



Newsletter # Thirty

August 16th, 2007

For those of you receiving this Newsletter for the first time, fear not, it only comes out once a month or so. This Costa Rica Real Estate Newsletter is not a traditional hard-sell marketing Newsletter. It contains a story about some incident here in Costa Rica, usually amusing, always honest. Then a few property listings, or information on a new project or development. In this issue are some words

concerning the U.S economic downturn and the way in which it might or might not affect things here, and further developments on the Hot Tropics Investment Group Fund. Then, a closing story.

In this Issue of the Newsletter:

**THE U.S. ECONOMIC SITUATION
AND HOW IT AFFECTS THE
C.R. REAL ESTATE MARKET**

**HOT TROPICS INVESTMENT
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**A Costa Rica Story:
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THE U.S. ECONOMIC SITUATION AND C.R. REAL ESTATE

People here want to know if the recent economic downturn in the U.S. will affect the real estate market in CR. Of course its only conjecture, but the answer is "not likely". What occurred in the U.S. housing and mortgage markets over the last few years was a result of low-interest rates which fueled the American dream of home ownership and greedy mortgage brokers and lenders who took advantage of untold thousands of consumers. Many mortgage contracts were collateralized and then sold as bonds for billions of dollars. Now, people are defaulting on the mortgages and the investment banks and other funds have lost billions and in some cases have been forced to cease operations, with the investors taking huge losses.

As long as attractive mortgage money is available, housing markets continue to grow. One of the major advantages in Costa Rica is that more mortgage money is just now beginning to be offered at attractive rates by international lenders such as ScotiaBank, HSBC and

now CitiBank is entering the market to compete with the other big lenders. Competition is, ultimately, always good for the consumer so one should expect more mortgage money to become available at even better rates. The availability of mortgage money is one of the biggest indicators of a real estate market's health. The U.S. market has lost millions due to the sub-prime mortgage fiasco and the C.R. market is continuing to gain strength.

Additional factors to note: C.R. has only around 4 million people or so.

27% of the land mass is protected, and 40% of the land is as yet untitled, so there are many years of growth ahead. C.R. immigration officials state that 289,237 legal residents live in C.R. and only 8,400 are U.S. citizens. Do not confuse statistics which you may have read that state hundreds of thousands of illegal immigrants continue to live here, as these statistics reflect primarily the hundreds of thousands of illegal Nicaraguans who come and go here, much as do illegal Mexican

farm workers in the Western United States. Perhaps a small percentage of these U.S. citizens living in C.R. may have some ties to U.S.-based investment problems. But it is highly unlikely that such a small amount of U.S. ex-pats could have an impact on the financial health of this country. Canadians as well as many Europeans purchase a lot of property here as well, and their currency continues to be strong, compared to the weakening U.S. dollar.

With all factors considered, the C.R. real estate market has extraordinarily positive conditions that insulate it from the economic downturn in the USA. Finally, if you're here in C.R., the investment opportunities are enormous and expanding. If you're still in the States waiting for the economy to regain its strength, well, you will need a lot of patience.

HOTTROPICS REAL ESTATE INVESTMENT GROUP FUND

In the last issue of the Newsletter, we announced the basic outline of a new property investment fund, the Hot Tropics Real Estate Investment Group Fund. We said that we intended to launch this fund by the end of the year. The response has been even greater than expected, and so we are now continuing to move things forward with further clarification as to how this fund will be structured and handled. Please, send us feedback, let us know your considerations on investing in this fund. We want this to be, as well as

being highly remunerative, your ideal investment instrument.



HOT TROPICS INVESTMENT FUND ADMINISTRATION SCALE



Goal: The primary goal of the Hot Tropics Investment Fund is to reduce any risk of real estate investment in Costa Rica while delivering exception-

ally high returns under all market conditions.

Purpose: To enable individual investors who are shareholders in Hot Tropics Investment Funds to realize returns of 50% or more on their investment funds, within a two-year time parameter.

Policy: As written and defined by the board of directors and managers of the Hot Tropics Investment Fund, and agreed to by all individual shareholders.

The most basic Policy of the Fund is to seek Costa Rican properties for purchase that will be able to yield at least 50% returns and more on investment within two years, by purchasing only greatly undervalued properties – both land and homes – in Costa Rica, along the Pacific coast and in the Central Valley, and then to resell these properties within this period of time.

Other policies of the Fund are:

The Fund will have a two-year (lock-up) investment period.

There are two classes of shares offered for sale: Class A Shares and Class B Shares. There are a limited number of Class A Shares offered, and these will be at \$50,000 a share. Class B Shares are to be offered at \$10,000 a share. There will be some advantages for Class A shareholders, and these advantages will be further specified in the bylaws of the Fund. These will consist of A) opportunities for investment at presale pricing, on new construction projects, B) the opportunity to vote on policy matters during the annual shareholder's meeting.

All shareholders, Class A and Class B, will be able to vote on whether or not to acquire any property that the Fund managers present to them for possible purchase, on all proposed property has a purchase price of over \$200,000 USD.

The Fund manager's fees will be based on a 2/10 structure: 2% fee on the investor's invested assets and 10% fee on the net profits. The Fund managers will be responsible for all "hard costs".

Policy on Reporting to shareholders: Fund managers will advise all shareholders whenever a transaction closes; they will provide detailed updates on transactions and financials every three months, and will provide detailed financials once a year at the annual shareholder's meeting.

Policy on Corporation and Taxes: The Fund will be incorporated in Costa Rica as a S.A. (Sociedad Anonima). All Fund property assets will be owned solely by the shareholders. The Fund managers will not own any of the assets, but will hold a contract to collect a percentage of profits that the fund generates. It will be up to each shareholder to report gains to their respective government. The Fund will not do so. Shareholders are reminded that there are no capital gains taxes in Costa Rica.

Policy on Withdrawals: Investor monies are to be invested for two years so as to provide adequate time to generate targeted returns, and to assure that investors will not be requesting a withdrawal of their funds when said funds will (most probably) be tied up in properties. If individual shareholders have and can demonstrate a financial emergency and need a return of their funds, and if there is liquidity and the fund will not be unduly harmed, then their investment funds could be returned early.

Policy on Legal work: Except for the actual share certificates which will be held by the shareholder, all "paperwork", including corporation papers, corporate by-laws and registration documents from the Costa Rican government, will be held at the office of

the Fund's attorney, in Costa Rica, and will be available for any investor to see. The names of other investors will be made available, if the other investors agree. All accounting and paperwork will be made available to shareholders.

Each individual's shares will be registered in the corporation but, outside of the corporation, will not be divulged without consent of the shareholder. Individual shareholders will keep in their private possession the actual share certificates. Accounting and transaction books will be kept in the office of the Fund's attorney and will be accurately maintained. The Fund will not send out profit and loss statements to any governmental agencies outside of Costa Rica. All transactions which will be undertaken by the Fund will be in accordance with the laws and regulations of Costa Rica and will be approved by the Fund's attorney.

Plans: To locate exceptional, undervalued and well located real estate in both the Central Valley and the Pacific coastal regions of Costa Rica, and to

then present this real estate for possible purchase to all shareholders in the Fund. Any plans for improvement of these properties, after purchase, and their subsequent resale, will be presented to the shareholders as well.

Programs: As presented by the managers of the Fund. These will consist of programs for the specific purchase and possible improvement of specific properties, which align with the Plans of the Fund, and for the rapid resale at a high profit, of these properties.

Ideal Scene: A smoothly functioning, fully invested and highly profitable Fund, the mechanics and structure of which will be transparent to all shareholders of the Fund.

Final Product of the Fund: Return on investment of over 50%, with such returns disbursed regularly and expeditiously to shareholders of the Fund, unless such returns are to be reinvested as requested by the individual shareholder.



Again, please write, give us your feedback on this new Fund, to be launched sometime before Christmas, this year.

A Costa Rica Story **Old John**

There is something a little bit heartbreaking about the many people arriving this year to look for property and a new life. Things are not so good in the States, nor Europe either, and the need for change is dramatic. They are hoping that this place, Costa Rica, will be the answer to everything.

Regardless of what is sitting there in front of them, as we run around and look at land and houses, they only see flawless natural beauty, and splendid, warm-hearted, contented people. They are pre-programmed to love Costa Rica by what certainly must be the most positive PR that any country in the history of the known universe has ever enjoyed. Before they come here, when responding to their email, I am afraid that if I say anything that is even remotely negative about Costa Rica, or if I even mumble anything which suggests the possibility of imperfection in this country, then that's it, then I will never hear from them again.

Recently showing property here on the west side of the Central Valley, we stopped for a coffee

break after driving the hills of Santa Ana to look at farms. The clients were a sweet couple, not young, and they had done their Internet homework on Costa Rica. The wife, voluptuous and rich as a mature, full-bodied mango, is sitting there talking about her drive through these hills as though she were describing a two-hour hot oil massage. "There is something absolutely too sensuous about the shimmering beauty of those coffee *fincas* and these gorgeous Costa Rican people," she is saying. Her husband, a gentle eccentric spirit from Northern California, knows that the "gorgeous Costa Rican people" she is gushing over were, in reality, Nicaraguans, brought here to tend and pick the coffee, but he doesn't contradict her, he only smiles, nodding in blissful agreement.

I remain silent, an island surrounded by a carload of animated, euphoric, newly arrived property hunters; among them, one attractive middle-aged divorcee who has just this moment decided to give up her home, her dog, her job and her life in Silicon Valley, California, to come and live with a young Costa Rican

tour guide whom she had just met four hours ago.

The coffee shop that we were sitting in is frequented by tour guides and their guests, and real estate agents and their clients. At that moment an airport van pulled up and unloaded its cargo of six wide-eyed souls from Canada, all of them wired with the crazy raw energy that being contained in a plane for six hours somehow causes. "Gawd, this is a beautiful place. Just like Hawaii 40 years ago. Is the temperature always this perfect? It smells like papaya and peaches and bananas and crushed ginger here. Our van driver is just the sweetest man I have ever met. I love these potholes; they make you slow down and appreciate things more. Can I use American dollars in these cute little corner grocery stores? What do they call the money here anyway, *cabrones*? How far away is the beach? Can I walk to it? Can I actually buy and own some property here? How much is it, anyway? Is it OK if I wear these short shorts into San Jose? Can you drink the water? How is the food here at this place? The driver told me that if I wanted some good meat I should go to a place called Hotel Del Rey. Is that a good restaurant? What do you people eat, anyway?"

I tell her that we eat bananas and I said that after such a long flight, they all might enjoy a long walk up the steep hills into San Antonio de Escazu and see the village life, and say "Adios" to the local people.

And so they did. They walked, bubbling with energy up the hill and into the village of San Antonio; and when they returned they were even more wired: "Jeez, these are sweet people. They all wave and look you right in the face and say "Adios" right back to you. We were invited into one of their houses, can you imagine! It was so pleasant and we were made to feel so welcome. The children are absolutely beautiful. Don't you just love the way they have flowers everywhere."

In the face of such unremitting good cheer, chatter and burble, I was beginning to feel, compared to these newly arrived clients and guests, somewhat dark.

I was about to get up and drive off, when John, a sweet, older man looking to purchase a condo and a place in the sun, arrived in a taxi, smiling, beaming with radiant energy. His smile is so bright that it is difficult to look

at him. It is as though a light is emanating from his 80-year old face. That morning, John, wearing a straw hat, aloha shirt, white pants and sandals, had taken a bus and then strolled through San Jose, where he was accosted by some street person in absolutely the worst part of the city. The vagrant had insisted on shaking his hand, introducing himself, jabbering away, calling him "grandpa" and telling him how much like his long dead grandfather he was, and when the guy finally stopped shaking his hand and smiling and said goodbye, John realized that the street person had taken off with his \$500 watch. John is standing there, smiling, telling the story of having his watch ripped off, and says, simply, "I had that watch for over ten years and got so much use out of it already. I am sure that that young man needs it more than I do. And I had to admire his skill; he was abso-

lutely perfect, doing what he does. He was just doing what he does." He grins and his pinkish face glows and he starts talking eagerly about going back into San Jose to try and find a good \$20 watch somewhere, one that he won't worry about. "Gives me a nice project, to go out and shop for a good cheap watch and talk to a lot of people... don't you think?"

And there it is. Once again the same lesson, learned over and over and over again, as insistent as the hum of cicadas on a hot June night. I am quieted, reminded of how fortunate I am to be doing what I do, meeting these ancient Zen priests who come through here, posing as old tourists and property hunters, disguised in their bright, flowery clothes, reminding me of venerable truths, smiling at me and grinning at Costa Rica.

Remember to give us your feedback on the new Investment Fund, to be launched sometime before Christmas, this year.

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