



FOUNDATION PARTNERS (GP)

FOUNDATION GLOBAL PARTNERS



KEY HIGHLIGHTS

- A Partnership that will provide construction and design management services and derive its returns from the development of, and a share of the revenues from, a 5* hotel (possibly to be operated by Ritz Carlton) with approximately 250 rooms and 300 luxury apartments covering approximately 350,000 ft² - together with an exhibition centre (to drive off-season trade primarily).
- The property has received planning permission and includes over 100 metres of prime beach front next to the beautiful Roman town of Budva - about 15 minutes drive from the local airport of Tivat and about 45 minutes from Dubrovnik in the South of Croatia.
- A market with little debt, almost no Western European exposure, but the fastest tourism growth rate in the world and a magnet for luxury tourism developers - Aman Group and Four Seasons have already invested heavily in that market. Foreign Direct Investment has increased by over 40% each year since 2004.
- The IMF reported in September 2008 that GDP growth expectations for the current year are 7.2% - the highest in Europe. Additionally Montenegro's base currency is the Euro and it will receive more EU funding per capita than any other country until 2010.
- **A business where investors are expected to generate pre tax returns of between 1.5 and 3 times their initial investment over a 3 year term**
- **On a post tax basis, an anticipated worst case return over three years of 1.6 times the initial investment and a base case return of approximately 2.5 times investment**
- Base case return of 2.5 times investment assumes an average price per square foot for the entire apartment development of €500. The current comparable pricing for a similar property, without beach access, is €650 per square foot.
- Assuming a "fire sale" price of €200 per square foot an investor's return would be approximately 1.6 times their initial investment on a post tax basis
- No debt at either individual or Partnership level in the structure
- A Developer which has managed a local land fund in Montenegro since 2005, delivering average annual returns of 22% per annum, with exceptional political and business connections
- In La Cite, a first class Hotel Operator Consultant, who will also be investing equity into the project (www.lacitedevelopment.com)

EXECUTIVE SUMMARY

The Business Opportunity

Tim Levy, CEO of Future Capital Partners and David Comyn, Commercial Director of Savills Commercial have formed a UK General Partnership to trade in the provision of construction and design services in countries where partners identify exceptional growth opportunities. The business model involves the provision and financing of construction and design services, through sub contractors as necessary, in return for revenues generated from such projects. Foundation Global Partners (FGP) is seeking additional partners to exploit the business opportunity. The Founders have identified an exceptional first opportunity in Budva, Montenegro to build a luxury hotel and 300 luxury apartment complex.

Summary

- The business is likely to be of greatest interest to UK resident taxpayers who have the desire and commitment to be actively involved in the business for at least a 6 month period, likely to be between January and July 2009.
- Prospective partners who have backgrounds or experience in the following areas are likely to be particularly suitable: property, construction, architecture, design, finance, public relations, marketing and advertising, tourism, interior decoration, surveying and quantity surveying, insurance, risk management, technology and engineering.
- The Founders have identified a corporate partner, which, on a case by case basis, will contribute 3 times the amount of capital individual members contribute. Furthermore the corporate has agreed to allocate 99% of all tax losses to individual partners, whilst allocating a preferred return of 75% of all income to the individual partners (up to a 200% return on equity). Thereafter, a continuing share of 25% of all income.
- Minimum investment is £250,000.
- The Founders are targeting a pre tax return on equity from the development, for individual members, of between 1.5 and 3 times, over a 3 year period. Returns will be derived under a Hotel operating contract that may be with Ritz Carlton or Kempinski, together with the sale of luxury residential units on the site. The greater share of the returns to the Partnership will come from the sale of the luxury residential units. The low end returns are based on a pricing range for the luxury apartments of approximately £250 - £300 per square foot.
- "Goodbye Monaco; Hello Montenegro", the Sunday Times said on 31st August 2008 <http://www.timesonline.co.uk/tol/news/world/europe/article4641008.ece>
- Montenegro is south of Croatia, is a country of 700,000 people with 100 kilometres of undeveloped coastline, a narrow coastal plain, backed by the impressive black mountains of its name. The country became independent in 2006 and has leadership with a vision to create the Monaco of the Balkans – with a focus on luxury tourism. The Aman and Four Seasons groups have already made commitments in the country, with additional top end hotel operators to come. The country has little debt in its real estate market. Its tourism industry was the 2nd fastest growing in the world last year. The IMF concludes that it will be the fastest growing Eastern European economy in 2008. It has little current exposure to Western economies, with the greatest number of visitors coming from the former Yugoslavian countries (in particular Serbia) and Russia.
- For every £250,000 invested, a partner will, in the Partnership's first accounting period, have a tax loss expected to be between £750,000 and £1,000,000. If a partner is actively involved in the business (as defined by HMRC) then the partner may elect to offset those tax losses against UK taxed income the partner has earned from any other activity in the 2008/9 tax year, or elect to carry the tax loss back to the 2007/8 tax year (and, if so desired to thereafter to shelter 2008/9 income), or elect to carry the tax loss back to the 2005/6 tax year (and, if so desired to thereafter shelter 2006/7, 2007/8 and 2008/9 income).
- Losses arise in the first accounting period due to the fact that:



a) the Partnership will be carrying on a trade (the trade will be the provision of property construction and design services);

b) the Partnership will have entered into an irrevocable and unconditional contract for the provision of the construction services; and

c) the Partnership will have advanced the total funding for the services which will be commercially non refundable.

Accordingly the Partnership's Auditors will advise that the entire amount of such costs should be expensed in the Partnership's Profit and Loss account. The Auditors will also consider, with a highly prudent approach, the total income that is certain to be derived by the Partnership from the project. Due to the fact that the project will, at the end of the Partnership's first accounting period, be in the early stages of design or development, no income is likely to have been contractually certain and taking into account the state of the global financial and real estate markets, their prudent view is likely to result in the recognition of a low amount of income. The result will be a large loss in the Partnership's first accounting period.

→ Thus a partner should expect a return, post tax, of his/her original capital contribution plus £50,000 - £70,000 initially ('initial return'), with a further £250,000 - £375,000 within three years from the potential share of revenue.

→ Notwithstanding the failure of the development to be completed, nor the failure of the project commercially, so long as the partnership is engaged in a commercial trade, and a member meets the required test to be actively involved in the business, the post tax initial return cannot be less than the initial return indicated above.

→ The Founders are seeking commitments during November 2008 – January 2009 with admitted members asked to make an initial capital contribution of £25,000 deposit payment to be used to hire office space, secretarial assistance, buy computers, pay for legal and accounting advisers and travel expenses. The balance of capital contribution will be required when the Partnership is ready to commence trading, which will likely be no earlier than 15 January 2009 and no later than 4 April 2009.

FOR FURTHER INFORMATION PLEASE CONTACT:

→ info@foundationglobalpartners.com

This should be read in conjunction with the Initial Business Plan (in particular the "Important Information" and "Risk Factors and Risk Management" sections) and accompanying documents.

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