

El Club

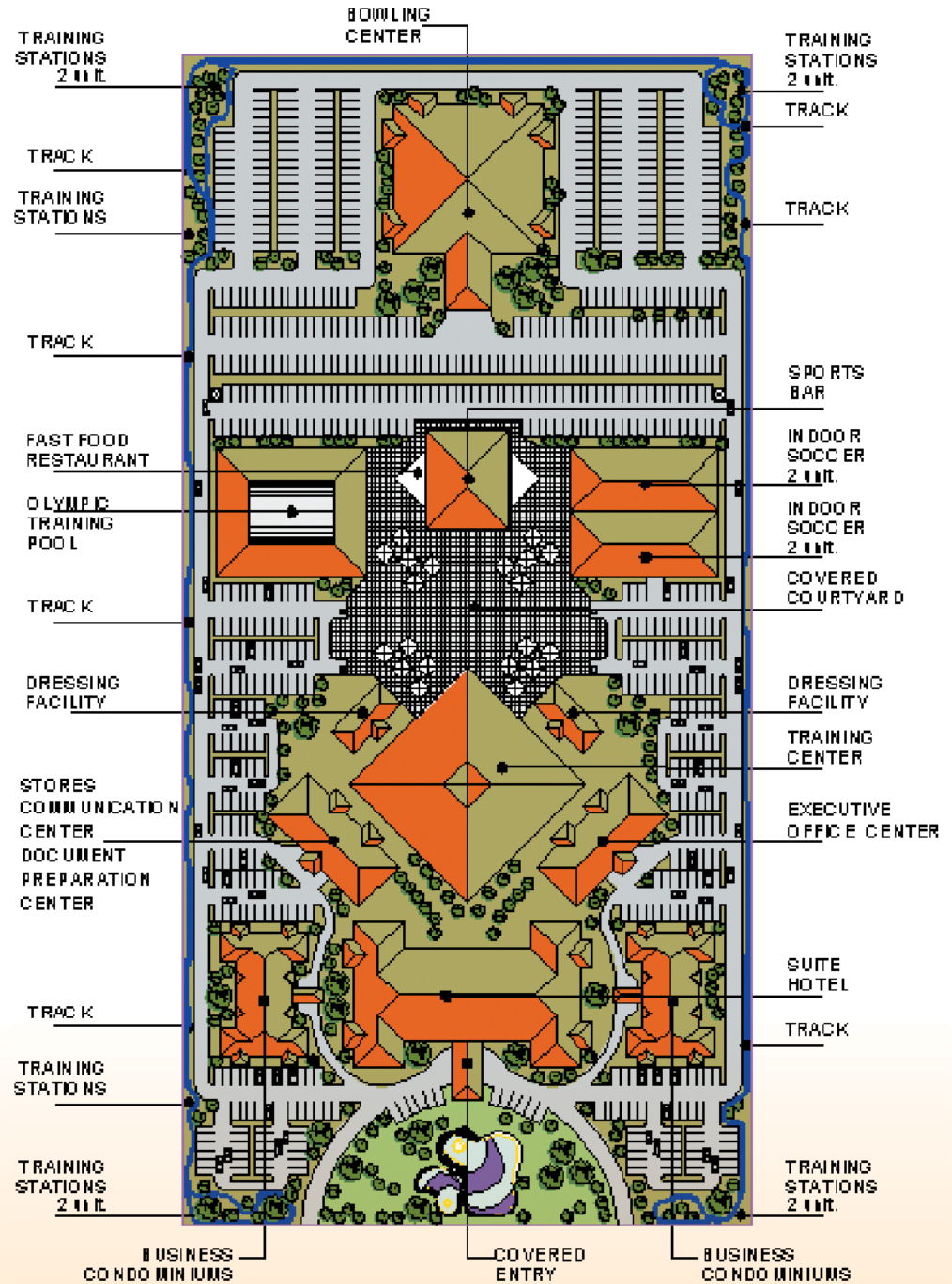
Business Development Project



SANTA ANA, COSTA RICA,
CENTRAL AMERICA



El Club Business Development Project





El Club Project

COSTA RICA, CENTRAL AMERICA





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Description of Project

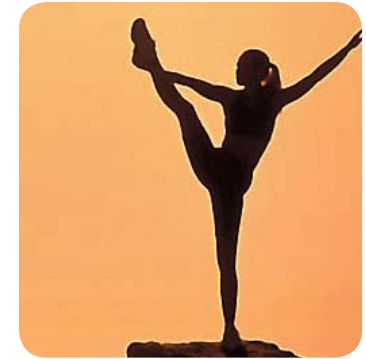
The Club is designed to meet the business, commercial and social needs of both the Costa Rica and the foreign populations. The business aspect will be comprised of a business suite hotel and executive business center, business condominiums, two restaurants and a sports bar. The social aspect shall include a world class gymnasium, two restaurants, bowling and soccer facilities.

In addition to meeting the business and social needs of the local community, each component of The Club is designed to drive people traffic to the project. During the business day, this traffic is for business reasons; we are conservatively estimating a minimum of 600 people present during the day. At night we anticipate a minimum of 650.

Below is a list of proposed components:

Business Hotel: A 100 suite hotel designed for short, medium and long term stays. The hotel will be managed by an international chain.

Two Restaurants: 2 Restaurants: One restaurant will be a formal restaurant while the other will serve clients



fast food, snacks and light fare in conjunction with the sports bar.

Sports Bar: It will be designed to handle large sporting audiences such as those of the national soccer team as well as for small to medium sized groups for business and social purposes. The sports bar will have multiple television connections by satellite of local and international sporting as well as other special events.

32 Business Condominiums: There will be 32 business condominiums in the project. Each of the condos will contain an average of 200 square meters; the offering will be flexible with some requiring less square footage and others more. It is important to note here that the design will allow total flexibility. The key ingredient is the total square meters to be constructed; with this concept we are planning to have 6,400 square meters or approximately 69,000 square feet.

Executive Business Center: This business center will be built in condominium units with a receptionist/secretary and small satellite offices around reception



and conference areas. These units will be fully equipped with computer, internet connection, fax, copying machines etc.. It is the equivalent of the popular centers in the United States but nonexistent in Costa Rica.

In connection with this center there will be separate telecommunication and document preparation centers. The document preparation center will be open 24 hours a day and be a Kinkos or comparable center. This will serve the local as well as the traveling businessperson market. The telecommunication center will offer internet and phone service to the world at a deep discount to local prices.

World Class Training Facility: This facility will offer a facility unlike any other in Costa Rica. The Costa Ricans have historically been fond of running and bicycling with an addiction for physical fitness. They have embraced heart and soul the weight training craze in Costa Rica. This facility will fill this need but in addition will serve Costa Rica in a humanitarian fashion. We have offered this facility to the Olympic Committee of Costa Rica for the training of their



athletes in this facility as well as the use of the Olympic pool for training and international competition. The "Selección Nacional", or national soccer team, will also be invited to use this facility free of charge. The facility will be equipped exclusively with Hammer Strength, Stair Master, Magnum, Life Fitness and other like quality fitness equipment. These companies are the recognized world leaders in their field. The membership will be two tier. The gold card member will receive underground parking, deluxe private changing facilities and special reserved seating in the formal restaurant. These deluxe changing facilities will include a private dressing room with shower and will be located apart from the public facilities. The regular membership will be for those economy minded members and will be located on the first floor of the changing facility. This two tier membership will serve well the rapidly increasing middle class and aspiring upper class clientele.

Olympic Pool: This facility will be an eight lane 25 meter course facility designed for dual purpose. First, it will serve as an all purpose facility for club members. Second, it will serve as a training facility for age group



competitive swimmers and be a quality facility in which national and international competitions can be held.

Indoor Soccer: There will be four covered and lighted small soccer (fútbol) courts that will be utilized especially in the evenings and during rainy weather periods. The structure will be rudimentary with a roof and netting, limited snack and bathroom facilities. Those desiring more complete snacks can use the fast food and more formal restaurant facilities of complex. This is a very popular concept in Costa Rica and is designed to attract clients on a continuing basis to The Club.

Bowling Center: The bowling center will be a 24 lane facility; the facility will have a divider down the middle with an area for entertainment or parties. The entertainment area will thus divide the bowling facility into two 12 lane units. The design, installation and equipment will be done with the assistance of the AMF Corporation, the finest provider in the industry for this type of facility. The lanes will be state of the art and feature extreme bowling along with the conventional bowling. In extreme bowling the normal

lanes are utilized with bumpers rising from the floor at the push of a button; this is to provide the young or inexperienced bowler the opportunity to enjoy this popular sport. In other words, it is impossible to throw a gutter ball. The ball ricochets off these bumpers and on down to the pins. The illumination of the lanes is black with the ball, shoes having a glow. The facility will have the above mentioned party facilities to increase the utilization for the facility.

ICT Contract: We have met with ICT, the Board of Tourism of Costa Rica they have indicated that we are eligible to receive a full ICT Tourist Contract. This will enable us to import all equipment and materials necessary for the project duty free.



Purpose

The purpose will be to serve a business and social market combined with strong humanitarian interests.

Business Market: We will begin by giving some background here. The business marketplace was formerly located in the central city of San José. That market has now shifted to the suburbs and primarily Escazu and Santa Ana. Along with this shift in the business market there has been a corresponding shift in the residential market as well. The upper middle class and upper classes now prefer to live in these areas. A further shift will be toward Ciudad Colón in the same corridor as the new highway to Orotina; from Orotina there are direct connections to the major beaches of Costa Rica. The location of The Club is paramount to service and access for the public and the success of the facility. The new highway to Caldera will have its inception at the intersection where The Club will be located. Within a short period of time this intersection will be the busiest intersection in Costa Rica. We are strongly convinced that we have selected the best location in all of Costa Rica. At the same time it will be within 5 minutes of The Forum, Plaza Roble and just 15 minutes from downtown San José.



The Forum is a business office complex comprising 75,000 square meters and houses 5 Fortune 500 Companies. This complex is located in Santa Ana.

This six year project was completed in 3 years and sold out shortly after its inception. Procter and Gamble has chosen to locate its Central America office there with 35,000 square meters. Plaza Roble, located at the Multiplaza Mall in Escazu followed and also sold out shortly after introduction. The Forum is located in Santa Ana and the Roble complex just five minutes up the road from the Forum. Each of these centers is predominantly an office complex. The Forum has, in addition to office space, banking and lunchtime fast food restaurants. The Plaza Roble is located opposite the Intercontinental Hotel and the MultiPlaza Mall. Neither of these two popular commercial centers caters to the complete business, commercial, social and humanitarian needs of community. The Club, with its hotel/apartment complex, health/pool facility, business condominiums, executive office center, document preparation/telecommunication center and bowling center meets both the business and social needs of the local Costa Rica population as well as those of the international business clientele.

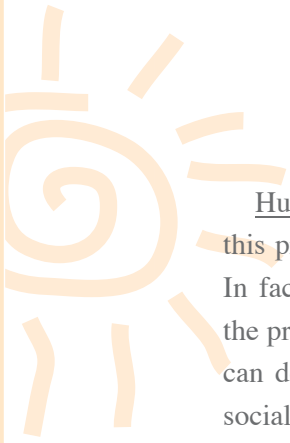


Business market served: The Club will serve the local market ranging from small to large businesses. The business condominiums will serve large, medium and small sized local and international businesses. The 100 suite hotel, the executive office center with the telecommunication/document preparation center, the restaurants, will serve the local and traveling business needs.

Social Market: As previously mentioned the “ticos” or Costa Ricans will use almost any excuse to have a “reunion” or meeting. Also mentioned elsewhere is the importance of location. The population growth both for business and residential use is without a question in the direction of our project. The two predominant office complexes as well as the executive residential developments are all located within close proximity. Ample roadways and excellent parking are essential to the success of our concept. Prime residential areas are all located within 10 minutes of The Club. We expect two distinct populations to utilize the facility; one for business reasons during the day and the other for social reasons during the day as well as in the evening.



Social Market Served: The components of the club including the restaurants/sports bar, the gym, the pool, the indoor soccer facility and the bowling center are available in the Central Valley (San José) area but certainly not in terms of the quality or concentration that we are offering. It should also be noted that these services are being offered at or below prevailing market prices. Instead of fighting the traffic, pollution, time contingencies and many other factors, the clients can find most everything in one single location. We wish to emphasize the fact that by establishing a national training center and by offering our services to such groups as the Costa Rica Olympic Committee, the national soccer team or “La Selección”, and age group swimming aspirants. This will accomplish two purposes. First, we will attract many peripheral clients wishing to join our training facility to associate with the very popular national sports heroes. Second, we will gain the good will and favor of the Costa Rica populace and its government. By giving back to the community, we will be very well rewarded in our efforts.



Humanitarian Effort: The humanitarian function of this project is a very important aspect of this project. In fact, this aspect comprises approximately 33% of the project. We strongly believe that private enterprise can design business projects that also serve a strong social purpose; i.e. we wish to give back to the community for the benefit of the wonderful people of Costa Rica. There are strong social needs in Costa Rica and somewhat limited resources.

Humanitarian Market Served: The Club is designed to be the main physical training center of Olympic movement for the country. The training center along with the Olympic pool, are being offered for use by the Olympic Committee of Costa Rica. At the same time we will try to accommodate other cultural events of Costa Rica at very affordable prices. To this end, we shall have, for example, facilities including the Presidential Suite that can be used to accommodate foreign dignitaries. We will offer incomparable facilities along with incredible security. It is our sincere desire to provide a world class model designed to emphasize the advantages and attractions of Costa Rica in terms of humanitarian, social, family and business life as a means to attract foreign capital to Costa Rica.

This capital is necessary for the development of this beautiful country.

The main focus within this facility will be to provide a facility capable of training athletes at the international level which will ultimately lead them to qualification at the Olympic Games. We wish to cite here two sports in particular which we feel lend themselves the greatest chance of success; swimming and soccer. We feel especially strong about the possibility of these two sports for two major reasons. First, Costa Rica has perhaps the world's best climate. National Geographic has cited nearby Atenas, Costa Rica as having the world's best climate. Second, on account of the altitude of the Central Valley or San José, the swimming and soccer competitors will have the advantage of training at an altitude of approximately 4,000 feet, an environment that many of their international competitors do not enjoy. In spite of the lack of adequate facilities, amateur and professional athletes in these two sports have enjoyed relative success in these respective sports. It is our strong desire to allow the "ticos" or Costa Ricans to reach the next level of world prominence in these sports. We need to generate pride, enthusiasm, confidence and patriotism necessary for this rapidly developing country.





In addition to the Olympic ends, we are at this time examining the possibility of sponsoring events of great social and humanitarian value. We can develop these themes, for example, with the orphanages and other social agencies of Costa Rica. A good example here would be to “adopt a child for Christmas”. We may also assess the possibility of rehabilitating the physically handicapped. We will also have the facilities to train “La Selección Nacional” or National Soccer Team. In a developing third world nation it is of paramount importance that we develop not only the technical expertise necessary to compete but also the vision and belief that the “ticos” can compete with the best athletes in the world.



Business Hotel and Suite Residence

This hotel and suite residence complex will contain a 100 suite hotel. The purpose of the suites will be to provide a more spacious ambience for the business traveler. We will provide short and medium term residence for these hotel guests. It is designed to be a four star hotel with conference facilities for small to medium size groups. It will be operated by a major hotel chain that will provide management and reservation systems.

Construction Period: 1st to 15th months.

Cost: \$7,780,000.

Size: 6,765 square meters or
73,000 square feet.

Room Count: 100 Suites.

Class: 4 star.

Affiliation: Marriott or similar.

Price per room per night (net): An average of \$115.00 per night for short and medium term suite guests. A limited number of luxury suites will be available for those requiring a more luxurious ambience.

Gross income:

1 Year 1 at 80% occupancy: \$3,358,000.

2 Year 2 at 90% occupancy: \$3,777,750.

3 5% increase for years 3-5 and thereafter.

Profit margin: 40%.

Net profit:

1 Year 1: \$1,343,200.

2 Year 2: \$1,511,100.





Training Center

The training center will be a large world class fitness complex. It is designed to serve the burgeoning middle class population of Costa Rica. It is being designed to be complemented by health related services such as plastic surgery, dental, physical therapy and sports medicine and nutrition in the retail commercial space area.

Construction: 1st to 12th months.

Size: 3300 square meters or 35,500 square feet.

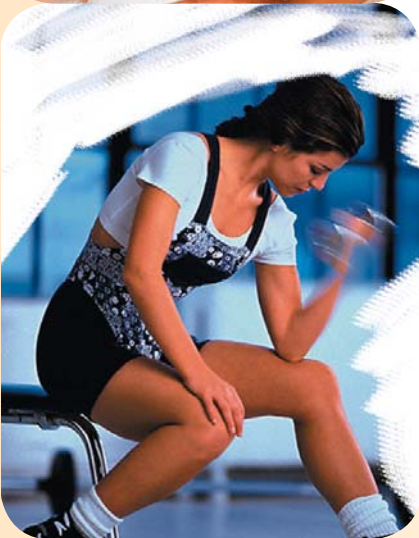
Cost fully equipped: \$2,895,000.

Membership: 5,000 at an average of \$450 membership per year.

Gross income: \$2,250,000 per year.

Net income: \$2,000,000 per year.

Net income is project to rise 5% for years 3-5 and thereafter.





Executive Business Center

The executive business center will be designed for two main purposes: First, it will serve as a permanent business location for the small business person. Second, it will serve the needs of the traveling business person. The center will be built in condominium arrangement with a total of eight condominiums. Each condominium will have eight small individual offices, a reception and conference area. This center will supply computers, faxes and printers, internet, local and international phone service, the preparation and reproduction of business documents and other ancillary materials. In addition to the equipment and services, the units will be completely furnished. The traveling business person can make ready use of the document preparation and telecommunication centers. In addition, there will be a separate 290 square meter facility for The Club for administration and sales purposes.

The breakdown of the components is as follows:

111 square meters each condominium consisting of offices of 9.29 square meters and 37.17 square meters of reception and conference space. The total area for the eight condominiums are 888 square meters.

1 Business service area of 92 square meters with faxes, computers, copy equipment, internet, telecommunications, binding and presentation services provided.

Construction: 1st to 12th Month.

2 A complex of 290 square meters for complex for administration and sales.

3 1,270 square meters @ \$700.00 per square meter construction.

4 1,270 square meters @\$200.00 per square meter to furnish..

5 Total Cost: \$1,143,000.

Gross income: \$625,000.

Net income: \$400,000.

Net income is projected to rise 5% per year For years 3-5 and thereafter.





Commercial Space

This space will be primarily retail space falling into two categories; health related and the other half serving the needs of the general public according to demand.

Category 1: May include tanning salon, cosmetic surgery, dental, physical therapy and sports medicine, and nutrition.

Category 2: According to the market needs.

Construction: 1st to 12th month.

Size: 10 units for a total size of 635 square meters or 6,800 square feet.

Cost: \$317,500.

Unit size: 79 square meters or 850 square feet each unit.

Net income: \$76,800 per year**.

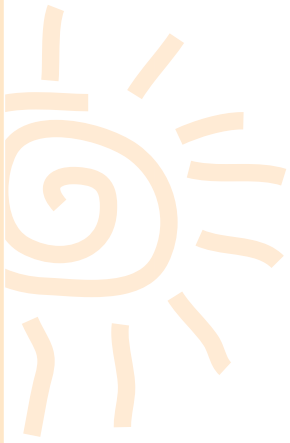
The units will be delivered “obra gris” or unfinished. The retailers are responsible for building out.

Net income is scheduled to rise 5% per year for years 3-5 and thereafter.

Net income: \$76,800 per year. The units will be delivered "obra gris" or unfinished. The retailers are responsible for building out.

Net income is scheduled to rise 5% per year for years 3-5 and thereafter.





Two Restaurants

There will be two restaurants. One a fast food Sbarro restaurant and the second a more formal sit down restaurant for social and business guests. The facility will be supervised by a chef who is the graduate of the Culinary Institute of America or its equivalent.

Construction: 1st to 12th months.

Size: 400 square meters or 4,300 square feet.

Cost: \$700,000.

(a) Cost to construct: \$1,000.00 per square meter.

(b) \$750.00 per square meter to furnish.

Net income fast food: \$150,000 per year.

Net income for formal restaurant: \$150,000 per year.

Total net income: \$300,000 per year.

Net income is scheduled to rise 5% per year for years 3-5 and thereafter.



Sports Bar

The sports bar will be designed to accommodate a normal clientele but also for special events such as the national soccer games. This expanded seating will be under covered patio seating appropriate for these events. There also will be planned meeting space for small and medium sized business and social groups. The facility will provide television hook-ups for international sporting as well as other special events. The planned seating is for a flexible 500 seating capacity.

Construction: 1st to 12th month.

Size: 400 square meters or 4300 square feet.

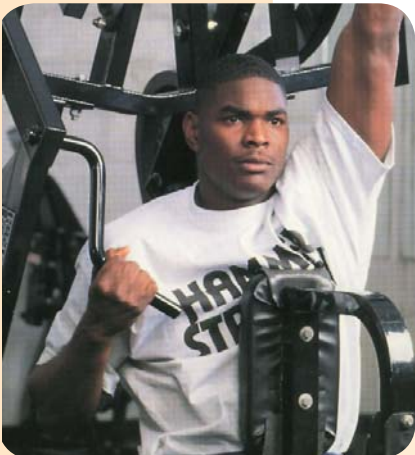
Cost: \$480,000.

(a) \$900.00 per square meter to construct.

(b) \$300.00 per square meter to furnish.

Net income: \$200,000 per year*.

There is a projected increase of net income of 5% per year for years 3-5 and thereafter.





Business Condominiums

The 32 planned business condominiums will average 200 square meters apiece or a total of 6,400 square meters. The design and construction will be free standing to allow for flexible plans.

Construction: 1st to 24th month.

32 units of an average of 200 square meters or a total of 6,400 square meters.

Cost: \$500.00 “obra gris” per square meter.

Total cost: \$3,200,000.

Sale price: \$1,500 per square meter “obra gris”.

Net Income: \$6,400,000.

Sellout period of 2 years.





Olympic Pool

The Olympic pool shall be a 25 meter pool with 8 speed lanes. It will be designed to have portable starting blocks and lanes that can also be removed to allow this pool to serve as both a general recreation use facility as well as a competition pool.

Construction Period: 7th to 18th month.

Size: 2500 square meters.

Cost:\$250,000.

Gross Income from membership \$75,000.

Expense \$25,000.

Net income: \$50,000.

Years 3-5 is planned for 5% increase per year.



Indoor Soccer Facility

This facility will consist of four courts with a covered roof, lighting, a synthetic turf, two bathrooms, a small administrative office and netting on the four open sides.

Construction: 1st to 12th month.

Size: 2,000 square meters.

Cost: \$300,000.

Rental: \$50.00 per hour.

Estimated Rental Hours Per Week: 200 (4 courts).

*Gross Income: \$436,800 per year.

Expenses: \$60,000.

Net Income Per Year: \$376,800.

Years 3-5 is planned for a 5% increase per year.





Bowling Center

The facility will consist of 24 lanes to be used for conventional bowling or at the flip of a switch can be converted to extreme bowling as previously described. It will have restrooms, a party area and a small concession area. It must

be remembered that the facility has extensive restaurant facilities and thus minimum restaurant service are needed here.

Size: 2,010 meters.

Construction: 7thst to 18th month.

Building cost: \$1,206,000.

Equipment and installation.

of equipment: \$888,000.

Total cost: \$2,094,000.

Income: The range given by AMF for such a facility for net profit was 35 to 60% of gross income. We have chosen 40% here or \$288,000 for the first year of operation..

Years 3-5 increase of 5% income per year.



Land and Infrastructure Costs

The land will consist of 8 hectares or 80,000 square meters. This will allow for ample parking and green areas. The cost of the land is \$60.00 per square meter unimproved. With improvements the total cost is \$75.00 per square meter.

Construction: 1st to 12th month.

Total land size: 80,000 square meters or
860,000 square feet or 19.8 acres.

Cost of land: \$60.00 per square meter.

Improvements: \$15.00 per square meter.

Total cost of land with improvements: \$75.00 per square meter.

Total cost of land with improvements: \$6,000,000.





Estimation of Cost, Income, and Expense

The estimation of costs for the complex was taken from many sources. First, I consulted with Carlos Ramirez, a well known architect with more than 20 years experience in Costa Rica. His assistance was invaluable when doing the appraisals of the Hotel Herradura and the Playa Carrillo Tourist Project. The estimation of costs for these structures was taken from his data base of more than 20 projects. I also consulted with Daniel Lacayo, the architect of the Mercedes Tower, the Forum and many others. I also received building costs from Alan Kelso, the construction manager for the construction of the two Marriott Hotels and the Four Seasons Hotel in Costa Rica.

The estimation of Income for the hotel and restaurants was done with the help of long conversations with the Vice President of Hotel Herradura, William Jauregui, and the accountants of the Hotel Herradura. I also obtained information about income/expense ratios for all categories of hotel service at the Hotel Herradura. Gonzalo Gonzales,

one of the partners in the Multi-Spa Health Club was very helpful in giving information about membership, expense ratios, and general set up of the gymnasium business in Costa Rica. I also had previously interviewed many managers in the hotel business in Costa Rica including María Revelo, the sales manager for the Marriott Hotels. I also spoke to James Inman, formerly of the Hilton Chain, who gave me precious insights into that business.





Return on Investment/Market Value

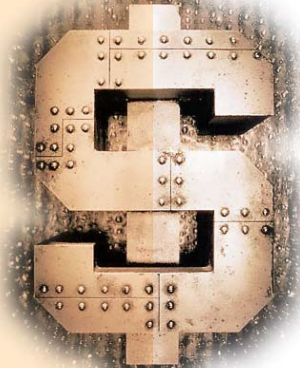
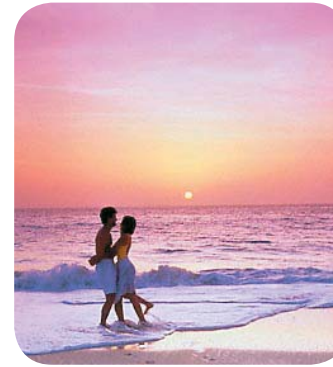
The internal rate of return for the cash flows years 1 through 5 is 30%. The capitalization rate selected here is 25% to determine the value of the project. Based upon the 5th year income from continuing operations (\$5,939,327) and the same capitalization rate of 25 % yields a value (reversion) of \$23,757,308.

A note of explanation is necessary here to explain the cash flows for year five. In determining the cash flows for a project, the correct appraisal method needs to include a reversion or sale of the property at the end of the project life. Here, the reversion (sale price) was determined to be \$23,757,308 based upon a conservative capitalization rate of 25% of income from continuing operations in year 5 of \$5,939,327. A less conservative 15% capitalization rate and one more in tune with the present market conditions would yield a reversion or sale price or market value of \$39,595,513. The effect of using a capitalization rate of 15% which is more in keeping with the present market conditions would accomplish two things: (1) It would increase the irr or internal rate of return and (2) It would

affect the market value of the project resulting in higher market value of \$39,595,513. It is our position to take a more conservative approach to both rate of return and market value of the project and thus to use a more conservative capitalization rate of 25%.



Income



	1	2	3	4	5
Business Hotel	-	1007400	1511000	1586550	1665878
Training Center	-	2000000	2100000	2205000	2315250
Business Center	-	400000	420000	441000	463050
Commercial Space	-	76800	80640	84672	88906
Restaurants	-	300000	315000	330750	347248
Sports Bar	-	200000	210000	220500	231525
Condos	-	3200000	3200000	0	0
Pool	-	25000	52500	55125	57881
Soccer	-	376800	395640	415422	436193
Bowling	-	288000	302400	317520	333396
Loss	-20442500	-4717000	0	0	0
Income/Loss	-	3157000	8587180	5656539	5939327
Reversion (Sale)	0	0	0	0	23757308
Cash Flow	-20442500	3157000	8587180	5656539	29696635



Expense



	1	2	3	4	5
Business Hotel	-5835000	-1945000	-	-	-
Training Center	-2895000	-20442500	-	-	-
Business Center	-1143000	3157000	-	-	-
Commercial Space	-317500	8587180	-	-	-
Restaurants	-700000	5656539	-	-	-
Sports Bar	-480000	29696635	-	-	-
Condos	-1600000	-1600000	-	-	-
Pool	-125000	-125000	-	-	-
Soccer	-300000	-	-	-	-
Bowling	-1047000	-1047000	-	-	-
Land/Infrastructure	-6000000	-	-	-	-
Loss	-20442500	-4717000	-	-	-



Summary

We do not have the slightest doubt that The Club will capture the fancy of the “ticos” as well as foreign investors traveling business persons. This project will serve the rapidly expanding Costa Rica economy that has grown at an average rate of 5.5% over the past two years and the preliminary numbers are 8% for 2007. The business expansion in the trade free zones along with the call centers is absolutely exploding. Hewlett Packard has, for example, 7,000 employees for its customer call center and continues to hire. Proctor and Gamble occupies more than 375,000 square feet in its customer call center at the nearby Forum. The number of employee want ads in “La Nación” is a good indication of the strong economy. They have multiplied greatly as business scrambles to fill vacancies. The business space in El Club will be spoken for prior to completion of construction.

The humanitarian effort in association with the Olympic Committee of Costa Rica will also be greatly appreciated. The tourist trade has grown at an average rate of 10% a year for the past three years; a long term



study indicated a continuing growth in this area of 6% per year for the next ten years. The Club will be located directly on the new highway to Orotina. The Costa Rica government has negotiated a trade free agreement with Mexico, and the United States. The agreement with the United States was approved on October 7, 2007. The immediate effect has been to increase the credit rating on the Standard and Poor credit ratings. A trade free agreement with Europe is next on the agenda.

Costa Rica is a long established democracy. Costa Rica guarantees full property title to both nationals and foreigners. Stewart Title of Houston Texas will guarantee individual titles. Never in the proud history of Costa Rica has a property been expropriated from a foreigner by the Costa Rica government unlike Mexico, Venezuela and Bolivia. We invite investors to come and see for themselves and meet the friendly “ticos” who will greet them with “para servirle” (to serve you) and “con mucho gusto” (with great pleasure).





Costa Rica: A Brief History

The largest and most developed pre-Columbian population in Costa Rica was that of the Chorotegas whose ancestors migrated to the Nicoyan Peninsula (Pacific Coast) from Mexico. Much of the information was gathered from the Spanish explorer Gonzalo Fernández de Oviedo who lived with them in 1529.

The colonial period in Costa Rica began in 1502 when Christopher Columbus on his fourth journey to the new world anchored what he named Veragua in the area of Limón on the Caribbean Coast. A few years later in 1506 the King Ferdinand sent a governor to colonize the area. Vasco Nuñez de Balboa discovered the Pacific coast in 1513. In 1562 Juan Vásquez de Coronado arrived and founded a group of Spanish colonizers and moved the colony to Cartago (just west of the present San José area). Cartago was established as the Capital of Costa Rica. There was not in Costa Rica the large work force available to neither the Spanish nor the gold that Columbus had dreamed of. Therefore Costa Rica was left basically unexploited by foreigners. The population of Spanish colonizers remained small throughout the 17th century.

Word arrived in October 1821 that Spain had granted independence to its colonies on September 15th. In the mid 1800's coffee was Costa Rica's chief export. A road was built to Puntarenas (Pacific Coast) to export the coffee and a university was founded in 1844.

At the same time in the mid 1800's Costa Rica realized that it needed an Atlantic port for export to Europe. Thomas Guardia declared himself chief of state in 1871 and with a loan of a million pounds borrowed from England built the railroad to Limón. This was Costa Rica's first debt. That railroad was finally completed in 1890. In 1899 the United Fruit Company was founded.

Costa Rica's first democratic election took place (male only) in 1899. In 1944 the newly elected President Rafael Calderón Guardia instituted religious instruction in the schools, founded the National University, instituted a social security program, authorized the workers the right to organize, and guaranteed minimum wage and collective bargaining.





All of these reforms exist today. Nevertheless, Costa Rica experienced a Civil War in 1948 which further extended the rights of its citizens. A new constitution was adopted, including prohibition of Presidential reelection and the, banning of the communist party, abolition of the army, and universal right to vote for women and blacks.

What is so important here for me to emphasize is the fact that Costa Rica with its lengthy history of democracy and protection of personal rights today is one of the few countries in the world that welcomes and guarantees foreign ownership of its lands.

Costa Rica in recent years has moved with great dexterity and speed in modernizing the country. This has made it much easier to conduct business and to

provide the leisure and business traveler the luxury appointments that they have come to expect. I can assure you that Costa Rica has done its homework and is very open to change in this 21st century.



Geography Demographics and Incentives

I have taken the following information and condensed it from a book provided me by ICT, the national tourism board titled: Costa Rica: Datos e Indicadores Básicos printed in 1998.

Costa Rica is located in Central America between Nicaragua to the north and Panama to the south. The country contains 19,730 square miles, its capital is San José and the predominate language is Spanish although the acquisition of English has been declared a national priority. It has two seasons: a rainy season in which it may rain generally in the afternoon from May to November and the dry season from December to May. This predominately dry season is the high tourist season in Costa Rica. The population in 1998 was 3,510,637 and it is a very young population. 52.1% is 24 years old or younger.

Costa Rica has the highest literacy rate in Central America and one of the better healthcare systems for a country of its size in the world. In keeping with the young theme, 901,458 Costa Ricans are students or

26.51% to be exact. The life expectancy in Costa Rica is 76 years which belies its healthy environment. 96% of its population is covered by health insurance, a number that the U.S. could be envious of.

The economic aspects of Costa Rica are fascinating and there is incredible economic potential for foreign investors to be gained from investing in Costa Rica. I have taken the following synopsis from: Costa Rica, Unexplored Business Opportunities dated February 2000.

Intel has opened a large and very successful plant in Costa Rica and Procter and Gamble has chosen Costa Rica to be its headquarters for Central America. Very powerful business incentives in the form of duty free zones have been created in Costa Rica. Some of the incentives include the following:

- 100% exemption on duties of unfinished goods imported.
- 100% exemption on profits for 8 years and 50% for the following four years.





- 75% exemption on taxes for reinvestment for an additional 1-4 years.
- 100% exemption export taxes, local sales and excise taxes and taxes on profit repatriation.
- 100% exemption on capital taxes.
- Can also sell up to 25% in local market.

Costa Rica has had a growth of from 9012 (U.S. millions) in 1995 to an estimated 12196 in 2000. The corporate tax rate goes from 10% for incomes of

\$49,029 or less to 30% for income of more than \$96,626. Costa Rica curiously has minimum wages according to education. This minimum wage per month runs from 69,692 colones or \$230.77 to 158,550 or \$525.00 for a worker with a college 4 year degree. In an expanding tourism and business market. The Costa Rica government incentives and cost of labor are very powerful incentives.





Tourism in Costa Rica



It is obviously of great importance for investors to evaluate the tourism industry in Costa Rica. Costa Rica reached a milestone in 1999 with its one millionth visitor per year. In 2002 there were more 1,200,000 visitors. That number of visitors has grown to an estimated 2,000,000 for 2007. The travelers from the United States represent 50.3% of these visitors to Costa Rica.

Coupled with tourism to and from the United States it is important to cite the equal importance of the long standing trade relationship of Costa Rica with the United States. The importance of the trade free agreement or TLC as it is known cannot be overestimated. The government of Costa Rica is in the process of passing legislation to fortify the state government monopolies such as ICE, the national electric and phone company, as well as with other government businesses. Costa Rica with this agreement has assured a continued relationship with the United

States. Costa Rica exports more than 50% of its products to the United States. Costa Rica has enjoyed duty free entry of its exports to the United States since the “Cuenca Del Caribe” treaty was negotiated by Ronald Reagan in 1984 and expires in September 2008. The TLC assures a continuing strong trading relationship with the United States.



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