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Luxury private residence and condominium-hotel development in the heart of Argentina's Wine Country

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Auberge du Vin

*Today's Best Investment*

September 2013

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AUBERGE DU VIN  
MENDOZA

Whether you are planning for retirement, investing for returns in the near term or simply looking for a dependable income stream, you already know the importance of structuring a diverse portfolio of assets.

Over the last 20 years, many of us have learned that working hard to save and invest, while closely following the rules laid out by the financial services industry, does not always lead to financial security. The stock market does not work in a linear fashion, and as demonstrated by the recent economic downturn, which led to as much as a 40% tumble in many investment and retirement portfolios, hopes and dreams are too easily destroyed and Wall Street and the media leave us with more questions than answers.

In addition, today's financial environment, characterized by low bond yields, artificially low interest rates, an underperforming and volatile stock market, and a general distrust of banks and the financial services industry, has left many seeking sound investment alternatives, such as owning a hard asset with the potential for higher yields and capital appreciation.

What some savvy investors are discovering is that there are available investment options that can be more stable, more lucrative and more controllable than traditional financial services products. One of these is carefully selected foreign real estate.

Of the many reasons to consider investing in foreign real estate markets (specifically Argentinian condo-hotels), the most compelling are the excitement, simplicity, flexibility and ease of owning a stable, appreciable and income-producing hard asset in one of the most exciting and beautiful places in the world. Argentina continues to experience an explosive growth in tourism and an in-flux of foreign investment, which should contribute to Argentinian condo-hotels experiencing higher and more stable yields than most other financial instruments available today.

As such, we are proud to present our P Hotels for your consideration. P Hotel properties are a collection of luxury boutique hotels situated in some of Argentina's most sought-after locations, which were selected on the basis of tourism traffic, natural beauty, unique tourist attractions and/or future growth potential. They are developed by Grupo EMR and its affiliates, designed by leading South American architects, and managed by EMR Management, a group with significant experience in South American real estate markets. Our properties offer today's small investor an exceptionally attractive opportunity: the stability and appreciation of a hard asset, the growth of a developing country, and a competitive monthly income stream, all for a relatively low price of entry.

We hope that you will find our proposal as intriguing and exciting as we do, and that you will join us and dozens of our other investors in capitalizing on this unique opportunity.

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# Background



Although investing in hotel rooms is a relatively new concept, it has already shown to provide solid returns in the form of property appreciation and steady income for investors looking to add reliable, hard assets to their portfolios during this period of rising global uncertainty and triple digit gyrations on the Dow.

### Advantages

- Annual ROI double that of traditional rental property investments
  - Gross annual yields of 10% and higher, depending on occupancy, are attainable from condo-hotel investments
  - Average gross yields from traditional rental properties hover around 5% per annum
- Ease of use, rental and ownership
  - Owners have the option of using their properties at their leisure and/or participating in a rental pool for income
  - The turnkey nature of hotel investing permits investors a hands off approach, in which the hotel company, whose interest it is to maximize revenues, manages and markets the rooms on investors' behalf
- Monthly income stream derived from the hotel's rental pool and low maintenance components
- Appreciation of a stable, hard asset , which is relatively non-correlated to the overall property market
  - In the event of an economic and real estate boom in the host country, significant appreciation can be realized
  - In the event of a recession and currency devaluation, international tourism rates will grow, thereby increasing yield from income to enhance the underlying value of the hotel building

There are many reasons why Argentina presents a tremendous opportunity for investors. A massive financial crisis in 2000 was responsible for a 70% devaluation of the country's currency, and credit and mortgage defaults led it into bankruptcy, which almost over night transformed its real estate market from one of the world's richest to one of the least expensive. These factors also led to an explosive growth in tourism.

### Benefits

- The real estate market went from a credit-based to a cash system
  - This resulted in the elimination of speculation and the threat of credit driven bubbles, like the one that US homeowners recently experienced.
  - As Argentinian real estate transformed into a true market economy, based on supply and demand, property values boomeranged and became significantly undervalued.
- While there is no denying that Argentina still has some economic and political problems, the country's economic fundamentals and its lack of debt are entirely positive when compared to some more mature economies.
  - Real property has become the Argentine people's bricks-and-mortar-piggy-bank.
  - Like gold in the US, real estate is the Argentinians' method of saving to beat inflation, staying out of banks, and avoiding the possibility of a needy government seizing their hard earned cash.
  - Thus, even with Argentina's problems, its real estate market has become one of the world's most robust, stable and orderly.
- Today's Argentina finds itself in increasingly good shape vs. other world economies, as many seemingly stable countries, which are technically bankrupt, could begin to experience turmoil similar to that Argentina went through in the early 2000s.

Owning condo-hotels in Argentina is a low-risk investment and the potential of significant appreciation and income growth.

### Economic Scenarios

1. Argentine economy goes into decline (i.e., 8% per year growth trend reverses)
  - Since Argentina's economy is a cash-based one (vs. credit-based), it is bubble proof, per se. As such, our condo-hotel structure would not be impacted if prices drop and/or the peso devalues.
  - If the country becomes more affordable to outsiders, tourism will increase.
  - As we charge for the hotel and pay our investors in dollars, we have a built-in currency hedge.
  - Argentines view real estate as the highest quality investment, much the way Americans view gold. Thus, if the economy drops and a flight to quality occurs, real estate prices could be driven even higher
2. Economy stays the same
  - Tourism will continue to increase, as we continue to reap its income producing benefits
  - Real estate values will continue to steadily grow, fueled by foreign investment
3. Economy grows and things become more expensive (e.g., Moscow in the late 1990's early 2000, which went from a very cheap place to being the world's most expensive real estate market at \$40,000/meter, three times that of London).
  - We do not believe this scenario is realistic
  - However, in the event this scenario occurs, all real estate investments will become highly lucrative.

Doug Casey, the noted economist, best-selling financial author, international investor, entrepreneur and the founder of Casey Research, had the following to say about investing in Argentinian real estate:

### Expert Opinion

"I think what's going to happen, given the demographics we spoke of in Europe, is that thousands and thousands of Europeans are going to come to Argentina. Not poor ones, the kind who immigrated a hundred years ago, but wealthy ones.

They'll see that the lifestyle is better in Argentina. It's less crowded and vastly cheaper – maybe 20%, or less, of the cost of living in Europe. And they can live there tax-free. As more and more Europeans discover this, you're going to have a lot more of them piling in. This is going to happen with Americans too, though they won't gain the same tax advantages. The IRS will still want to tax them; nevertheless, I think we'll see more of them moving down there. It's very popular with Canadians as well.

With the good things happening in Colombia, Brazil having finally turned the corner, and the problems clowns like Chavez in Venezuela are running into, there's a chance that South America, in general, could be the next sleeper that may soon awake to its day in the sun.

So, it's a place with a future. And any person who does not diversify his or her assets and physical presence, geographically and politically, in today's world is a fool. If they see what we see and don't take action, they'll get what they deserve.

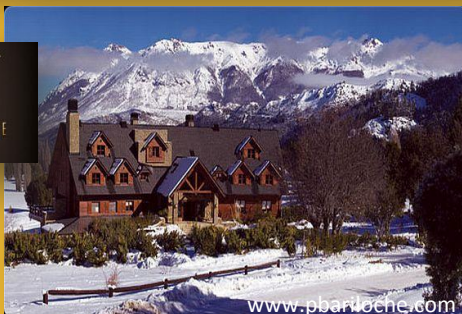
It's especially important for US persons to do this now, before we see foreign exchange controls in the US making it impossible, or very costly, to get your wealth out of the country."



- 1<sup>st</sup> property in the P Hotel Group - Opened May 2011
- 26 units, averaging approximately 320sf each – SOLD OUT
- 38% average occupancy rate in the 1<sup>st</sup> year that yielded owners an 8% net return for the year. Projected occupancy rates for the 2<sup>nd</sup> and 3<sup>rd</sup> years are 46% and 54%, respectively.
- Individual unit appreciation of 62% within 15 months
- Listed as one of Argentina's top 25 hotels on TripAdvisor
- Consistently ranked between #2 and #8 of 430 hotels in Buenos Aires



- 2<sup>nd</sup> property in the P Hotel Group – Scheduled to open December 2012
- Located in Palermo Hollywood, one of Buenos Aires' trendiest neighborhoods
- 3 of 24 527sf units still available for sale, priced at \$180,000 each
- Significantly lower prices per square meter than comparable projects in the area assures higher and faster returns on investment

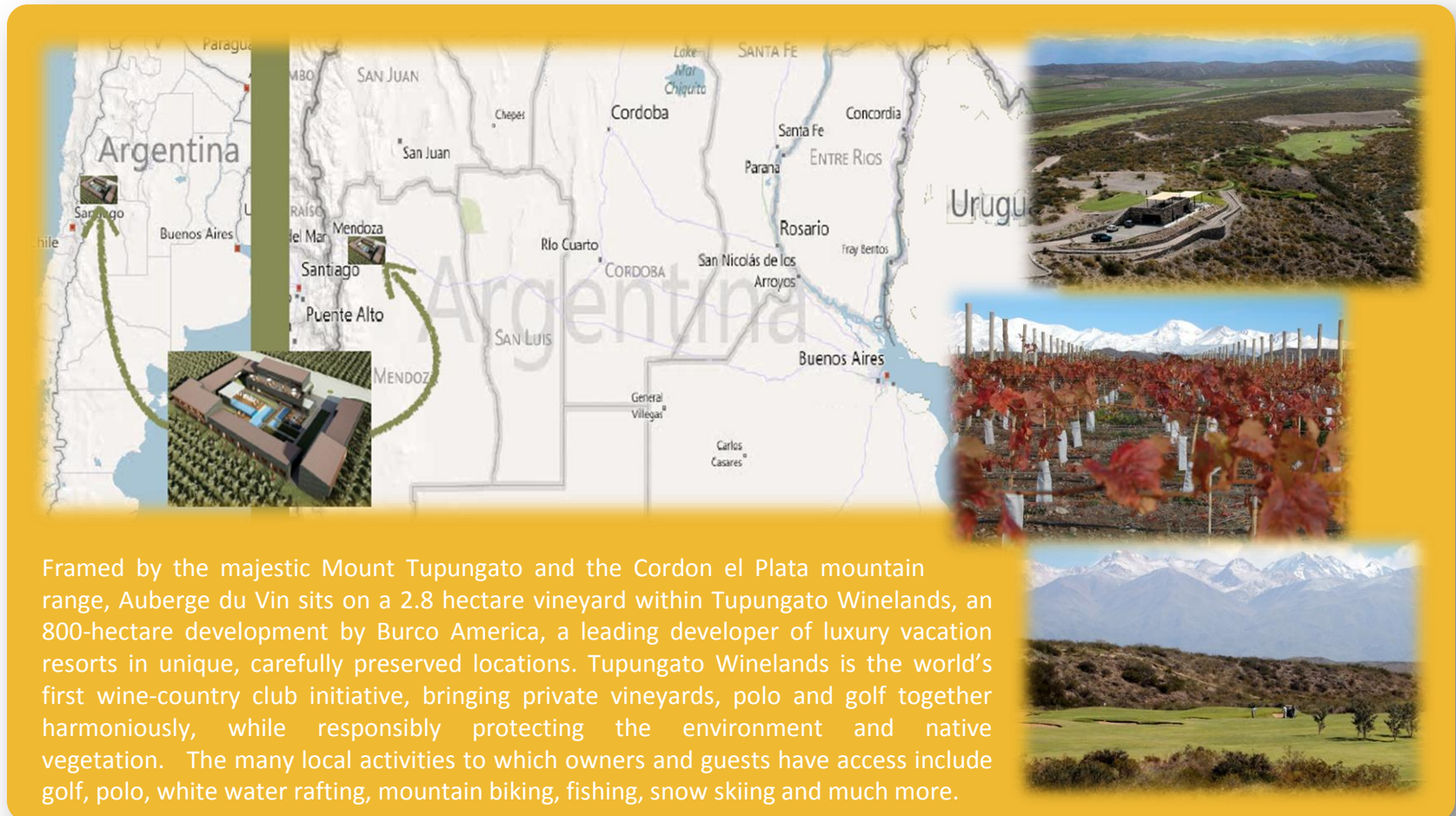


- 4<sup>th</sup> property in the P Hotel Group – Scheduled to open June 2013
- Spectacularly scenic location is just minutes from the town of Bariloche, the international airport, hiking trails, and one of South America's most popular skiing resorts
- 14 of 28 units still available for pre-sale between \$140,000-\$189,000
- Prices include access to the Arelauquen Golf and Country Club, as well as Club Burco

# Project Description



Auberge du Vin is located at the foot of the Andes in Uco Valley, Mendoza, the heart of Argentina's wine country. Internationally praised for its Malbec wine, weather and a diverse range of activities, Uco Valley is one of the world's most exciting destinations .



Auberge du Vin is an environmentally responsible, luxury private residence and full-service condo-hotel development. The property was developed by Grupo EMR and designed by Altuna, Bullrich, and Cecchi, one of Argentina's leading architectural firms. It is scheduled to open September 2013.

### Property Features

- 24-Hour Reception Lobby
- Lounge Area with Courtyard Views and Fireplace
- Gift and News Shop
- Restaurant and Bar
- Wine Cellar with Private Tasting Room
- Business Center
- Conference Center
- Solarium
- Terrace with Seating, Fire Pit, and Grill
- Outdoor/Indoor Pool
- Gardens
- Golf and Polo Clubs
- Laundry
- 24-Hour On-Site /Off-Site Security
- Security Cameras



There are 28 units in the building, featuring magnificent mountain and valley views. 21 units are on the first floor and seven on the second floor.

### Room Features

- Units are approximately 465sf of interior space, with 88-205sf balconies or terraces, many of which border the vineyard
- Floor-to-ceiling windows
- Fireplace
- Fully equipped kitchens with stainless steel appliances and granite counter tops
- Spacious bathrooms with custom double vanity, separate shower, jetted tub, make-up table, and bidet
- Custom wall unit and cabinetry
- Desk and work space
- Large closet in the unit and an external storage closet for owners
- Heating and A/C included
- Prewired for Satellite TV, internet and phone



Auberge du Vin homeowners will receive the full range of benefits of ownership in Tupungato Winelands and beyond.

### Golf and Polo



- Membership in Tupungato Winelands' Golf and Polo Clubs
- Membership in the Burco Club, which includes special fees and rates in all of Burco's golf and polo clubs, restaurants, accommodations and lodges.
  - Provides access to all clubs and services at Arelauquen Golf and Country Club in Bariloche
  - Provides access to clubs and services at all future Burco Properties around South America

### Wine



- Membership in Tupungato Winelands' Wine Club, which provides, among other benefits, full access to the winery and tasting room events
- Common ownership of a 2.8-hectare vineyard, equally split among all unit owners
  - Annual allocation of wine each year from the vineyard's production, overseen by the world famous oenologist, Michel Rolland
  - Owners design their own private label for each allocation

### Financial



- Full ownership with clear title and ability to resell at owner's leisure
- Potential to earn high income when participating in hotel rental pool
- Flexible use of unit whenever the owner chooses not to participate in hotel rental pool

The following examples show the investment return for being in the hotel pool based on 30%, 50% and 70% occupancy, using \$350/night as the average room rate and a unit price of \$185,000.

30% Occupancy		50% Occupancy		70% Occupancy	
110 Nights (\$350/night) <sup>1</sup>	\$38,500	183 Nights (\$350/night) <sup>1</sup>	\$64,050	256 Nights (\$350/night) <sup>1</sup>	\$89,600
50% Management Fee	(-\$19,250)	50% Management Fee	(-\$32,025)	50% Management Fee	(-\$44,800)
Annual Expenses and Taxes <sup>2</sup>	(-\$5,400)	Annual Expenses and Taxes <sup>2</sup>	(-\$5,400)	Annual Expenses and Taxes <sup>2</sup>	(-\$5,400)
Annual Wine Benefit <sup>3</sup>	\$3,500	Annual Wine Benefit <sup>3</sup>	\$3,500	Annual Wine Benefit <sup>3</sup>	\$3,500
Net Annual Return	\$17,350	Net Annual Return	\$30,125	Net Annual Return	\$42,900
Net annual rate of return	9.38%	Net annual rate of return	16.28%	Net annual rate of return	23.19%

<sup>1</sup> The nightly rate is the estimated average nightly rate, net of travel agent, commissions, IVA tax, transaction costs for banks and credit cards, amenities, and other expenses outlined in the management contract.

<sup>2</sup> Annualized expenses include the estimated monthly HOA dues and annual property taxes. This includes all utilities, security, Internet, satellite TV, vineyard maintenance, wine production, club dues, insurance and common area maintenance. These estimates are based on current rates for these services and taxes.

<sup>3</sup> The wine benefit is the estimated retail value of the owners' annual wine allocation.

*Note:* This pro-forma is for illustrative purposes only. Change in certain variables could impact the above forecasts, which are based on current market rates, taxes, and estimates of utilities and other costs.

# Next Steps



Only 6 of Auberge du Vin's 28 units are still available. They are all priced at \$185,000, which includes membership in the golf, polo and wine clubs, as well as Club Burco. All common areas, including the 2.8-hectare vineyard, are assets owned by the Home Owners Association (HOA) and are included in the price. The recommended furniture package is available at an additional cost.

### Next Steps

- A room must be chosen from those still available (see floor plans on next page)
- A 50% down payment of \$92,500 is required and can be made either by check or wire transfer to Grupo EMR's US corporate accounts
- Because Grupo EMR specializes in sales to foreign buyers, we will facilitate each international transaction for our clients, simplifying it to the greatest extent possible\*
  - Payments are wired to our US corporate account, which then aggregates the funds for Argentinian distribution, thereby eliminating the difficulty and costs associated with getting cash into Argentina
  - Grupo EMR will obtain the necessary Tax ID number (CDI) and handle all stamp tax payments on its investors' behalf
- The down payment is followed by 13 interest free monthly payments of \$7,115.39

\* Grupo EMR conducts all banking via the central banking system in Argentina, which ensures that all transactions comply with local laws.

We have six units remaining for sale on the first floor, and investors may choose from the following: 101, 102, 103, 106, 109, 110, 112, 118, 119 and 120.

## Floor Plans

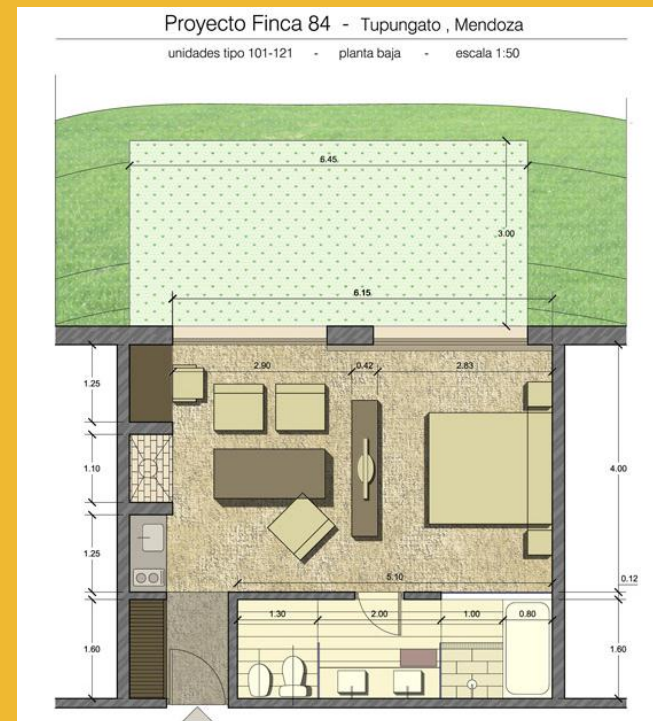
### First Floor



- 1-Entry
- 2-Lobby
- 3-Bathrooms
- 4-Business & Meeting
- 5-Rooms
- 6-Luggage
- 7-Storage & Services
- 8-Maid Service

- 9-Restaurant
- 10-Firepit
- 11-Lounge Area
- 12-Wine Cellar
- 13-Business 2
- 14-Fitness Center
- 15-Pool

### Units 101 - 121



References from current homeowners/investors are available upon request. The following is an unsolicited letter written by Anthony Dias Blue, former Wine & Spirits Editor of BON APPÉTIT Magazine, Editor-in-Chief of THE TASTING PANEL, and investor in Auberge du Vin (formerly Finca 84).

### Expert Opinion

From: Anthony Dias Blue  
Date: April 9, 2012  
To: Undisclosed Recipients  
Subject: Investor Letter

For the past few years the big story in wine has been Argentina. As Wine & Spirits Editor of BON APPÉTIT magazine and Editor-in-Chief of THE TASTING PANEL, the beverage industry's most-read trade publication, I have been watching the explosive growth of the Argentine wine industry closely.

I have had several opportunities to visit Argentine wine country around Mendoza, including trips to the amazing Uco Valley. Being there reminded me of visiting the Napa Valley in the 1970s. The potential of the Uco Valley as a wine region and as a tourism destination is virtually limitless.

Based on these observations, I have become an enthusiastic investor in FINCA84. The opportunity FINCA84 provides to get in on the ground floor of Argentine wine and tourism is unparalleled.

Having previously been involved in a GRUPO EMR project in Buenos Aires, I know that this company operates at the highest level of integrity and professionalism. I am proud to endorse their activities and recommend investing in FINCA84.

I encourage you to join me in the exciting project. If you have any questions, please feel free to contact me at [adb@bluelifestyle.com](mailto:adb@bluelifestyle.com).

For more information about Anthony Dias Blue, please visit [www.bluelifestyle.com](http://www.bluelifestyle.com).