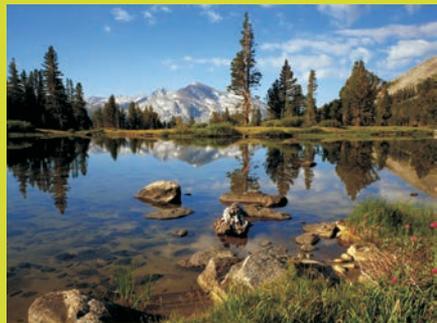
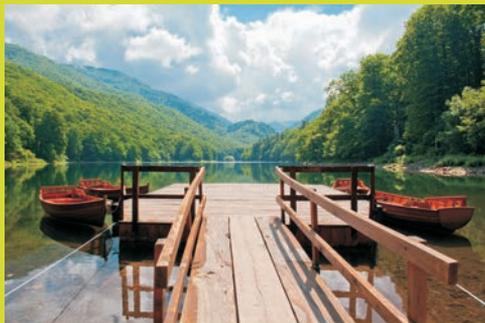




MAREVITA
I u s t i c a m o n t e n e g r o

Club-type Residential Complex



MAREVITA
I u s t i c a m o n t e n e g r o

Club-type Residential Complex

Brief description of the investment project
Summary of the investment object –
the “MAREVITA” prestige housing estate

CONTENTS

NOTIFICATIONS	7
INTRODUCTION	8
1 SUMMARY	10
1.1 Prerequisites for Implementation and Competitive Advantages	13
1.2 Elements of Risk	14
2 ABOUT THE COMPANY	15
3 PROJECT CONCEPT	16
3.1 Preliminary Studies	16
3.2 Target Audience	17
3.3 Philosophy of the Project	19
3.4 Idea of the Project	20
3.5 Aspects of Promotional Strategy	22
4 PROJECT	24
4.1 Location and Main Characteristics of the Project	24
4.2 Infrastructure and Communications	25
4.3 Planning	26
4.4 Technical Description, Materials and Technologies	34
4.5 Our Own Customer and Maintenance Service	34
5 FINANCIAL PLAN	38
5.1 Scheme of Investment Measures	38
5.2 Total Costs	38
5.3 Total Revenue	42
6 PROJECTED RESULTS	43
6.1 Profit (Profit and Loss Statement)	43
6.2 Safety and Return of Investment	44
7 MARKET ANALYSIS	45
7.1 Development Trends	45
7.2 Micro-regional Surrounding	45
7.3 Legal Aspects	47
7.4 Analysis of Real Estate Market	50
CONCLUSIONS	54
8 Contact Details	55

This Information Memorandum (hereinafter referred to as “the Memorandum”) is provided for information purposes.

The Memorandum was prepared on the basis of the reliable data available to the Investor and information from public sources, the content of which is thought to be reliable. We used our previous experience and indicators specific to this sphere of business. We accept responsibility for the information contained in the Memorandum and confirm that this information is true, accurate in all material facts and non-misleading. Opinions and intentions expressed in this document are the faithful ones of the project owner.

During the project implementation, no person is authorized to provide any information or make any statements except from those contained in the Memorandum. If such information was provided or such statement was made, you should not rely on them as on those authorized by the project owner. Under no circumstances, shall presentation of the Memorandum imply that there is no possibility of unfavorable changes in the state of affairs after the date of such presentation or after the date when last changes and/or additions were made to the Memorandum, as well as any information provided in connection with implementation of the project be correct on any date following the date when such information was provided or following the date specified in the documents contained such information, if this date is different from the date of provision of information.

Since any investment project bears some risk, we recommend that investors estimate information value contained in this Memorandum themselves, when making investment decision, and base upon researches and other assessments that may be necessary, when considering the possibility of participation in the project. We also encourage our potential investors to contact responsible persons of the company to obtain further detailed information on the investment project.



Introduction

The purpose of this Memorandum is to, basing on the conducted analysis and research, provide data on the financial and economic justification of construction of housing and commercial objects in the immediate vicinity of Krašići village situated on the Luštica peninsula of the Republic of Montenegro.



Investor of this program, the "Alpha Company" (hereinafter referred to as "the Investor"), has decided to implement the investment project, which involves:

- "Valorisation" of a plot of costal land with total area of 21,865 m², where the "MAREVITA" private luxury tourist and residential complex is to be constructed
- Construction of 22 villas, 2 townhouses and 1 hotel complex including commercial objects with total area of 14,460 m²
- Sale of finished residential and commercial units to potential clients
- After-sales all-inclusive service provided by our own service company.

MAKING DECISIONS ON THE PROJECT, WE RELIED ON THE FOLLOWING FACTS:

- At the moment, construction of such facilities on the Montenegrin coast is the most profitable economic action.
- It is a low risk project due to high demand for quality facilities, on the one hand, and due to relatively low cost of construction, on the other hand.
- The project location is very attractive. A plot of land is located on the coast of the Luštica peninsula. In close proximity, the largest investment projects are being implemented – the Luštica Bay by Orascom, the Cape Arza Complex by Tradeunique, the golf resort on the western side of the peninsula by Limon Investments Montenegro, etc. All these projects initially involve the highest level of "recreational development". Through implementation of these plans, a unique environment for life of luxury will be created.
- Uniqueness of the project concept and solutions.
- Competitive advantages due to significant progress towards obtaining all necessary permits. Namely, each of 26 sites has its own COMPLETE SET OF DOCUMENTATION. That enables us to select from many different options for further construction and makes each residential unit more attractive on subsequent sale.

TO IMPLEMENT THE INVESTMENT IDEA, THE INVESTOR HAS ALREADY:

- purchased the mentioned plots;
- taken all necessary steps to bring the investment idea in line with the Spatial Urban Plan of Opština Herceg-Novi (the Herceg Novi Municipality);
- received the urban technical specifications;
- developed the project concept and solutions;
- initiated development of a set of investment and technical documentation and the main construction project;
- ensured conditions for obtaining necessary permits to begin construction.



1 SUMMARY

The Investor plans to construct the "MAREVITA" private luxury tourist and residential complex on its own land plots with total area of 21,865 m² specified in "Property Sheet" No. 625 of the Zabrđe cadastral community of the Herceg Novi Municipality, the Republic of Montenegro.

All plots overlook the east side, and due to some peculiarities of the relief have panoramic view of the Bay of Kotor (the Boka Kotorska).

The final goal is to construct 25 luxury facilities of high-standard finishing and "modern" style with Mediterranean elements with total area of 14,460 m².

The area of residential units will range from 50 m² to 300 m².

The area of commercial units will range from 35 m² to 200 m².

In addition to construction of residential units, the project envisages development of a township infrastructure and establishment of a service company (please, see Chapter 3).

One of the best teams of designers in Montenegro that are employed by the "Enforma" architectural company of Kotor is working to develop the preliminary and main projects with the participation of an architectural office of Serbia as a consultant.

Depending on the chosen strategy, the investment project can be completed and put into service within 3 to 5 years, and final return of capital is possible within 1 year after completion of the project.

Target consumers are wealthy individuals and legal entities from Russia, Ukraine, Belarus, Serbia, and the European Union. That is why the design and equipment of the facilities are planned to be in line with the expectations of the target audience.

During implementation of Phase 1 of the project, a sales concept conservative for the post-crisis development industry is most likely to be applied. Residential units are to be sold separately upon construction of each unit, and financing necessary to complete construction works is to be provided both by our own and borrowed funds. However, at the beginning of the construction phase, entry of end-users will be stimulated by all lawful means. That will help them to significantly reduce a purchase price and, at the same time, maximally take into account all personal preferences.

No	Cost category	Amount, €
1.	Expenses to purchase and urbanize the land (finished)	6559500
2.	Preparation of the plot for construction including development of geodesic plans	1749200
3.	Development of the main construction project (the "Enforma", Kotor)	195500
4.	Audit of the projects, fees, certificates, and other permits and approvals	115000
5.	Construction of an internal service road	200000
6.	Construction of retaining walls	220000
7.	Construction of residential and commercial units	8625000
8.	Technical supervision	115000
9.	Greening and landscaping of the territory	350000
10.	Utility payments (including possible credit for connection to external utility networks)	1227000
11.	Running costs (operation of the company)	90000
TOTAL COST		19446200

The amount of funds necessary to construct residential and commercial units and specified in the table above was calculated on the basis of our previous experiences and offers obtained from the recommended companies. A detailed analysis of costs is presented in Chapter 5.2 "Total Costs".

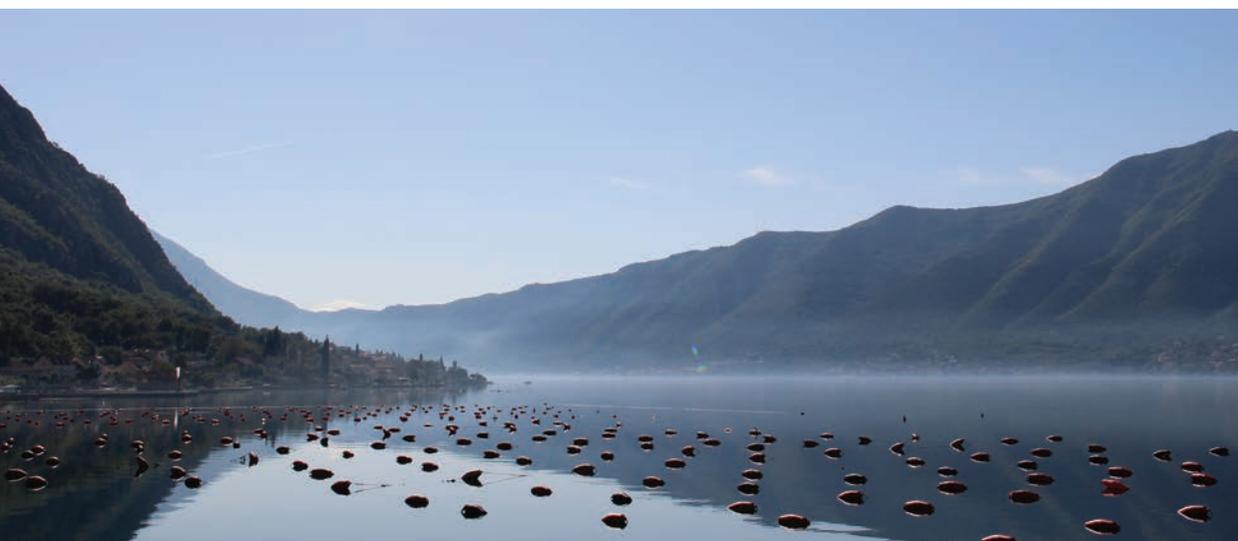
Expected key indicators of the investment project:

Total income	28.625.000 €
Total costs	19.446.200 €
Profit	9.178.800 €

To minimize potential investment risks, the current concept involves possibility of allocating up to 5 phases of the project implementation.

INVESTMENT PROPOSAL | Introduction of a strategic partner into implementation of this investment idea.

It is possible to trust execution of works to outside contractors, while responsible persons of the "Alpha Company" will supervise these works and manage the entire project.



We will pay much more attention to the architectural solution, interior design, quality of materials and works, as well as to the terms of construction than to the price. To implement the project, it is not necessary to hire additional staff. Three administrative employees are enough to manage the project, and these expenses will be included in the total amount of the investment.

Market Parameters

Tourism. In accordance with the development strategy of Montenegro, tourism is an absolute priority in economic development and considered the strategic sector of the country's economy. This economy sector has the highest growth potential and is the economic segment with the greatest opportunities to attract investments in the future.

According to the economic projections for the tourism sector development in Montenegro made by the World Travel & Tourism Council (WTTC), tourism will remain the leading export sector in the country. According to the WTTC report of 2012, predicted annual growth rate of investment over the next 10 years is 10.0% per year, which makes Montenegro number one on the list of countries with the fastest growth rate of the tourism industry in 2013 and number two for the long-term prognosis among 184 countries of the world. On a tentative estimation, it is believed that financial effects will grow at the similar rate.

Real Estate. Montenegro receives considerable profits from the inflow of foreign investments to the real estate sector. According to the Central Bank, more than half of the total foreign investment in 2012 accounts for the real estate sector. Most of the investors are from the CIS countries, the United Kingdom and Ireland.

And, according to the statistical data and expert estimations, the today's real estate market of Montenegro has the following indicators:

1. Construction cost per m² is within €650-€1400
2. Average area of apartments;
demand = 50-90 m²
supply = 30-120 m²
3. Average area of a villa to date:
demand = 150-350 m²
offer = 250-400 m²
4. Expenditures on utility compensations by municipalities = 60-320 €/m² (calculated for the total build-up area of a facility)
5. Taxes
Tax on transfer of ownership rights on real estate = 3%
VAT = 19%
Tax on profit of a legal entity = 9%
6. Average fees of real estate agencies = 3-5%
7. Sales prices on the primary market:
for house = 1700-5000 €/m²
for apartment = 1300-4000 €/m²
8. Conservative return on investment = 30-50%

1.1 Prerequisites for Implementation and Competitive Advantages of the Project

At the moment, conditions favorable for implementation of the development project proposed for financing have formed. The following factors should be referred to as the key ones of such conditions:

External Prerequisites

- reduction of cost of construction projects due to the global financial crisis (the cost of construction in Montenegro has decreased by more than 20% over the past 3 years);

- beginning of sales coincides with the time when recovery of economic conditions and demand are expected and combines with lack of supply of quality housing due to the reduction of construction in the post-crisis period;

- strengthening of control over financial and economic activity of our potential clients in certain countries and tightening of the visa regime (Croatia) enhance the benefits of the project described in the Memorandum;

- the project location is very attractive. The plot of land is located on the coast of the Luštica peninsula, the Republic of Montenegro. In close proximity, the largest investment projects are being implemented: the Luštica Bay by Orascom, the Cape Arza Complex by Tradeunique, the golf resort on the western side of the peninsula by Limon Investments Montenegro, the project in Kumbora by the Azmont, the Porto Montenegro in Tivat, etc. All these projects initially involve the highest level of "recreational development". Through implementation of these plans, a unique environment for life of luxury will be created.

- a combination of the highest level of transport accessibility and relatively low supply level of new housing of the appropriate quality and attractive prices in the region;

- lack of investment instruments aimed at preserving of capital, offering an yield adequate to inflationary expectations, and secured by real, liquid assets, which, in particular, can be resolved by offering different options of participation in the project to the investors.

Internal Prerequisites

The key internal prerequisites of the project include:

- the initiator of the project has the rights to the land plots within the planned construction footprint;
- ready-made, unique concept and solutions of the territory development;
- specially selected materials and construction technologies allow us to expect a long service life of the houses, which increases attractiveness of investment in real estate described in this project;
- the operator of the project has no external obligations of the previous projects, assets "frozen up" during the crisis, or any other debts to third parties;
- additional competitive advantages due to significant progress towards obtaining necessary permits compared to potential competitors.



1.2 Elements of Risk

Any project of such scale includes some elements of risk, namely:

- The impact of the global financial crisis. Thus, in spite of some slight market recovery, the crisis in the housing market is not yet over. Analysts do not rule out uncertainty on the market in future.
- Uneven distribution of the flow of customers. There is the decline in effective demand. At the same time, by virtue of human nature, increase in pent-up demand from potential customers over time should be noted.
- Political factors at the local and international level.
- Considering constant updating of the legislation in the area of construction, investment in real estate can be risky enough. In particular, due to specific character of the region, such risks may affect the exact time of beginning and completion of works.
- The uncertainties common to all areas of activity, force majeure circumstances.



2 ABOUT THE COMPANY

Our main business is real estate development. The "Alpha Company" bases its activities on the principle, which says «quality in everything» This approach is applied to all links of the technological chain – from our choice of land plots and design to development of the building "filling".

The registration data of the company can be represented as follows:

The Investor: "ALPHA COMPANY DOO BAR"
Limited Liability Company

Identification number:	5-0469853/10
VAT number:	80/31-01701-8
VAT, Registration number:	02715481
Abbreviated title:	«Alpha company»
Date of registration:	19.05.2008
Date of registration renewal:	16.01.2013

Address: G9, Jovana Tomaševića, 85000, Bar, Montenegro
Mobile: + 382(069)326-092
e-mail: Biloniko@gmail.com
web: www.marevita.me

Management: Mikalai Biladzid
Executive Director and Authorized Representative
JMBG: 1110980220021

c/account: 510-21794-36 (Crnogorska komercijalna banka)
Management bodies General Meeting, Executive Director

Our mission is to develop and implement unique and original real estate projects that provide higher quality of life and work, and put into reality the most daring architectural ideas especially valuable because of their attractiveness, artistic execution, originality, and harmony with the environment.

The policy of the company includes reliability in partnership, quality and aesthetics in the projects. We value responsibility and reliability. Professionalism. High standards. Efficiency. Transparency in implementation of all our investment projects.

3 PROJECT CONCEPT

3.1 PRELIMINARY STUDIES

During our search of a conceptual decision, we did a lot of work, and conducted research and analysis of the competitive environment. Our goal was to develop a concept of the project and promotion of a competitive residential complex, which can attract the attention of investors and final consumers.

Basing on the analysis of the competitor positioning, relevant audience and geographical location of the plot that is in the area of construction of several major projects:

The following requirements for the project were defined:

relevance = compliance with the trend, which is due to the presence of a number of large-scale projects that greatly influence the direction of the region development and define certain landmarks, criteria and format for the consumer.

uniqueness = содержание проекта должно иметь четкие отличия the content of the project must be substantially different from its competitors, attract attention to the project and act as an additional advantage, which can overshadow possible additional options of the competitors and increase added value of the project.

rationality = clear advantages marked with the respective colors and working on some rational motives, which are important for the relevant audience; there should be some actual gain from purchase of the facility

internationality = the idea of the project should be clear not only to the CIS consumers, but also to those of other European countries, which is due to the specificity of the region and the projects implemented by the competitors.

emotionality = because of the region specificity, its focus on rest, prices and purchasing power of the potential consumers, the motive for choosing is not some lower-order needs, but rather the highest-level demands (the need for success and acknowledgment, aesthetic needs, self-expression, and self-identification, etc.). This greatly increases the importance of the emotional component in decision-making process.

Competitor Analysis:

Group A – large-scale projects involving significant investment and strong information support. Our conclusion: we cannot compete with them on equal terms. Nevertheless, since they are located near us and define the local trends, conditions and audience, we consider them as our main competitors.

Group B – projects that are similar to ours in respect of the scope of work and located in same region. Our analysis showed the tactic of our direct competitors, which work in similar conditions as we do.

Group C – similar projects situated in different regions. Our analysis showed the investor approaches and allowed us to determine the trends, the level of an integrated approach, and the idea of the project and positioning.

Our study included such components as the analysis of the logos and titles, architectural solutions, positioning, communication with customers. This gave us an understanding of our competitors in the following specific aspects:

- ✓ clarity of the initial concept of the project, positioning, and the intended audience.
- ✓ the directions in which the competitors are working, the degree of difference of the competitors from each other; this helped us to choose a relevant and unique stylistic solution for our project.
- ✓ the idea of how the competitors see their projects, which motives and information became the base for their appropriate conceptual solutions and communication. And, this allowed us to range the competitors and understand who their potential customers are. All these formed the basis for our own unique offer.
- ✓ the general directions of open communication, the strategy basics of the information policy, some tools and methods of work of the competitors, the countries to which communication and thus the entire project are focused.

Our study as a whole allowed us to form basic understanding of our future work and basic strategy for promotion.

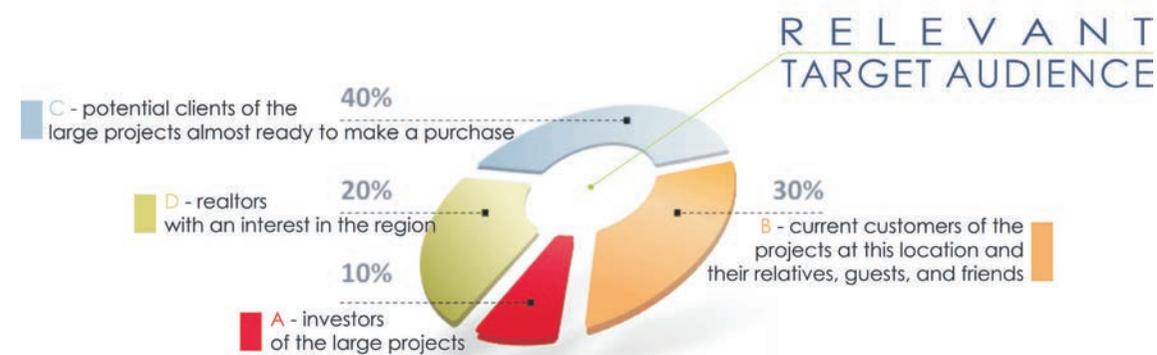
3.2 TARGET AUDIENCE

In our case, for a number of reasons:

- the specificity of the facility location (the Luštica peninsula)
- competitive environment: the scale and resources of our direct competitors
- communication activity of our competitors

it is reasonable to define the so-called relevant audience in addition to the target audience in its classical meaning. The relevant audience is the one directly or indirectly determined by our competitors and the regional market conditions. We do not define our audience and start searching for it, but form our audience on the basis of our competitors' projects and work with it. And, we will work on promotion accordingly.

Using this approach, our primary target audience can be divided into four main groups:



Justification:

- A. automatically selected audience (groups A-C), which has the ability to purchase
- B. it is concentrated both geographically and socially, and that greatly simplifies working with it
- C. it is international, but there is no need to develop separate programs for different countries
- D. the auditory is familiar and loyal to the region, so there is no need to promote the country in general and this particular location, as well as to spent time and money to explain some general advantages, which are the advantages for each competitor as well.
- E. it has all necessary aims to purchase real estate in this area (increase in profits, closeness to friends, competition, etc.)

Group **D** independently shares information, and if it believes in the project, in its uniqueness, it can provide independent information support in various directions and forward information to different mediums and even end users.

This approach does not exclude subsequent working with different target audiences such as potential estate buyers in Croatia or Slovenia, and tourists who visit Montenegro for the first time and stay at luxury apartments, etc. However, at the initial stage of the project and the beginning of construction, work with the mentioned relevant auditory looks the most promising.

Therefore, the project should generate interest and, first of all, be attractive for these groups, which are somehow connected with the large international projects of the region.

According to the investor, the project real estate will be of interest for customers of middle and upper class, mostly foreigners interested to get comfortable rest throughout the year in the mild Mediterranean climate and at the apartments, which can offer high-quality accommodation and meet the international standards, and ready to pay 2200 - 2600 €/m² for living space.

With regard to geographical composition, the program is designed for:

- customers from Russia and the CIS countries - about 60%;
- customers from the European Union - about 25%;
- other customers – about 15%.

3.3 PHILOSOPHY OF THE PROJECT

CONCEPTUAL DESIGN REFLECTS THE FOLLOWING PARAMETERS:

Architecture – which is very important, as it affects both emotional (aesthetics of the project, conformity with visualization of dreams, fashion, prestige, individuality, etc.) and rational motives (solution up-to-dateness affects consumer's understanding of the prospects for a possible subsequent sale or rent).

Art – is the parameter affecting satisfaction of needs of the higher level. It affects the perception of chosenness, prestige, uniqueness and individuality. Also, solutions successful in this aspect create additional investment attractiveness, enhance actual real value due to the impact on the emotional component of decision-making process.

Environment – is a current trend, which is becoming common due to long-term promotion in the Western countries. Local premium and luxury segments of real estate should comply with the sustainability idea, share LEED principles and have

appropriate certificates. At the same time the project requires the highest possible extent of renewable energy use and environmentally-friendliness.

Rationality – is also essential trend, largely due to environmental aspect. Economy serves not only as a factor for own funds maintaining, which is certainly an important independent motive, but also indirectly supports the idea of green technologies that use fewer resources.

Investments: – the project should be attractive in terms of investment. Customers should feel confident about safety of their investments. In addition, if the project will provide potential customers with some reasons to expect, at least hypothetically, that they will not only save their money and have possible profits in the future, this feature will significantly increase attractiveness of the offer, with all other factors held equal.

The idea of the project is based on the coverage of diverse parameters, each of which has its own importance and is aimed to satisfy different needs. It seems to be not optimal to prioritize one of them in this case, as the idea is originally aimed at different groups of target audiences. All parameters should be covered with reference to each other, ensuring harmony.



«Philosophy» provides a multi-step sequential opening of the idea to the clients, it's where primary motives will be supported by new additional benefits which they would find out on the next steps.

«Philosophy» consistently and logically explains all substantive aspects of the idea, providing synergistic effect when each next characteristic perceived as a whole, enhances initial positive impression. This is particularly important for the comparison with competitors, since most of the projects do not have an ideological justification. And this does not allow adding required uniqueness to such projects and satisfying the needs of the highest level including individuality and chosenness.

The idea of the project is of interest for clients, it is unusual, has own value and depth, provides the feeling of superiority and uniqueness, it is sufficient to create «a clan» or «a private club».

3.4 IDEA OF THE PROJECT

MAREVITA is a place for the elite, it is an alternative to modern society with an intense rhythm of life, aggression and stress.

This is the place where the principle of equality, but equality of the elite, equality of successful, confident people knowing the nature of the outside world. This is the place where harmony of nature, art and modern technologies prevails. This is the place where you can conduct business, be active, excited and thus feel as the a part of the universe, contemplate, meditate, and get aesthetic pleasure from existence.

This is a self-sufficient area, which provides own resources, independently determines directions and degree of interaction with the outside world, including economic relations, and regulates its openness and accessibility to the «uninitiated people».

This is a mysterious area, where access to information is limited; it has a system of certain «rituals», emphasizing the exclusivity and uniqueness of the project and increase interest among observers who want to learn more about this unusual phenomenon. People become owners of unique architecture, they are surrounded by stylized green space complexes, they own objects of art, which support the general idea and provide the opportunity to be surrounded by beauty.

Analysis of architectural solutions of competitors indicates that fairly limited stylistic are used in the region. This finding was taken into account. The architecture of the project is unique and has its own style. **[Uniqueness]** provides added value, interest, own newsworthy events .



The style reflects the basic tenets of the ideas and is linked to all indicated selection parameters. Therefore, we combined:

Eco + innovation:	forms having analogy with the outside world. Today, these are the current trends that are used in eco-directions, significant innovative objects.
Prestige, Luxury:	in our case it is appropriate to consider the elements of style of the American elite individual resort development. This is both quite modern and tech trend. And besides, it is the stereotypical international vision of prestige and success thanks to mass media.
Conventionalism:	Architectural design is not revolutionary, futuristic; it keeps known plain and safe forms and familiar solutions that will not repel customers. In our case, we used regular traditional basic shapes: rectangle and triangle.
Environmental friendliness:	Use of environmentally friendly materials (wood, stone) and technologies.

Combination of the listed characteristics and eclectic solution based on the described parameters provided unique, relevant, demanded solution that will have sufficient independent value.

ART. The competitor analysis shows that only the Porto Montenegro has used this aspect. This can help to create preconditions for introduction of this aspect into the concept possibly at some higher level than that of the competitors.

The project may involve talented young artists fascinated by the innovative idea of the project, and thus to create series of thematic works. These may include unique mosaic stained glass windows in every house, mosaic floors paintings, which automatically become the property of a house owner.

In this case, again we are talking about uniqueness, excellent information occasions and added value, as each of the clients buying property automatically becomes the owner of an individual artwork, value of cannot be reduced, and in some cases, may even increase substantially in the future.

In addition, the facility area also includes themed mosaics, modern sculptures stylistically and ideologically close to the spirit of the concept. All of this increases motivation to stay at the complex and affects emotional and aesthetic motives and perception of chosenness. As an independent newsworthy event, it affects development of communications in its informational segment.

ENVIRONMENT. Today it is an **[absolute trend]** for real estate of locale -premium and premium class in Europe. Over the last years, the idea is gaining ground in the CIS countries, including Russia. Today, number of objects in Montenegro having LEED certificates is minimal. There is no large scale housing construction, however the **[stereotype has formed]** already that this direction is prestigious and expensive, but profitable. However, in Europe, this trend is gradually becoming the standard. Thus, focusing on the European consumers, this is really necessary aspect, while focusing on the customers from the CIS countries it is a factor that informs about the advanced technologies, increases prestige of purchase, and may be used as grounds for increasing the value of the facility.

Substantive factors:

- It is desirable to comply with LEED requirements, possibly to obtain the appropriate certificates, waste management, etc;
- Use of environmentally friendly materials, innovative construction technologies and alternative energy sources (solar panels, heating and water heating, wind turbines). Strive for independence in terms of resources and accumulation of excess energy, which can be sold either in the nearby complexes or transferred to nearby villages free of charge;
- Acquisition of several electric cars or golf cars of original design for sharing by residents, which can be used to meet them at the airports, and to move around during their stay at the complex.

3.5 ASPECTS OF PROMOTIONAL STRATEGY

The **MAREVITA** promotional strategy is based on the characteristics of the geographical location of the facility and proximity to major international projects such as the Porto Montenegro, the Lustica Bay, the Sveti Marko Island, the complex on Cape Arza by the Tradeunique, the Azmont in Kumbor, the golf resort in the western part of the peninsula owned by the Limon Investments Montenegro.

The scope of financial investments in the implementation and activity in the information and promotion work push to the choice of leader support strategies. In this case, the leader means trademarks mentioned above. They invest resources and funds to prepare of their consumers: popularization of the country, explanation of values and benefits of the region make potential customers pay attention to the region, compare different options, and think about the possibility of purchasing property here. In this process , many of those to whom promotion was directed, refuse the idea – they do not perceive the region, choose some different location, in principle, reject the idea of buying real estate , etc., and divert resources and energy of the projects. Eventually, however, loyal consumers remain who are prepared to opt for a specific project, specific apartments. **[Such prepared clients will primarily be the object of our promotion].**

In fact, we will use promotion work of our competitors for our goals and work with their clients. The main part of the complex work for consumers search and filter will be done for us by competitors' marketing and PR services staff.

We, in turn, must be on time to attract attention and make a better offer.

We'll serve as a unique solution for the customer: the object in the same region (of 5-10 km from their original choice) in the same bay, the same nature, if desired, will be able to enjoy the same benefits as customers of competitors: exhibitions, boutiques, restaurants , concerts, golf clubs, etc. But at the same time, in our proposal, the customer will find not less uniqueness (and maybe more), but at a more reasonable cost.

Under this strategy it is necessary to arouse interest to the object of the not only potential audience, but to one that has already become a customer of one of these large projects, because it will retranslate our ideas and will work better than any of the traditional channels of communication, as the ambience is our direct audience (see the relevant audience above, paragraph 3.2).

Proper tactics was developed to implement this idea. The goal is to arouse the interest of fairly sophisticated audience. It understands the principles of advertising, so

ignore it, got used to the many different proposals about cooperation, tired of the pesky realtors, etc. Accordingly, here it is possible to change the approach and work on the principle «they will come and will buy by themselves.» The key is to originate interest and curious feeling of the relevant audience that should be satisfied.

Therefore, initially we offer to use the tactics of the maximum closeness of the object, with the consistent application of the «truth predictor» complex, which will serve as interests rising markers, followed by a its planned satisfaction.

In general, the essence is to create an artificial impression of the real privacy of the object. But with the growth of interest information will «leak» in small portions through various sources for different target groups. With proper presentation of information, necessary response can be arranged. Privacy of promotion will be linked with the idea of «privacy, chosenness» of participants of the project, where it is difficult to get for normal people and which is only for elite.

Tactical scheme exists in terms of particular measures that can be used for the subsequent promotion.



4 PROJECT

4.1 LOCATION AND MAIN CHARACTERISTICS OF THE PROJECT

Location

The new residential complex **MAREVITA** is located in the unique region surrounded by the beauty and picturesque nature of the Lustica peninsula in the Bay of Kotor of the Adriatic Sea. You will see natural beauty and historical richness of surroundings, and enjoy mild Mediterranean climate. Here, everything is intuitively clear, and the locals provide a warm, friendly atmosphere.

This is a well thought out concept of life in the comfort of a modern house. It combines all the features required for a quiet and secluded life in the one of the most amazing and ecologically clean areas of Montenegro. It's a real gift for those who appreciate style, comfort and high quality of life.



Excellent transport accessibility

Location combines excellent transport connections, where in addition to the nearby town of Tivat and Tivat Airport, 15 minutes drive from the old town of Kotor and 30 minutes drive from Budva town .

In the relative proximity there are numerous entertainment centers and restaurants, promenades and boulevards, yacht marina, post office and bank branches, kindergarten, school, ambulance station and medical center.

Your house will be located in a residential village **[on the first line]**, and besides own beach, a dozen magnificent beaches is available in 15 minutes drive.

In the immediate vicinity of the project **MAREVITA** major investment projects are implemented: Lustica Bay of Orascom, the complex at Cape Arza from Tradeunique, a golf resort in the western part of the peninsula of Limon Investments Montenegro, etc. All of these projects are initially involve the highest level of «recreational development» . The embodiment of the plans will create a unique environment for life.

Qualitative outdoor activities

Every resident of Alfamaris village can afford a quality active leisure and lots of seasonal entertainment all year round. Montenegro offers to its visitors: sailing, diving, kite surfing, trekking, mountaineering, paragliding, rafting, fishing, hunting and much more. In winter, Montenegro belongs to skiers and snowboarders. There are entertainments for the residents who are fired of sports: various excursions, cultural, music and dance festivals are held throughout the year.

4.2 INFRASTRUCTURE AND COMMUNICATIONS

Own wide servicing infrastructure

Vast infrastructure will be built in the residential village including a mini -market, a cafe, a restaurant, a spa center with a range of children's outdoor play area, fitness center and a range of public services, common recreation area and area with mini square and fountain, open guest parking. The project envisages improvement and landscaping of local area, horticulture and hardscape elements. Flower beds will be provided. Compensatory planting of trees and shrubs, as well as walking paths will be arranged on the territory of the complex.

Own landscaped coastal strip and beach

Based on the fact that the complex is location close to the water, we plan to landscape the beach and the coastal strip: build a pier, boats dock and provide all conditions so that the residents of our village could have a good rest on the water.

Utility networks

Utilities networks will be built in the village: electricity and water supply, domestic sewage, storm sewage, complete outdoor lighting will be arranged. Comprehensive network of wireless high-speed Internet, telephone and digital television (IP-TV), video surveillance and security will function.

External transportation services is provided by the existing street and road networks. Entrance to the village is completely asphalted.

Self-support

In case of a power failure in the main network automated diesel power station is provided. In addition to supply clean water to the village borehole is planned to be drilled.

Smart home system

Each villa is equipped with smart home system providing operation of internal life-support systems.

Intelligent system of control and dispatching

Correct operation of all communications, including the smart home system in real time will be controlled by modern intelligent central control and dispatching system.

4.3 PLANNING

We took advantage of terrain features in order to implement in the architecture feeling of harmony with nature. This resulted to a standard solution for the layout of the village.

22 houses, 2 townhouses of 6 apartments each and a hotel complex are to be built on the land plot of 21,865 m².

The main and only street runs through the entire village.

The spatial composition allows to bring together 4 to 7 sites in separate groups. This provides possibility [to minimize potential investment risks] by allocating up to 5 phases in the project. Also fundamental low-density development is defined, which will allow residents to own quite large land plots.

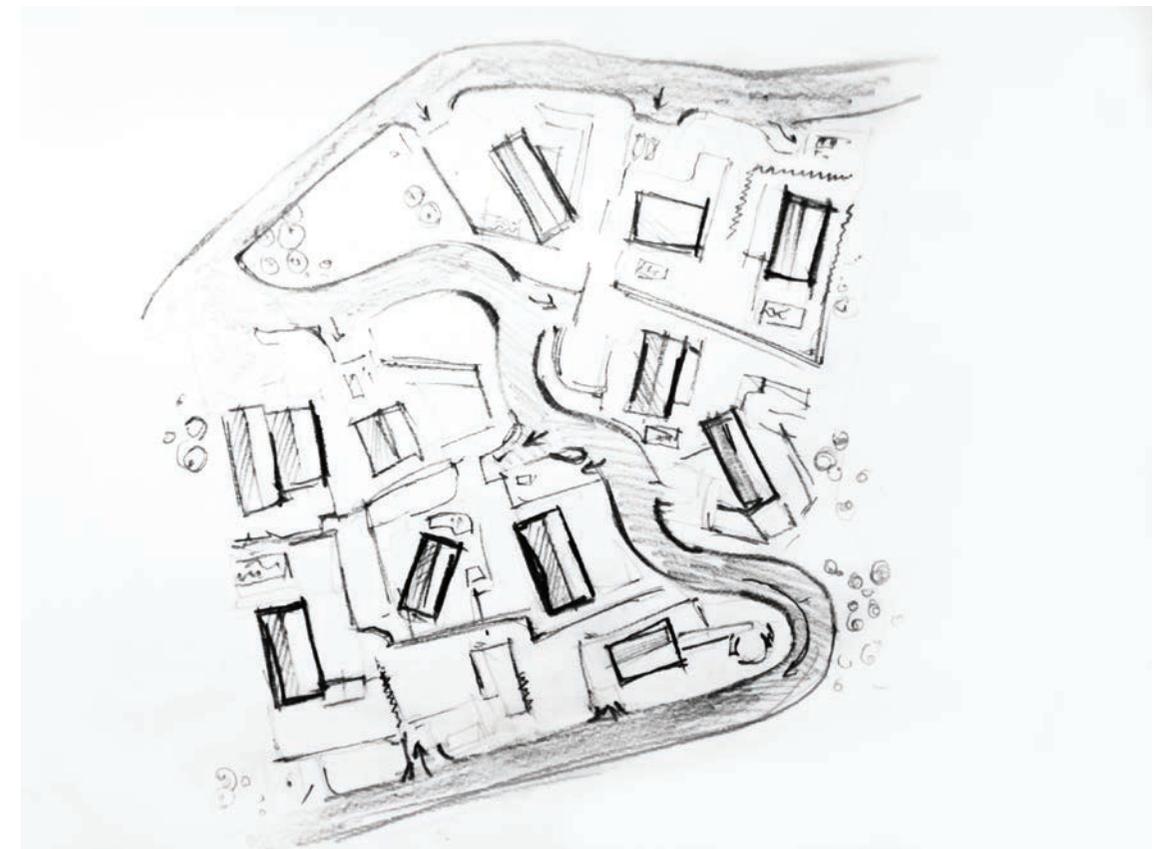
Relative position and configuration of the houses provide required level of privacy of private property, and accessible and functional organization of each site. Professional use of the topography allows each resident to enjoy the unique panoramic views of the largest fjord in southern Europe and the picturesque mountains.

Each of the five «spots» of the development is a comprehensive from architectural point of view micro-region being part of the complex. At the same time, having its distinctive architectural specifics, the designers managed to solve the issue of the combination and harmony in the perception of complex as a self-contained organism.

By creating of architectural concept design within each «spot» of the development, designers managed to find a unique solution, and the following are the main implemented ideas and goals achieved:



a) the main features and ideas typical for traditional Mediterranean principles of residential construction are maintained.



b) Unity of the «modern» and traditional architectural styles is achieved, and as a result, the visual harmony is complemented with comfort and functionality that meets modern requirements.

c) Objects have own unique characteristics and functional solutions, and as a result their own image and brand awareness.

d) using solutions uncommon for this area, we managed to avoid massive structures and high-density construction development and thus achieved additional energy efficiency of houses.

e) the idea of traditional architecture (narrowing and turning of the fronts, orientation of the object on the basis of functional necessity) allows residents to enjoy panoramic view and maintain privacy level required for everybody.

f) villas are designed with two or three bedrooms, living room, bathroom and luxury class

kitchen and sauna. Spacious terrace with a swimming pool are adjacent to the house.

At the request of the customer rooms can be equipped as spa, office, home theater, billiard room, wine cellar, exercise room, laundry room, and workshop.

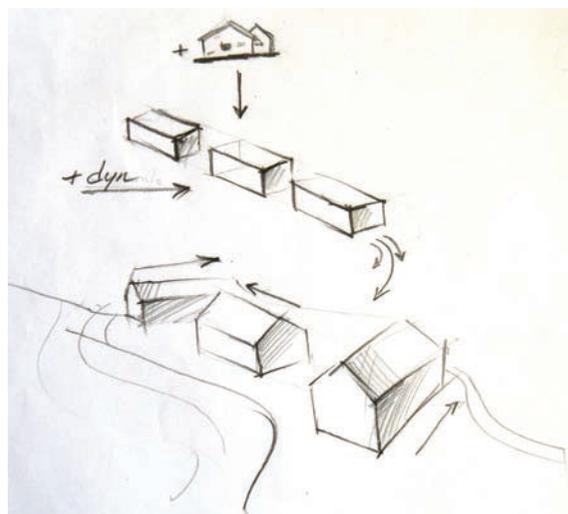
g) in every residential building we managed to implement the principle of the functional spaces combination. (internal premises - under canopy - outdoor), which allows maximum dive into the surrounding natural magnificence upon ones desire.



h) houses are designed with high ceilings and a spacious terrace, and every living room has panoramic windows.

i) in each house, there is passive ventilation system with the possibility of the development by active systems. Availability of such systems, though obvious, but nevertheless is not specific for the region.

j) Use of combined solar batteries provides complex heating in the winter time and ensures availability of hot water without additional costs. Advanced power saving technology and sound insulation are used in facades and windows designs.



k) Additional energy and economic efficiency can be obtained by the following factors included in the project: electric power saving consumers, heat pumps, devices for groundwater and rainwater use.

l) Landscaping design of adjoining areas is made to meet the requirements of the overall concept. The goal is to minimize impact on the existing ecosystem, and preserve the natural environment intact. Well-developed design decisions integrated into the overall network will be supported by modern systems: lighting, automatic irrigation, drainage system using a drainage membranes.

The general concept of some of the architectural ideas is given below. At the same time, **[detailed information on each phase of MAREVITA project is set out in a separate document]**, which should be considered as an integral part of the Memorandum.





4.4 TECHNICAL DESCRIPTION, MATERIALS AND TECHNOLOGIES

Based on the concept of the project, along with the traditional, advanced eco-materials and technologies are used for the construction and decoration of all the houses in MAREVITA.

Buildings scheme	supporting structure: reinforced concrete walls and frameworks a monolithic reinforced concrete floor, Reinforced concrete foundation, heat insulation and waterproofing layer. outer walls, 30 cm thick, brick thermal blocks, waterproofing, finishing with natural stone and wood
Walls and dividing walls	Made of hollow ceramic brick (high energy efficiency). Gable roof, insulation, waterproofing, tiles.
Walls preparation	Plastered, puttied and primed, and the bathrooms are finished with ceramic tiles and granite stone. Heated floors, stones covering, granite ceramic slabs and woods
Windows, doors and stained glass art-works	impact-resistant, energy-efficient dual-chamber glass-packs of aluminum profile, glazed with low-E glass,
Metal garage doors	Rolling doors with remote control

The facility includes the following utilities: water supply and sewage, electricity, hydro and thermal engineering networks for heating and cooling, telephone networks, computer networks, as well as satellite and public television.

4.5 OWN CUSTOMER AND MAINTENANCE CENTER

The integral part of the "Club Service" is a proper service and maintenance center. The purpose of the center is to ensure high level of comfort and gain extra profit. The estimated area for operation: private residential development (phases 1-4 of the project) with a potential coverage of surrounding areas. Operation can be separate and as part of the hotel complex operation service (Phase 5 of the project).

Service company ensures smooth operation of all communications and the general order in the territory, cleaning and garbage removal, provides functioning of reception point, 24 hours guarding guard and video surveillance on the village perimeter, access control.

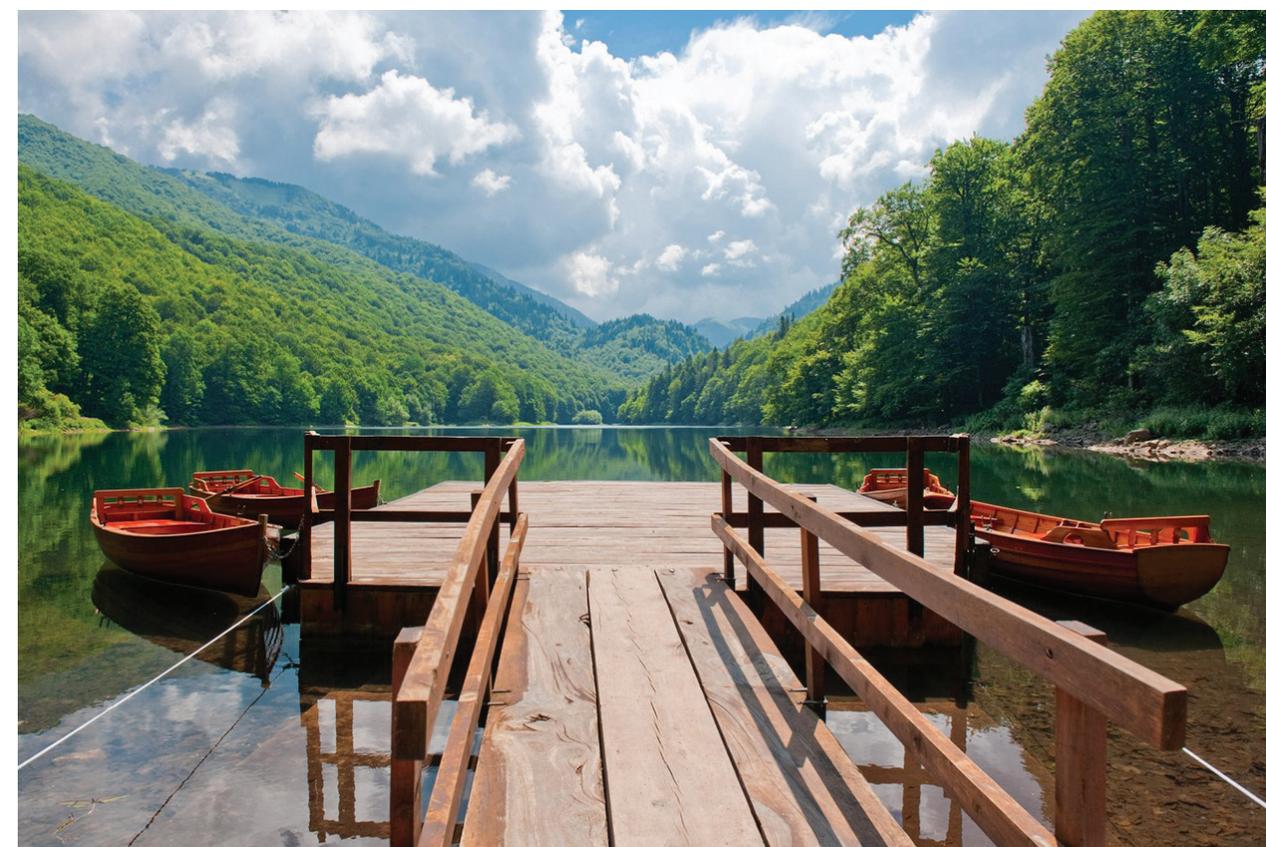
Basic package of services for real estate maintenance include:

- Maintenance of internal and external communications
- Security systems and plants
- Cleaning and ventilation
- Maintenance and cleaning of roofs and drainage channels, facades and windows
- lawns watering, pools maintenance
- Payment of utility bills and taxes, mail processing
- Use of service company vehicles (transfers to airport, shopping and entertainment centers, beaches)
- Quick response to emergency situations
- making and sending e-mail reports

- Service Company can offer optional services:
- Organization of excursions, entertainment, cultural and sports activities
 - Monitoring and continuous provision of information about the most important events in Montenegro, ensuring participation in such events
 - Yachts, cars, motorcycles rent, etc.
 - Car wash
 - Advice on shopping, food delivery
 - Check availability and condition of the property
 - Additional property insurance
 - Cleaning and maintenance of swimming pools, saunas
 - Organization and performing of non-warranty repairs
 - Landscaping and gardening

There is also an option to make additional agreement with a service company for **[management and operation of real estate]** ("Managing your personal property"). Possibility is provided for letting a house or apartment to lease to get fixed income within a specified time, or upon the receipt of income based on the lease fact less the cost of the managing company services.

We believe that all these services will create cozy atmosphere of comfortable life.





5 FINANCIAL PLAN

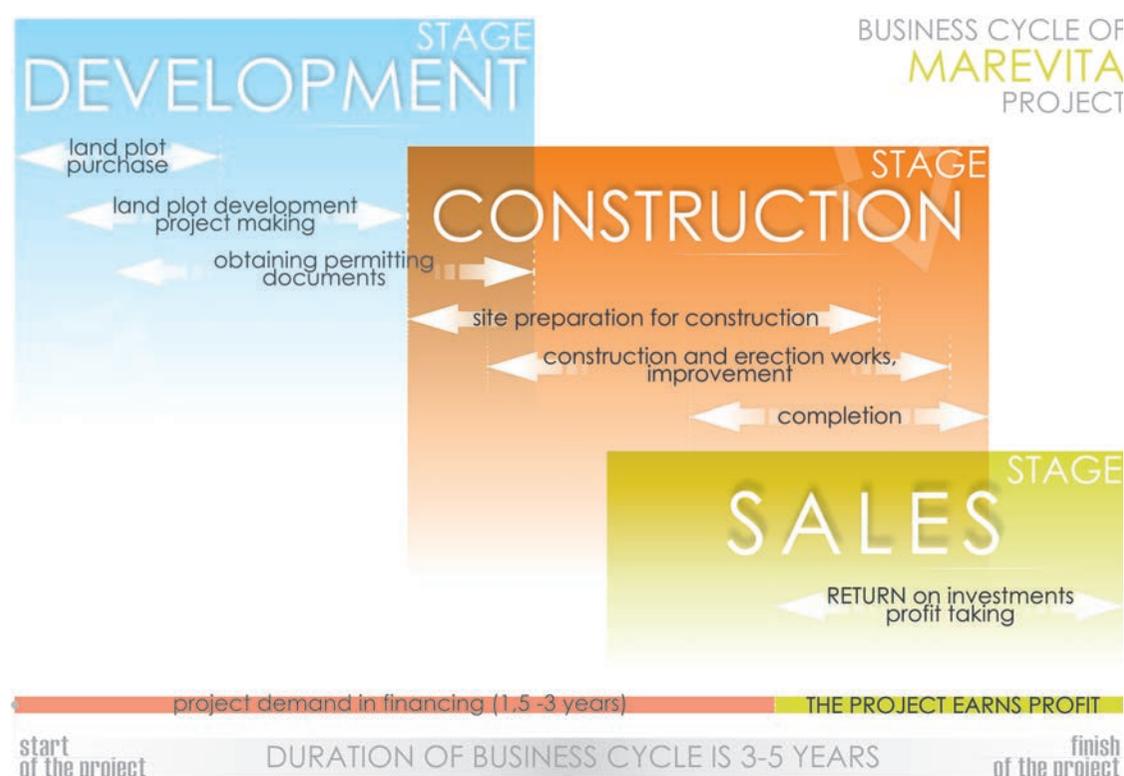
The financial plan includes the following elements:

- Scheme of investment activities
- Total revenues,
- General expenses
- Profit and loss statement.

5.1 SCHEME OF INVESTMENT MEASURES

The figure below shows the scheme of measures during the project implementation.

Scheme of investment measures



5.2 TOTAL COSTS

The projection of the total costs and revenues is based on preliminary plans and parameters obtained experimentally. Here there is relation with such variables as the selling price per m² at a specific site and region, construction costs, compensation for the improvement of the construction area (utility payments), price of compensation for the infrastructure, technical supervision costs, cost of making technical documentation and other expenses will be reimbursed from the income during the accounting period. The tables show projections of the total expenditure by types, on this basis forecast analyses of the profit and loss statement was made. All calculations of financial indicators for the preparation of this plan were made on the basis of constant prices.

Based on the specifics of the project, we identified the following investments of the strategic partner in the real scenario:

- cost of land acquisition
- cost of preparatory work
- cost of technical documentation making
- cost of audit projects, fees, opinions, and other permits and approvals
- cost of utility payments (including possible offset for connections to external networks)
- cost of the road construction
- cost of retaining walls construction
- construction costs
- cost of technical supervision
- cost of landscaping of the adjacent territory

Calculation of aggregate expenses is shown in the summary table

№	Investments structure	Meas. unit	Quantity	Price (€/m ²)	Total (€)
1	Costs for land purchase and urbanization (performed)		21865	300	6559500
2	Site preparing for construction	m ²	21865	80	1749200
3	Making of the main construction project (Enforma, Kotor)	m ²	11500	17	195500
4	Projects audits, fees, opinions, and other permits and approvals	m ²	11500	10	115000
5	Construction of internal service road	m ²	2000	100	200000
6	Retaining walls construction	m ²	1100	200	220000
7	Construction of residential and commercial units	m ²	11500	750	8625000
8	Technical supervision	m ²	11500	10	115000
9	Landscaping and site finishing	m ²	7000	50	350000
10	cost of utility payments (including possible offset for connections to external networks):				
	Zone II	m ²	6400	120	768000
	Zone III	m ²	5100	90	459000
11	Operating costs (company operation costs)	year	3	30000	90000
	TOTAL				19446200

We offer to consider details of each expense group according to the structure:

(1) Land purchase and urbanization

Group of land plots on which construction of residential and commercial buildings is planned, is located on a segment Krasici - Zabrze. Relative cadastral parcels and construction spot is a single space where the objects will be on cascades with a height difference providing the best possible location and open views to the sea from all residential units. However, the whole village can be divided into two conventional parts: part for individual residential buildings + townhouses and the hotel complex. Considerable work on the urbanization of the above locations was performed.

Each of the 25 plots has **its own set of documentation** that allows you to choose from a variety of options for further construction and provides additional competitive advantages for each residential unit with and attractiveness for subsequent sale. It's safe to say that today on this territory in the immediate vicinity there are no proposals with a similar level of development. Taking into account micro-location of the site, intended purpose, performed urbanization works; evaluation of the land value is given on the basis of market conditions, taking into account findings of the authorized legal expert.

(2) Land preparation for construction

The cost of this group of expenses is approved on the base of estimates and list, after studying of offers on the market and the common expenses for preparation of such land plots.

$$21865 \text{ m}^2 \times 80 \text{ € / m}^2 = 1,749,200 \text{ €}$$

(3) Costs of the project design documentation.

Costs for development of design and technical documentation were calculated on the basis of services market researches and analysis of the offers from more than 15 architectural companies. Architectural company «Enforma» of Kotor and the chief architect of the project - Nikola Novakovic are identified as the most appropriate to the level and goals of our project. Based on the our agreements the costs will amount to:

$$11,500 \text{ m}^2 \times 17 \text{ € / m}^2 = 195500 \text{ €}$$

(4) Costs related to the audit of projects, fees, opinions, permits and other approvals

Based on the practical data and experience of the Investor and other entrepreneurs in this area, this cost amounts to:

$$11,500 \text{ m}^2 \times 10 \text{ € / m}^2 = 115,000 \text{ €}$$

(5) Construction of the internal service road

Costs for this item are calculated based on the need to bring internal service roads in the proper form, projected axis of the road, its size and construction costs per unit:

$$\text{m}^2 2000 \times 100 \text{ € / m}^2 = 200,000 \text{ €}$$

(6) Construction of retaining walls

The cost of retaining walls construction is calculated on the basis of proposals of actual companies and amounts to:

$$\text{m}^2 1100 \times 200 \text{ € / m}^2 = 220,000 \text{ €}$$

(7) Construction of residential and commercial facilities

Based on the list of works and cost estimates, taking into account practice and experience in the construction market, cost of construction (civil works) are calculated as follows:

$$11,500 \text{ m}^2 \times 750 \text{ € / m}^2 = 8,625,000 \text{ €}$$

(8) Technical supervision costs

Technical supervision costs are calculated as follows:

$$11,500 \text{ m}^2 \times 10 \text{ € / m}^2 = 115,000 \text{ €}$$

(9) Gardening and landscaping of the surrounding areas.

Basing on the requirements of the project concept to maximally preserve the uniqueness of the environment and according to the analysis of the market and offers, here follows the calculation of necessary investments:

$$\text{m}^2 7000 \times 50 \text{ € / m}^2 = 350000 \text{ €}$$

(10) Utility compensations (including offsets for connection to external networks) According to the Resolution of the Municipality of Herceg Novi «On Compensation for construction site development», compensations consist of the following components:

- Compensation for the preparation of the construction site,
- Compensation for preliminary investments,
- Compensation utility networks arrangement at the construction site
- Compensation for the benefits provided by land plot to the user.

According to the indicated standard compensation rate for the arrangement of the construction site at the location of interest is the following:

$$\text{Zone II} \text{_____} 120,00\text{€}$$

$$\text{Zone III} \text{_____} 90,00\text{€}$$

Therefore, the costs calculated on the basis of the specifications of the Municipality of Herceg Novi were as follows:

No	Structure	Area	Utility compensations (m ²)	Total (€)
1	zone II	6400	120	768000
2	zone III	5100	90	459000
TOTAL:		11500		1227000

(11) The current costs of the Company, based on previous experience:

$$\text{years } 3 \times 30,000 \text{ € / m}^2 = 90,000 \text{ €}$$

Therefore, total investment cost of the project of the private tourist and residential superior comfort complex **MAREVITA** will amount to 19.446,200 €

This amount **[includes all costs]**, including the cost of land plot, its urbanization and its preparation, design and supervision, construction of retaining walls, construction of the internal service road, audit of the project, «turnkey» construction, public utility charges, various approvals and permits, landscaping and gardening of the surrounding area, as well as VAT.

5.3 THE TOTAL INCOME

This amount **[includes all costs]**, including the cost of land plot, its urbanization and its preparation, design and supervision, construction of retaining walls, construction of the internal service road, audit of the project, «turnkey» construction, public utility charges, various approvals and permits, landscaping and gardening of the surrounding area, as well as VAT.

No	Structure	Area	Utility compensations €/m ²	Total (€)
1	Garages	1000	1.030	1.030.000
2	Commercial buildings	1100	2.690	2.959.000
3	Residential buildings	9400	2.241	22.654.000
4	Curtilage (possession 1 to 1)	7400	230	1.702.000
5	Part of service road (common ownership)	2000	140	280.000
TOTAL:				28.625.000

Therefore, total income of the investor from construction and sale of residential and commercial facilities **MAREVITA** amounts to

€28,625,000



6 PROJECTED RESULTS

6.1 PROFIT (PROFITS AND LOSS STATEMENT)

Based on the previous analysis performance indicators projection for the construction of private tourist and residential superior comfort complex **MAREVITA** is as follows:

No	Investments structure	Amount, €
I	TOTAL INCOMES	28 625 000
1	Operating profits	28 625 000
2	Other incomes	-
II	TOTAL EXPENSES	19 446 200
A	Material expenses (project implementation)	
1	Costs of land purchase and urbanization (performed)	6559500
2	Site preparation for construction, including geodesic surveys	1749200
3	Production of the main construction project (Enforma,Kotor)	195500
4	projects audit, fees, opinions, and other permits and approvals	115000
5	Construction of internal service road	200000
6	Retaining walls construction	220000
7	Construction of residential and commercial units	8625000
8	Technical supervision	115000
9	Landscaping and site finishing	350000
10	cost of utility payments (including possible offset for connections to external networks):	1227000
11	Operating expenses (company operation)	90000
B	Salary (included in to point 11)	-
C	Financing expenses	-
D	Incidental expenditures	-
III	TOTAL Profit	9178800
	Company profit tax (9 %)	826092
	NET PROFIT	8352708

6.2 SAFETY AND RETURN OF INVESTMENT

The strategic partner will invest 19,446,200 euros, and at the end of the investment cycle of 3 to 5 years, the partner will receive the revenue equal to 28,625,000 euros. Therefore, profitability of the investments of the strategic partner of the project will be 47 %.

The return on investment will be provided from sale of land under construction at the construction stage, as well as from the sale of completed facilities after construction. Therefore, profitability could be much higher. Investor was guided by conservative scenario for the calculation of return in order to minimize the risks.

Sales in both cases can be represented in the following tables:

Sales at the construction stage, up to 50%

No	Structure	Area	Utility compensations €/M ²	Total (€)
1	Garages	500,00	980,00	490.000,00
2	Commercial buildings	-	2.390,00	-
3	Residential buildings	4700,00	2.330,00	10.951.000,00
4	Curtilage (possession 1 to 1)	3700,00	190,00	703.000,00
5	Part of service road (common ownership)	1000,00	130,00	130.000,00
TOTAL:				12.274.000,00

Sales during the construction phase can begin immediately after construction permit obtaining.

Completed facilities sale, about 50%

No	Structure	Area	Utility compensations €/M ²	Total (€)
1	Garages	500,00	1.080,00	540.000,00
2	Commercial buildings	1100,00	2.690,00	2.959.000,00
3	Residential buildings	4700,00	2.490,00	11.703.000,00
4	Curtilage (possession 1 to 1)	3700,00	270,00	999.000,00
5	Part of service road (common ownership)	1000,00	150,00	150.000,00
TOTAL:				16.351.000,00

The tables show that the sales prices per m² are different at different stages of completeness of the object. As common practice, it is explained by the fact that the larger is the completed construction, on the one hand, and the more infrastructure and support is developed, on the other hand, the higher is the valorization and therefore the selling price of area units.

7 MARKET ANALYSES

7.1 DEVELOPMENT TRENDS

Due to its favorable geographical location and abundance of natural beauty, including the Adriatic coast, the mountains and nature reserves, Montenegro is a famous tourist destination.

Tourism is one of the most important sectors of the economy of Montenegro, which is considered a strategic sector for future development, and according to economists estimate it has the highest growth potential.

The Parliament of the Republic of Montenegro adopted the Strategy of tourism development up to 2020 - Master Plan, which includes implementation of numerous medium-term actions focused on infrastructure projects. The plan provides for the development of Montenegro as a summer destination as «improved Mallorca», and as winter destinations for the target markets of winter outdoor activities or rest on the coast and conferences holding out of season.

According to economic projections of the tourism sector development in Montenegro, made by the World Travel & Tourism Council (WTTC) tourism remains the leading export sector in Montenegro. According to WTTC's report for 2012, forecast of annual growth rate of investment in the next 10 years is 10.0 % per year, which provides Montenegro **[top place]** in the list of countries with the most rapid rate of development in the tourism industry in 2013 and second place for the long-term forecast among 184 countries of the world. According to preliminary estimates, it is believed that the financial effects will grow with the same rates.

Direction of travel routes of our potential customers (see paragraph 3.2) is moved to the Adriatic coast. People are no longer content with the usual pastime at the beach. Many people keep business and active lifestyle during the holidays. The popularity of summer and winter resorts in Montenegro opens new possibilities every year. World-famous resorts, spas and clinics are opened throughout the year.

7.2 MICRO-REGIONAL SURROUNDING

Lustica Peninsula, Montenegro is surrounded by the Adriatic Sea on one side and the Tivat Bay of Kotor, the last of the least built-up area of the Montenegrin coast. Olive groves and private vineyards, sandy beaches and rocky pitches, old secluded villages, rich history and unique flora - all this is just a partial list of the charms of the green Lustica.

Peace and tranquility combined with lush, age-old oak trees, lots of birds and wildlife have made this corner of the earth in the Balkans famous throughout Europe. There people really can feel at one with nature. This location offers peace and quiet to people looking for privacy. True connoisseurs of rest, having been here once before come back here again and again.

On the peninsula there are no any large settlements, having town status. Throughout the Lustica there are not more than a dozen small villages, which about 10,000 people live in summer time. Famous towns - Krasici and Radovici - a traditional summer resorts for the residents of the capital of the former Yugoslavia, with stunning views to the bay.

Modern Krasici is perhaps the most popular tourist village in Tivat bay, the village is

located on a slope, and houses of the first line are located at the sea coast, many houses have their own docks and piers for swimming and sunbathing. Krasici has beautiful view to the peninsula Prevlaka and the islet of Gospa od Milowith the convent and the church of the Blessed Virgin Mary (XV century).

In these villages mountains close coastline from the wind. Because of this, the sea is always calm, warm and crystal clear. During the heat time mountains also help to hide from the sun, while located opposite Herceg-Novi Riviera in this time is completely open to the sun. From here it is very convenient to get to all parts of the Adriatic coast of Montenegro. So Budva is located in about 20 km away, Tivat and Kotor - 10 km away. Lustica embraces the most beautiful and clean wild beaches of Montenegro, which are located among pine and olive trees, «Plavi Horizons» and «Oblatno» (sandy beaches), «Zanjica» and «Mirista» (pebble beaches), Arza, Rose, Dobroč. It should be noted that the beaches «Plavi Horizons», «Zanjica» and Dobroč consistently certified as UNESCO Blue flag beach in recent years, as one of the most clean beaches in the world.

The tourist season in this part lasts from May to November, and the highest attendance is in July - August.

On the northern coast of Lustica peninsula tourists can visit one of the Montenegrin villages that have preserved national colors of the Middle Ages and is classified by UNESCO as a World Cultural Heritage Site. The main attraction of this village is considered the 4th century mill, which produces olive oil with an old wooden press. It also has a museum with unique antique household items. Zabrdje village is located 250m above sea level, and there is a splendid view to the Boka Bay. The area is famous for its lush vegetation, olive groves, which are several centuries aged. Clean environment, mountain and sea air allow growing rare varieties of olives, grapes and some other fruits and vegetables. Local delicacies from Zabrdje in the past were supplied to royal courts of Vienna and other European capitals.

Here it is necessary and possible to live easy. Lustica coast receives as average of 2,550 hours of sunshine a year. The water temperature for six months is in the range of 21 .. +26 ° C. Transparency of sea water is up to 40 meters. Coast has mild Mediterranean climate long and dry summers and short and mild winters. Swimming season begins in April and lasts until November. Average summer temperature is +25 ° C and in winter it rarely drops below 15 ° C. Two seasons of flowering, ripening of citrus and flowers, brought from all over the globe.

Location of the MAREVITA project is very attractive. The land is located on the first line of the Lustica peninsula close to the village Krasici in the direction of Zabrdje. In the vicinity there are large investment projects being implemented, which originally mean the highest level of comfort that over time will create conditions for the life of luxury class.

7.3 LEGAL AND LEGISLATIVE CONDITIONS

Montenegro has set for itself a priority to enter into European Union. This involves development and harmonization of legislation and public institutions to the level of European standards. Significant steps in this direction have already been taken.

Corporate profit tax

All kinds of businesses, including non-profit (if they receive profit from services rendering and /or sale of goods on the market) must be subject to income tax at the statutory rate of 9% of the taxable base. This applies to all entities, both to residents and non-residents.

Individuals' income tax

Individuals, regardless of whether they are citizens of Montenegro or not, are required to pay income tax. Persons having the nationality of the country are taxable for all of their income, and persons who are not citizens of the country are taxable for only a part of the income received in Montenegro. The following are the types of revenue sources deemed to be received in Montenegro: income from independent activities, from the rental of real estate, income from capital (interest and dividends).

Taxpayers must submit tax declaration to the tax office before the end of April in the year preceding the taxable period.

Additional payroll tax

The basis for the additional payroll tax is the amount of tax on wages. Rate is set by the towns' parliament. In all municipalities in Montenegro, this rate is 13%, except for Podgorica and Cetinje, where it is 15%.

Social insurance contributions

Social security contributions are paid by the employer with the following interest rates: 5.5% of pension and disability insurance, health insurance is 3.8% and unemployment insurance rate is 0.5%, and Labour Fund rate is 0.2%.

Contributions to social insurance funds are paid by employees at the following rates: 15% of pension and disability insurance, health insurance is 8.5% and unemployment insurance rate is 0.5%. Base for contributions to social insurance funds is the amount of accrued wage.

Value added tax

The Law on Value Added Tax came into force on 1 April 2003, replacing turnover tax on goods and services. Montenegrin Law on VAT corresponds to the EU VI Directive. The accepted concept - a concept of input and output VAT, under which the registered companies charge VAT on its products (output tax) and are entitled to VAT refunding when making purchases (input tax). The standard rate to be applied to most purchases or services and import is 19%.

Zero rate of tax is applied to export operations, as well as to other specific products (supply of medicines, medical equipment, financed from national health insurance fund, public services (postal services, medical services, services in the field of social protection, early childhood education services, sport, religious and other public services), import of products, which are transported in Montenegro in the framework of the Customs transit procedures, services for the import of products, temporary importation of products, etc.

According to the amendments and additions to the Law on VAT from 1 January 2006 value-added tax rate of 7% is set for certain goods and services.

Real estate tax

Tax on real estate in Montenegro is applied to real estate. The tax base is the market value of the real estate as of January 1 of that year, over which the tax is calculated.

Tax rate on real estate in Montenegro is established by local authorities in the range of 0.08% to 0.80% per year.

Other deductions

In addition, there are obligation to pay compensations for use of municipal construction site, charges for corporate advertising signboard and compensation for

environmental protection. Over the years, variety of local charges was introduced. Amount of these fees is set at the municipal level.

LEGAL ASPECT OF FOREIGN INVESTMENTS

Montenegro has enacted laws in order to provide opportunities to invest for foreign individuals and legal entities. Montenegrin Foreign Investment Law prohibits investing in certain areas (mainly for the protection of the state), if investment is not co-investing with a partner being a resident.

Foreign investor may establish the company in the territory of the Republic and to invest in the company on the terms and conditions under which a person may establish domestic enterprises and to invest in the company («national approach»).

Foreign investor is enabled to:

- Manage or participate in the management of the company.
- Transfer rights and obligations arising under the contract on investment or memorandum of association or establishment resolution, to other foreign investors or domestic entities.
- Return of the individual invested items under the contract on investment or constitutional instrument.
- Return shares or cash balance invested in the company, in the event of contract termination or expiration of the contract on investment or memorandum of association or establishment resolution or termination of the enterprise.
- The share in the property of the company and to refund part or all of the property after the termination of the enterprise, if those funds are invested in the establishment of the company.
- Other rights provided by this and other laws

Foreign investors are enabled to examine keeping of business books and current operations of the company, in which they invested funds, and have the right verify periodic and annual reporting by themselves or through authorized representative. Foreign investors on the basis of investment have the right to participate in the distribution of profits, freely transfer or reinvest profits, including currency exchange.

EMPLOYMENT RELATIONS

Employment relations are regulated by the Montenegrin Labour Law, General Collective Agreement, separate collective bargaining agreement, personal employment contract and the Constitution of Montenegro.

CORPORATE LEGAL ASPECT

In 2002, the Companies Law was adopted to consolidate organizational and legal forms of business entities in the country. In addition, the Register of Enterprises of Montenegro was transferred to the Central Registry of the Commercial Court in Podgorica.

Legal forms of business entities are: entrepreneur, simple partnership («OD»),

limited partnership («KD»), joint stock company («AD») and Limited Liability Company («DOO»), as well as parts of foreign companies.

LEGAL ASPECT IN TOURISTIC AREA

Montenegro adopted laws regulating the area of tourism in Montenegro. In 2004, the Ministry of Tourism initiated large number of measures to improve the legal and institutional aspects in the field of tourism. Tourism Act, the Law on Tourism Organizations Act of touristic space (the law of noise reduction) and a number of other instructions were adopted.

Marine sector management, as well as use, protection and development are regulated by the Law of the Marine sector. According to this law marine sector includes coastline, ports, swimming areas and other elements of marine sector.



7.4 ANALYSES OF REAL ESTATE MARKET

Despite the lack of comprehensive and appropriate development, Adriatic coast of Montenegro attracts more and more tourists every year.

The real estate market in Montenegro was always very attractive. Even in times of Socialist Yugoslavia activity in the real estate on the Montenegrin coast was a very attractive source of income. The first buyers of real estate in Montenegro at that time mostly were citizens of the former Yugoslav republics. Mostly, buyers came from Serbia, Bosnia and Herzegovina, and Macedonia.

Already in the late seventies and throughout the eighties Montenegrin citizens living in Western Europe and other republics of the former Yugoslavia, started to acquire and build residential buildings. This group also includes customers, working and living in the Western countries. Thus, the first buyers come from abroad, from such countries as Germany, Switzerland, Austria and the United States. Despite their origins, these buyers have brought numerous innovations in the field of architecture, construction and finishing techniques applied in Western countries.

In the early nineties of the last century, the first real foreign investors and buyers of the real estate appeared. The market began to develop really quickly, but the military events that took place on the territory of ex-Yugoslavia, slowed this process down.

At the end of the nineties and the beginning of the new century, the first interested foreign buyers appeared. At the end of 2001 observed to the present day process called «burst on the real estate market in Montenegro» began.

Real estate market boom in Montenegro occurred in 2006-2008. New projects were actively constructed, and housing prices rose up to 25 % annually in many ways thanks to the interest of the Russian and British buyers. Current legislation does not provide for large restrictions on the

acquisition of real estate in Montenegro. Every foreign buyer can become the owner of the real estate (houses, apartments) in Montenegro in the same way as the citizens of the country. Registration is made on the name of the buyer after payment of the state tax of 3% of the market value of the acquired property.

Year of 2009 was a disaster for the local market. Demand for real estate dropped off, prices, respectively, went down. From 2010, till the end of 2011 the housing sector in Montenegro stagnated, and only at the beginning of 2012, the foreign buyers once again drew attention to the country. Compared to the peak figures, property prices on the coast of Montenegro fell on average by 30%.

According to the Statistical Office of the country, in the third quarter of 2012 the number of transactions with real primary market dramatically increased - plus 17.3% on the annualized bases. Buyers' interest was fueled by relatively low real estate prices. At the end of 2012, the square meter of new housing in Montenegro cost an average of around € 1,700.

The highest price for the apartments was registered on the leading beach resorts of the country. Thus, in the second half of 2012 square meter in Budva's new buildings cost an average of € 2150, in Bara - € 1,650. In the capital, Podgorica, the square meter in the new house, was possible to buy for an average of € 1,200.

In 2013, activity in the construction sector in Montenegro has been increased. In the third quarter number of building permits exceeds last year's figures.

Tourist sector may add additional buyers to the property market in Montenegro. As you know, people are more willing to buy housing in the countries with which they are

familiar, and they visited as tourists. For example, only number of Russian tourists on the Adriatic coast increased by 48% over the past year.

Russians are leading among the foreign buyers of property in Montenegro - they participated in about 50% of all transactions.

Also immigrants from Europe present in this market, who want to get rid of their savings in euros and to invest in real estate. Russian interest is evenly distributed along the coastal strip of Montenegro. All the resorts in the country are demanded. Objects in the capital Podgorica are sold rarely.

Russians buy in Montenegro both apartments and private houses. New trend: interest in construction in Montenegro increased. According to realtors, a few

years ago, people were afraid to buy land, and now, if they cannot find ready house, they construct it by themselves.

According to statistics, in 2013, Montenegro was in third place in popularity among Russian buyers of foreign real estate after Bulgaria and Spain. In 2014, this country is supposed to maintain its top position in the ranking of preferences.

The interest of the Russians is not only based on historical relations, but also on the fact that the scheme of buying property and the rules of entry for citizens of the Russian Federation are as simple as possible. Montenegrin authorities have promised that the country will be visa-free for our compatriots until the accession to the EU.

Real estate prices in Montenegro is a different story and it is difficult to imagine the market where everything is so ambiguous. The price of real estate is affected by a whole lot of factors, most of which are hidden from the eyes and require careful study and expertise. The main factors include location, view to the sea and communications, as well as the condition of the object. **[It is not quite correct to try to calculate the average price per square meter on the coast]** because each object is unique (and this is certainly another plus of Montenegro) and often houses that are 500 meters apart of each other may vary in price quite substantially just because one is on the border of a large site designated for multi-family buildings. Again key factor is, if the building refers to the tourist area, or to the «residential» part of the town where there are few tourists and beach is far away, or to the neighborhood area, and so forth.

Zonally the most expensive areas on the coast are Budva Riviera (from Budva to Petrovac) and Boka Kotorska. Then Montenegrin coast along the southern part (from Cutomore to Ulcinj and «Velika Plaza» inclusive) - Barska Riviera have second top prices. The main interest, and the most liquid property is located at a distance of up to 1000 m from the shoreline, the most expensive and prestigious objects - just on the first line and often have their moorings or access to sea.

Landscape of the coast is different, sometimes mountain are close to the water and often apartments located 100 meters away from the shore offer stunning panoramic views of the sea or the sea and the mountains (like in Boka Kotorska).

Because of this situation, variation in prices is significant: they start from 40-50 thousand euros for a small apartment or a studio apartment (20-35 sq.m, which is about 1200 - 1500 euros per square meter) and then go up, almost having no upper limits. Good facilities (new apartments for sale with sea views and within walking distance to the beach) are estimated at 2200 - 4000 euros per square meter, depending on the finishing level, views, and, again, location and surroundings.

In recent years, lot of housing was built in Montenegro. The plots of land that were purchased in 2006-2008, with a focus on multi-apartment construction were gradually sold for a variety of construction projects. Whereas at the beginning of the market choice

of the apartment was possible only among secondary fund according to the principle of «least worst», and now the buyer has a choice of dozens of new buildings.

Most of them are just small houses for 5-15 apartments, sometimes with a shared swimming pool, «squeezed» in the old buildings of villas and houses here and there. There are also larger-scale projects, but they are smaller and they are more focused on the sector of expensive, elite housing.

Situation with houses is similar; it is poorly amenable to unification and systematization. For small houses «somewhere on the coast,» usually in the range of 2-3 km, depending on the meaning of «closeness» of the seller, prices start from 70-80 thousand euros.

For the money you can buy a «rusina» (wreck), or a small house built «from all available materials» 10 years ago, standing on the site of 3 decares. The quality of construction can be hardly classified (mainly squatters) and the features of the architecture can be mentioned only for more expensive houses (300 thousand Euros) .

Historically, the main criterion was the ratio between value of buildings construction and the number of bedrooms and square meters, the appearance was the least important factor. If you start from prices, the picture looks as follows.

Lower limit - 70-80 thousand euros for a small house, more or less decent houses with land plot and good views range from 170 to 190 thousand euros and are not located in the most prestigious locations.

Houses that are commonly called «villas» are closer to 300 thousands, and then almost unlimited. For 400-500 thousand it is possible to choose very decent villas built or rebuilt a few years ago, or this year, located close to the water.

Another reason for such prices range or not adequately low market prices for good object are problems with the documents. As we have said, mostly houses in Montenegro are squatters, built in different periods of the country's history.

And if recently everybody try to do everything according to the laws, for the facilities built more than 5-6 years ago, the situation of problems with documents is rather massive than the exceptive. Unregistered meters, sometimes entire floors or entire buildings, legalization which will cost lots of money, and which is not always possible.

Naturally, the owner is not in hurry to inform buyers about this or the owners says «buy, and I 'll resolve the problem, my relative works in the Cadaster».

It is difficult to count how many of these cases is now in consideration of the Montenegrin court, when a new owner tries to bring the seller to justice or get compensation for his losses.

Based on the above, results of reviews of the average market prices in the target segment are as follows (in € / m²):

Real estate in towns	Houses	Apartments	Land plots
Budva region:			
Petrovac	2.200-3.000	2.000-2.800	300-700
Rezevici	2.300-3.100	2.100-2.900	300-500
Becici	2.400-3.000	2.300-3.000	400-800
Budva (center of the town)	2.400-2.900	2.300-3.100	700-900
Tivat	2.300-2.800	2.100-2.700	200-600
Herceg Novi	2.000-2.000	1.900-2.500	250-700
Kotor	2.000-2.500	2.000-2.600	200-600
Bar	1.700-2.300	1.500-2.100	200-500
Ulcinj	1.400-1.900	1.400-1.900	150-400

THE FOLLOWING CHANGES MAY BE NOTED BASED ON THE ANALYSES OF EVENTS ON REAL ESTATE MARKET

- Reorientation of the market occurs to the abilities and needs of the potential buyer, which are adjusted on the basis of reducing overall level of income, the desire to «stretch» over time the cost of acquisition and construction of the house.
- There is a reduction of the area of proposed buildings / land plots in order to reduce the final cost of homeownership. Consumer demand has focused on either maximum finished objects (the most interesting objects with the areas of more than 4 decares, with small houses not exceeding 220 m²), or in land plots with engineering networks (4 to 6 decares).
- There is a significant increase in the number of land plots in the overall structure of the proposal. In this regard, there is a risk of return to the diversified development in one village with indefinite completion of the entire object.
- Due to the increase of the object's exposure time in the market for more than 2 times, settlements completion deadlines were moved, as the developer often directly depends on buyers investments.
- Re-conception of many projects occur. Developers will continue to reduce cost of projects by reducing the infrastructure facilities in the complex.
- Continuing trend of the development of more remote areas.
- The projects implemented in the area of the Bay of Boko-Kotor contribute to creating of favorable environment that will allow competing with well promoted areas in the future.

CONCLUSIONS

Investment idea , which is considered herein is considered as acceptable.

The project is justified in terms of all important indicators.

Economic analysis and evaluation of the project justify its implementation and describe it as a project with a high percentage of profitability.

analysis of income and investments was based on the principle of "realistic scenario ," and sometimes even "worst-case scenario", as it was in the section about the costs.

In the current financial situation prices of construction materials and services to the construction industry are getting down. Therefore it is possible to expect reduction of the investment cost of the project by up to 10%.

All the above factors show significant safety reserve in case of unforeseen deviations from the design parameters.

In addition, since the beginning of 2013 increase in interest in real estate is observed, both in the described area, and throughout Montenegro.

Existence of unique distinguishing features makes the whole project particularly attractive. Therefore, commercial result of this investment project may be higher by up to 30%.



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