which stand for Fractional Ownership Units.

In the case of the Casa Cayena, one FOU is one suite for one week per year, and includes right of usage by the ownership group member at the ownership group rate or use of the optional rental program.

BVIH will operate, manage and maintain the property for the ownership group to ensure that no further fees or expenses are incurred by group members and that the property is kept up to exacting standards.

A major objective of BVIH management is to grow the Club membership base to 1000 members. The investment aspect and leveraging begin to take effect through a growing membership base.

But before we get to this aspect, let's first examine time share versus fractional ownership.

A timeshare is a property or the right to use a property, typically a resort condominium unit, in which multiple parties have rights, such as the right-to-use.

Timeshare owners can elect to stay at their resort during the prescribed period, which varies depending on the nature of their ownership. Timeshares offer owners the possibility of exchanging their week, either independently or through several exchange agencies, to stay at one of the thousands of other resorts worldwide.



There are many exchange agencies, of which the two largest are RCI (Resorts Condominium International) and II (Interval International). They have resort affiliate programs and members can only exchange to affiliate resorts. It is common for a resort to be affiliated with only one of the larger exchange agencies. Together they have over 7,000 resorts. The timeshare resort one purchases determines which of the major exchange companies can be used to make exchanges.

The Casa Cayena Hotel is presently making application to become a member of RCI. If successful, this will provide BVIH Club Members an opportunity to join RCI and hence provide exchange privileges to those Members who join.

There are two (2) potential benefits to this arrangement; increased value of the Unit and exchange privileges.

As a BVIH Club Member, members are not presently subject to a weekly maintenance, unlike time share buyers of other resorts.

Fractional ownership simply means the division of any asset into portions or shares. If the "asset" is a property, the title or deed can be legally divided into shares or units. In certain instances this is done by creating a "mezzanine structure", i.e. creating a company which owns the property then allowing multiple owners or investors to own shares in the company.

BVIH elected to have Units rather than shares for reasons previously discussed. Those Units can then be purchased and owned by more than one individual.

Reasons for a "mezzanine structure" can vary. The reason BVIH chose the existing structure was to allow transfer of Units without the need to reflect changes on the title or deed to the property, and for tax benefits.

Shared ownership of the property and its deed will also entitle Unit holders to certain usage rights, usually in the form of weeks; in the case of BVIH the weeks can be exchanged throughout the year, subject to availability.

Fractional Ownership affords much of the freedom and usage benefits offered in timeshare, however, the fundamental difference with fractional ownership is that the purchaser owns part of the title (as opposed to units of "time").

As with whole ownership, fractional owners can sell whenever they deem necessary or prudent, to other Club members or to the public. BVIH has no restrictions on sales of Units by Members.



BVIH has developed a simple usage allocation approach and other features based on the principle of attempting to get as close as possible to the flexibility of individual ownership, and only compromising this to the minimum extent necessary to accommodate multiple owners.

Now back to the investment aspect through BVIH Club Membership.

Although there are many ways to invest in real estate, our method of investing offers you unique possibilities. Through involvement in our “BVI Loyalty Rewards”® club membership, you are provided with honest information about an exciting way of lucrative investing in individual, tangible, insurable real estate assets.

The BVIH club membership program provides you with a low cost, realistic opportunity to substantially increase your net worth through strategic implementation of mass buying power to acquire real estate assets at pre-negotiated discounts from contractors and developers.

Think Cosco or Walmart.

Why would a contractor or developer offer a pre-sale discount on a new luxury beachfront condominium property? Because it is common practice for developers to pre-sell their property before it is built so that they can obtain financing to build the property. Most financial institutions require pre-sales as a condition of financing.

But what happens when the developer has an excellent property, but few if any, financial institutions are available to lend him the capital? Does that seem possible?

It is a well know fact that obtaining financing for commercial realty property development in the Caribbean is not easy. In fact it is very difficult. Most land acquisitions are paid for with 100% cash outlays. Most acquisitions of income properties require substantial, if not all cash at closing. The same goes for beachfront property.

This difficulty provides an opportunity.

As a BVIH club member in our “BVI Loyalty Rewards”® program, you are provided the unique opportunity of the club program to use “BVI purchase credits”® to acquire real estate at discounts from regular market prices through the club members buying power.



“BVI purchase credits”<sup>®</sup> represents the buying power within the club membership. There are substantial, immediate benefits when you enter into the “BVI Loyalty Rewards”<sup>®</sup> program. Some benefits include; the opportunity to increase net worth; receive instant capital appreciation based on discount purchase pricing; own property title outright or share title with other club members; enjoy optional rental income when not using your vacation property.

Although there are many more benefits, the real benefit is the significant opportunity in being a member of a group that has mass buying power (think Cosco) to acquire individual or shared property at discount prices from developers.

This is a unique opportunity to acquire ownership of luxury vacation property in the Caribbean.

BVI International Holdings Ltd. (BVIH) through its business alliance with Offshore Equity Builder Fund (OEBF) a Turks and Caicos Island Company has access to developers’ discount pricing. This discount pricing is passed on to club members.

The “Casa Cayena Club” (CCC) is the jurisdictional entry point to becoming approved as a “BVI Loyalty Rewards”<sup>®</sup> club member.

As a “Casa Cayena Club” member you are entitled to excellent accommodation at group membership prices, free happy hour at the bar with fine finger foods, free educational seminars on purchasing properties in the Dominican Republic and other properties throughout the Caribbean. As well, once there you are automatically approved as a “BVI Loyalty Rewards”<sup>®</sup> club member.

As a “Casa Cayena Club” member you are also entitled to 7 days usage per Unit at ownership group prices. If you are not using your week, you merely hand it back to the club management and receive the “purchase credit” which is applied to your “BVI Loyalty Rewards”<sup>®</sup> club members card. This “credit” from the room rate accumulates and provides you with purchasing power towards your purchase of luxury real estate offered through the “BVI Loyalty Rewards”<sup>®</sup> club membership.

You are never obligated to purchase real estate offered through the club membership, but as a member, you always have first right of refusal to buy quality real estate at membership discount prices. This is not “time-share”. This is “sharing-time” with other club members in a relaxing atmosphere, while you decide if real estate investment in the Caribbean is the right choice for you.

As a “BVI Loyalty Rewards”<sup>®</sup> club member, we believe that you should see before you buy. That’s why, as a “BVI Loyalty Rewards”<sup>®</sup> club member, your trip costs are refunded by way of “purchase credits” which are applied to further reduce property acquisition costs of discount-priced luxury property; should you wish to buy.



Let's use a recent example of a typical project that is presently in the permit stage of development. This project is steps to the ocean with a beautiful beach and a mere 3 minute walk to downtown, in a very touristy village on the North Coast.

The land consists of approximately 1200 sq. metres, with a value of \$150 sq. metre, or \$180,000. The property has the permitted use of residential/commercial, so there is no problem with living there year-round or renting out to tourists.

The permitted use allows eleven (11), 2-bedroom condo/apartments, averaging 100 sq. metres (1100 sq. ft.) The building will consist of three (3) stories. Cost to build averages \$60-\$70 per sq. ft. Allowing for common area, including pool and landscaping, the building cost approximates \$945,000. With land cost added in, total cost is \$1,125,000. Per unit cost is \$102,272. The units are being pre-marketed at approximately \$160,000 and will sell quickly. The profit to the developer is \$635,000 (\$1,760,000 - \$1,125,000), or a rate of return approximating 56% in less than 12 months. Note, this is an 11 unit development, not 50 or 200 units and therefore the property tends to move quickly in the marketplace.

In many instances, if the developer does not have his own funds for the project, he must pre-sale the units and then seeks bank financing (if he can obtain bank financing) and pay interest in the range of 20-26% for mezzanine financing.

Instead, BVIH through OEBF negotiates with the developer or more likely, OEBF undertakes the project directly through funds provided by BVIH, and builds the project. Because OEBF has a working relationship with BVIH, BVIH would offer the condo units to BVIH members at a discount to market, which would approximate 25%.

This represents a savings of \$40,000 on the unit ( $160,000 \times 25\% = \$40,000$ ). The cost to the Member(s) is \$120,000. OEBF receives \$120,000 from the proceeds, with a net return of 18% based on a building cost per unit of \$102,000.

OEBF is situated in the Turks & Caicos Islands (a tax haven) and as such no taxes are reportable on the profits of that company.

OEBF effectively replaces the bank, but essentially is an operating Fund involved in property development.

While many BVIH Club Members have the facility to acquire an individual condo unit(s) for the 25% discounted price of \$120,000, there remains the question of rental and also the question of providing for any and all members who may wish to avail themselves of this opportunity, but are not in a position to invest \$120,000.



A significant benefit then accrues to those BVIH Club Members who wish to still participate. Simply put, BVIH arranges through OEBF to fractionalize a condo unit(s) into 10 ownership shares in an incorporated TCI company, with each share representing a value of \$12,000, before structuring fees of \$1,500 per Unit holder.

Each owner, in this example would have 5 weeks usage per year, on a floating rotational basis. This could be an ideal investment situation for a family with grown children whereby units/shares are titled directly to individual family members.

Note: Any offshore investment greater than \$100,000 must be reported on each individual's tax return in Canada. This being the case, dividing units up among family members would suggest the purchase of many units before this reporting requirement is reached.

The cost per participating Club Member in direct, titled ownership (through a D/R corporation) is reduced to a very workable figure of \$13,500 per Unit; the \$1,500 difference representing legal costs, accounting and profit to OEBF.

If there are Club Members who prefer to invest \$27,000 so that there is less owners in an individual condo unit, in this case 5 owners; this would work out to each owner having 10 weeks (2 week maintenance) of access a year, in the sunny Caribbean. Compare that to 10 weeks fractional ownership in the Georgian Bay, Ontario area that sell for \$65,000; and the property is not in a tax free environment.

It is important to realize that excellent building structures and finishes of residences are common practise in the D/R. When you compare the cost to build of \$55-\$70 sq. ft in the D/R compared to Canada where costs vary from \$100-\$150 sq. ft., you begin to realize why the Dominican Republic is a great investment opportunity. Construction labour rates average \$10 - \$20 per day in the D/R/

Then there is the question of income generated from the individual units, and who handles the advertising, maintenance, collections, etc. BVIH, through an associated company BVI Partners will manage all aspects of the rental/maintenance program for a fee, based on performance.

Some BVIH Club Members will be happy to just have their own Caribbean club to travel to where they receive special attention and benefits and not choose to participate in the BVI Loyalty Rewards Program.



These Members may be interested after a period of time, to sell their Membership to other members, or sell their Membership for a potential profit in the marketplace.

Existing BVIH members are given first right of refusal to purchase from other club members.

BVI Partners, an associate of BVIH, provides liquidity to those members who no longer wish to remain a member. This liquidity of Units is facilitated on a 3:1 basis, whereby Members are provided with the opportunity to sell their existing memberships, at a premium, into the next project; alternatively, members may be able to cash out of their units on a 1 for 3 basis, meaning for every 3 units sold in the new project, one (1) unit may be sold of an existing membership.

This arrangement may only take place upon completion of a satisfactory acquisition of another BVIH property presently under consideration.

Liquidity is also greatly enhanced by the fact that the club membership is not share structured but rather unit structured.

Share structuring would greatly limit the ability of BVIH and/or its associated sales organizations to reach its goal of 1000 members, due to the fact that shares could only be sold to "accredited investors".

"Accredited investor" qualification usually is restricted to individuals with \$200,000 income or \$1,000,000 net worth, thus greatly limiting marketability and liquidity for existing club members.

The objective of BVIH management is to provide satisfaction to our BVIH Club Members through service and growth of club membership value. BVIH recognizes liquidity as an important aspect of that service and growth and every effort will be made to achieve those objectives.

Finally, let's look at retirement and its implication for BVIH club members.

I'm sure many of you were not necessarily thinking retirement when you became a member of the BVIH Club. But in subsequent discussions with some club members, we found out that is exactly what they were thinking.

Quite simply, the thought was; let's make some money, look at investing offshore, and maybe even retire there.

Let's look at that scenario.



“Go with the flow with those who know” is usually a good approach to acquiring real estate. This can be especially important when acquiring a retirement or holiday property. During the last 5-8 years there has been a tremendous increase in property values in retirement areas such as Florida, Southern California and other areas that offer sunshine and beachfront. Prices have become out of reach for many middle-income earners, or they are forced to accept lesser quality accommodations.

Then....boom....just like that, housing prices started to come off in the U.S., especially the condo market in Florida, the retirement choice for many Canadians.

But interestingly, prices did not drop in the D/R; quite the opposite, prices continued to rise everywhere on the Island. Donald Trump raised \$350,000,000 in 4 hours, for his Cap Cana project in the D/R in February.....when prices were falling in his home country, the U.S.!

Remember; go with the flow with those who know.

But why are North Americans and Europeans beginning to look elsewhere!

Travel cost. Check out Westjet, direct, from Calgary and Toronto to Puerto Plata.

Cheap airfare is changing offshore real estate investing. Retirees and Baby-Boomers are travelling more than ever and no longer believe that the only place to retire is where they live.

It is only during the last 4-5 years that America “discovered” the Dominican Republic, Canadians since the 80’s and Europeans since the late 60’s.

The Trump project is merely part of a much larger recently announced \$2Billion project in Cap Cana, situated in the South East Coast of the Dominican Republic.

Mr. Trump and other real estate developers are “going with the flow” because “they know”. They are on the leading edge of the curve when it comes to investing in quality locations, at pre-inflated prices. They build quality. And where quality goes, cash will soon follow.

The trend is your friend not only applies to the stock market; it applies to real estate as well. Trump and others have learned a long time ago to be “ahead of the curve”.



This especially applies to retirement property. Why? Demographics is a major factor.

Because, never in history has there been so many people ready to retire early, or just decide to enjoy life knowing that they have many more years to live.

Gone are the days when “old folk” were old at 65; now, at that age they are into sky diving, mountain climbing and bungee jumping.

The world has changed.

There are many ways to generate capital appreciation in real estate. One way is to buy and wait it out. Eventually prices will rise if the real estate acquired is in a good location, within a growing area or has natural attributes such as sunshine and beachfront.

At BVIH our approach to value is to provide our club members with additional leverage in real estate investment. By combining mass purchasing power with on-site knowledge of what is happening within a specific area or location, BVIH is able to provide opportunities to club members that they may not be able to obtain as individual buyers.

Through strategic business alliances with knowledgeable lawyers, developers, contractors and real estate agents, BVIH management is usually in a position “to know”.

Real estate agents as well as lawyers and developers are very aware that big capital generates big deals. Ready cash also provides purchasing power because dealing from strength usually results in discounted pricing.

Alternatively, mass purchasing power also has the ability to sometimes lessen competition in the sense of outbidding the competitor’s best price.

By being part of the BVIH Club, our individual Members are able to influence the outcome of these potential transactions, in their favour.

A 2006 survey of resort home owners conducted by the National Association of Realtors described the attributes buyers desired in a vacation property; two-thirds want to be close to an ocean, river or lake; 39 percent close to recreational or sporting activities; 38 percent close to vacation or resort areas; and 31 percent close to mountains or other natural attractions.



The Dominican Republic is approximately 250 miles long by 150 miles wide.

It is surrounded by the Atlantic Ocean and the Caribbean Sea.

It has beautiful clean rivers where you can fish or enjoy white water rafting.

It has Cabarete – windsurfing capital of the world.

It has vacation and resort areas covering the Island from North to South and East to West.

It has the highest mountain peak in all of the West Indies; Duarte Peak (10,400 feet).

Based on the survey by the National Association of Realtors; the Dominican Republic has it all.

And, best of all; real estate properties are among the best value in all of the West Indies.

And that is why, for the above, and many tax saving economical reasons, I obtained my “Cedula” and work permit for the Dominican Republic.

It is also for these, and many more reasons that BVIH chose the Dominican Republic for investment in offshore real estate.

We believe that given time and the opportunity, BVIH will provide to our BVIH Club Members value far beyond their original investment for their membership.

We hope you will agree.

We welcome the opportunity to provide you our fellow Club Members, a profitable future.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles J. Elbourne".

Charles J. Elbourne, Chairman

BVIH Group of Companies

