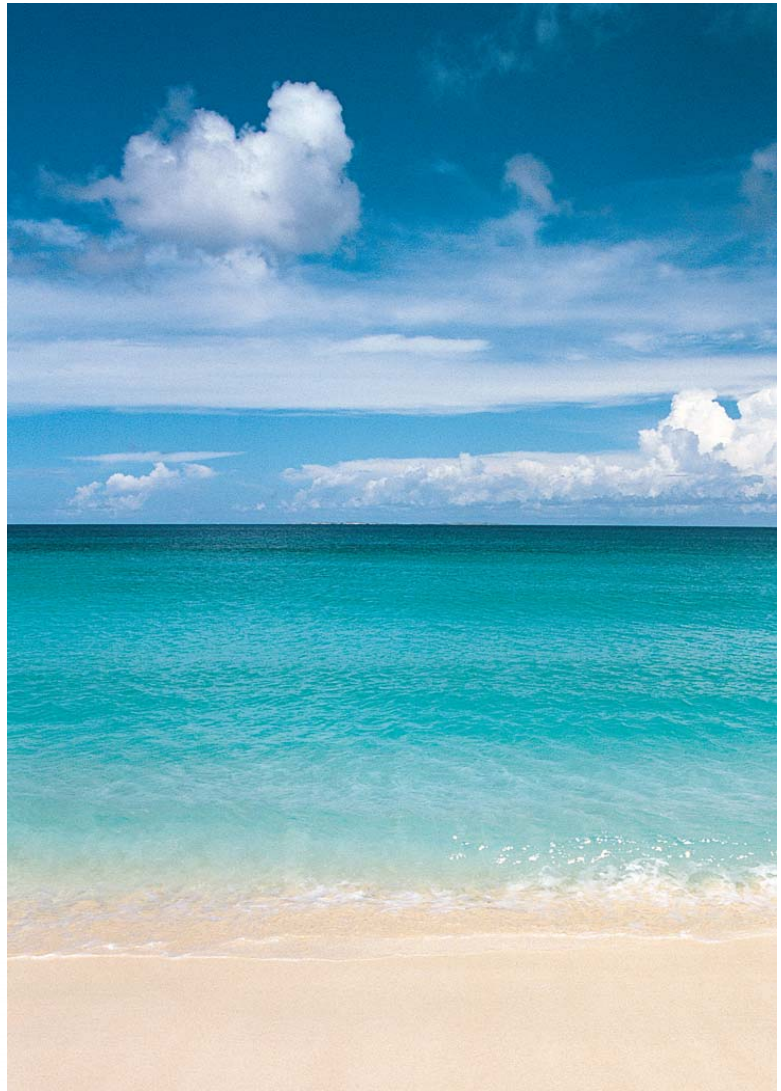


JANUARY, 2009

**Market Feasibility Analysis and
Statements of Estimated Operating Results
for the Proposed 105-Key**

BLUE HORIZON RESORT & SPA

Vieques, Puerto Rico



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January 2, 2009

John Bartholomew Dennis Brull
Principal
Vision GreenWave
12 Cervantes
San Juan, Puerto Rico 00907

**Re: Blue Horizon Resort & Spa
Vieques, Puerto Rico**

Dear Shane:

We are pleased to submit our report relative to our Market Feasibility Study and Statements of Estimated Operating Results for your planned 105-key Blue Horizon Resort & Spa located in Vieques, Puerto Rico.

The results of our market feasibility study indicate a positive level of market support for the proposed project as envisioned, based on our analysis of current and future demand for luxury resort accommodations in the market area, assessment of existing and potential competitive supply, and evaluation of the market share that could be reasonably attained and by the subject property based on identifiable attributes demanded in the market such as location, branding, price, quality, service, amenities and supporting facilities. We assumed the subject property would be branded and operated by a leading luxury-class hotel company with international marketing and reservations systems.

We analyzed the proposed site location and possible advantages/disadvantages in comparison with potential competitors. We gathered and analyzed relevant statistical data regarding Puerto Rico and the Caribbean region markets, including the most recent tourism economic indicators in our evaluation of existing and potential future demand for the project. We also performed primary market research in the area, including evaluation of competitive facilities, and discussions with operating executives knowledgeable about the local and regional upscale hospitality markets.

We estimated potential occupancy levels and attainable average rates for the subject property for a seven-year period, and developed a statement of estimated operating results for calendar years 2012 through 2018, including revenues, departmental expenses and undistributed operating expenses in conformity with the Uniform System of Accounts for the Lodging Industry.

For purposes of our analysis, we assumed that 77 hotel keys and all hotel facilities and amenities would be retained by the owner/developer, and the eight Plantation Villas with 28 hotel keys would be sold to individual investors and operated by the selected hotel operator under a condo-hotel rental program in accordance with the provisions of the Puerto Rico Tourism Development Act of 1993.

In developing our Statement of Estimated Operating Results for the proposed Blue Horizon Resort & Spa, we evaluated our projections of operating results for the subject property compared to historical operating experience and performance ratios for comparable luxury resorts in the Caribbean – including ranges and average ratios to sales (total revenue), amounts per available room, and amounts per occupied room night. Since the estimated operating results are based on estimates and assumptions which are subject to uncertainty and variation, we do not represent them as results that will actually be achieved.

This report and its contents are intended for your management use in evaluating the economic potential of the project, for presentation to prospective hotel companies in connection with negotiation of the management and license agreements, and for submission to the Puerto Rico Tourism Company, Government Development Bank for Puerto Rico, and other financial institutions and in support of your financing requirements. As such, this report is not intended for use in any financing documentation involving a public offering of securities. No portions or excerpts of this report may be otherwise quoted or referred to unless expressly approved in writing by Resort Development Consultants, Inc. The scope of our study and report thereon do not include the possible impact of zoning or environmental regulations, licensing requirements or other such matters unless they have been brought to our attention and are disclosed in the report.

Our market analysis and projections of estimated operating results assume no material adverse change in current market conditions related to potential oil price increases, international credit market conditions, or future economic growth trends. We have no obligation to update our findings and conclusions for changes in market conditions due to potential future geopolitical, economic or social events which may occur subsequent to completion of our fieldwork, but remain available to respond to any questions you may have regarding our study and the conclusions expressed herein.

Sincerely,
Resort Development Consultants, Inc.

Marie L. Dexter
Marie L. Dexter

Frank J. Csar
Frank J. Csar

Table of Contents

<u>Section</u>	<u>Page</u>
□ Project Description – The Blue Horizon Resort & Spa.....	1
○ Blue Horizon Resort Aerial Photo.....	2
○ Blue Horizon Resort Master Plan.....	3
○ Hotel Rental Unit Inventory by Unit Type & Size.....	6
○ Project Development Team.....	8
□ Vieques Island - Destination Overview.....	9
○ Vieques Air Service.....	11
□ Puerto Rico Tourism Overview.....	12
○ Puerto Rico Tourism Economic Indicators.....	13
○ Puerto Rico Air Service.....	14
□ Caribbean Tourism Overview.....	15
○ Caribbean Tourist Arrivals – Top 20 Destinations.....	17
□ Selected Luxury Resort Properties-Caribbean Region.....	18
○ Historical Performance Trends.....	19
□ Competitive Accommodations Supply-Caribbean Region.....	20
○ Potential Additions to Accommodations Supply.....	20
□ Local Accommodations Supply – Vieques Island.....	22
□ Potential Additions to Competitive Supply – Puerto Rico.....	24
□ Market Position – Subject Property.....	26
○ Stabilized Occupancy and Estimated Average Rate.....	27
□ Assumptions to Statements of Estimated Operating Results.....	28
□ Statements of Estimated Operating Results.....	32
○ Base Year Statement in 2008 Dollars.....	33
○ Statement of Estimated Operating Results-Inflated Dollars.....	33
□ Computation of Operational Charges and Profit Distribution.....	35
○ Base Year Statement in 2008 Dollars.....	37
○ Computation of Operational Charges-Inflated Dollars.....	37
□ RDC Statement of Qualifications and Experience.....	39

Project Description – The Blue Horizon Resort & Spa

The Blue Horizon Resort & Spa encompasses a planned redevelopment and expansion of the renowned Inn on the Blue Horizon that has repeatedly earned the highest accolades from the international press as the most hip and stylish gathering place in Vieques for the low-key rendezvous of North America's fashion industry elite. The Inn on the Blue Horizon has been featured in Architectural Digest, Condé Nast Traveler, Travel & Leisure and Vogue magazine. Set on the island's southern coastal road, less than a mile west of the seaside village of Esperanza, the Inn on the Blue Horizon has earned the reputation as the most charming hotel on Vieques, featuring its signature panorama of the "blue horizon" and famous octagonal Blue Moon Bar. A former sugar plantation great house, the current inn features 10 rooms, a swimming pool, and fine dining at the Carambola Restaurant - serving "the best food on Vieques" according to travel industry publications. The existing oceanfront great house, with its views of the blue horizon, will be remodeled to include expanded restaurant and lounge facilities, and oceanfront swimming pool for resort guests, that will be the focal point of the boutique luxury resort.

Vieques Island – Site Location Map



The Blue Horizon Resort & Spa is envisioned as a luxury boutique resort, combining a "green" philosophy in all aspects of design and hospitality operations. The key attributes that are expected to distinguish The Blue Horizon Resort & Spa are simple and understated elegance, high-end personalized service and convenience, integration of culture and nature, and "Caribbean exotic" appeal. The Blue Horizon Resort & Spa will be targeting a sophisticated, well-traveled clientele looking for a new "lifestyle" experience. The resort is expected to be branded and affiliated with an international luxury-class hotel brand providing access to a worldwide reservations network.

The oceanfront site for the planned Blue Horizon Resort & Spa encompasses a total of approximately 65 acres of gently rolling terrain, which will be developed in three phases according to the master plan. The initial phase of development is planned to include a total of 49 units with 105 hotel keys, including the planned acquisition and remodeling of the existing Hacienda Tamarindo to include six new guestroom suites and the Tamarindo Spa.



Blue Horizon Resort Master Plan



The existing 16-room Hacienda Tamarindo inn was built around an ancient Tamarind tree in the lobby atrium, rising three stories through the center of the building. The existing Hacienda, perched on a hilltop with spectacular 180 degree views of the Caribbean, will be remodeled to include six guestroom suites on the upper floors with 595 square feet of interior area, plus 55 square foot covered porch. The new 4,000 square foot Tamarindo Spa will be constructed on the lower floor of the Hacienda, including six treatment rooms, fitness center, pool/Jacuzzi, and 5,000 square foot garden, yoga and sauna area. The top floor of the Hacienda will feature a spa cuisine café. The existing swimming pool will be remodeled and tropical landscape will be added surrounding the pool area.

In addition to the six Tamarindo suites, the new Blue Horizon Resort accommodations will feature a variety of custom-designed luxury guestroom units, including seven Boutique Oceanfront Hotel Villas with 20 hotel keys and grotto pool, five Boutique Hillside Hotel Villas with 12 hotel keys, eight Water Villas with 24 hotel keys, and eight oceanfront Plantation Villa Clusters with 28 hotel keys, and 15 custom-designed Lotus Spa Suites, as summarized in the accompanying schedule of hotel rental unit inventory.

The Boutique Oceanfront Hotel Villas will include three, two-story villas with four keys each, and unique grotto pool with sun deck and pool bar. The large luxury suites will have 1,239 square feet of interior living area, including separate living and bedroom areas, covered terrace or porch with splash pools and private gardens with Jacuzzi and rainforest shower. The four one-story villas with eight hotel keys will have 966 square feet of interior area, with bedroom and living areas, outdoor terrace with splash pools and private garden with Jacuzzi and rainforest shower. All oceanfront hotel villa units will enjoy panoramic ocean views.

The five Boutique Hillside Hotel Villas include four one-story villas with two hotel keys each, and one two-story villa with four hotel keys, similar in design to the Boutique Oceanfront Hotel Villas. The spacious hillside villa suites will have 966 square feet of interior area with living and bedroom areas, splash pools and private garden areas, located on the hillside above the existing Blue Horizon Inn overlooking the oceanfront.

The eight two-story Water Villas will have 24 hotel keys, including 16 ground floor suites with 910 square feet of interior space plus 247 square foot covered porch, and eight second floor suites with 1,236 square feet of interior area. The Water Villas will be located on the western side of the property between the Boutique Oceanfront Villas and the Boutique Hillside Villas, surrounding a series of cascading lagoon pools. The ground floor guestrooms feature living and bedroom areas, covered porches with splash pools, and private gardens with rainforest shower. The larger second floor suites will have 1,236 square feet of interior living area with separate bedroom, living room and luxurious bathrooms with private splash pools.

The Plantation Villas will be constructed in two hamlets or clusters of four villas each located on the east side of the existing Inn on the Blue Horizon with views of the ocean. The first cluster of four Plantation Villas with 12 hotel keys will be located directly on the oceanfront, while the second cluster of four villas with another 16 hotel keys will be located on the elevated hillside behind the first oceanfront cluster. It is anticipated that the eight Plantation Villas will be sold to private investors and operated by the selected hotel operator under a rental management program.

Each four-bedroom Plantation Villa will encompass a total of 4,490 square feet of interior living area, plus 1,250 square feet of covered terraces and porches, and 2,500 square feet of private garden courtyards. The ground-floor Unit-A suite with kitchen will include 2,000 square feet of interior living area, with 500 square foot covered terrace and 450 square foot pool area. The separate guestroom suites will include approximately 830 square feet of interior area, plus 300 square foot covered porch and 250 square foot pool area in the ground floor units. The three-bedroom Plantation Villas have the same ground floor configuration as the four-bedroom units, excluding the Unit D second floor bedroom.

The 15 custom-designed Lotus Spa Suites will encompass a total of 1,503 square feet of interior area, featuring a two-story cylindrically-shaped unit, with unique lotus flower petal roof design that opens to the sky, and personal spa facilities on the ground floor level with massage area, Jacuzzi, sauna and Turkish bath. The second floor living area encompasses a total of 1,385 square feet, including 668 square feet of interior space with lounge area, bedroom and bathroom, plus 167 square foot indoor terrace and 550 square foot splash pool area. The ground floor has an additional 835 square feet of interior area for personal spa activities.

The existing great house building at the Inn on the Blue Horizon will be renovated to include an expanded 75-seat Carambola restaurant with lounge area, expanded kitchen, and library lounge, in addition to the existing Blue Moon Bar with 28 barstools and 28 seats for alfresco dining under the bar's octagonal pavilion.

The first phase development is also planned to include a sugar cane mill tower entrance feature and Manor House reception building for guest registration with small open-air lobby lounge, library and terrace overlooking the oceanfront resort property. Guests will be welcomed in a relaxed setting while their luggage is sent to their suites. A small food and beverage facility will serve refreshments, coffee and light snacks to arriving guests. Opposite the sugar cane tower, an orchard is planned with mango, avocado, banana and citrus trees that will not only add a natural decorative element to the resort entrance, but will supply the restaurant and juice bar with fresh fruit every day. The existing two tennis courts located at the entrance of the resort have been incorporated in the Master Plan. Guest and employee vehicles will be parked at the entrance of the resort in a facility with underground parking. Circulation inside the resort will be provided by electric cars to enhance guest experience and preserve the quite, exclusive ambiance.

**The Blue Horizon Resort & Spa
Hotel Rental Unit Inventory Classified by Unit Type and Size**

	Units	Hotel Keys	Living Area A/C	Covered Porch	Pool Area	Private Garden Courtyard	Total Area SF
Boutique Oceanfront Hotel Villas	3	12	1,239	187	255	986 & 650	1,681
Boutique Oceanfront Hotel Villas	4	8	966	-	300	700	1,266
Boutique Hillside Hotel Villas	5	12	966	-	300	700	1,266
Water Villas	8	24					
Ground-Floor Villas		16	910	247	220	528	1,377
Second-Floor Villas		8	1,236	-	200	270	1,436
Tamarindo Suites	6	6	595	55			650
Plantation Villa Clusters	8	28					
Hamlet I (Three Bedroom Villas)	4	12	3,660	1,100	950	2,500	
Unit A (with kitchen) ground floor		4	2,000	500	450		2,950
Unit B, groundfloor		4	830	300	250		1,380
Unit C, ground floor		4	830	300	250		1,380
Hamlet II (Four Bedroom Villas)	4	16	4,490	1,250	1,050	2,500	
Unit A (with kitchen) ground floor		4	2,000	500	450		2,950
Unit B, groundfloor		4	830	300	250		1,380
Unit C, groundfloor		4	830	300	250		1,380
Unit D, second floor		4	830	150	100		1,080
Lotus Spa Suites	15	15	1,503	167	550		2,220
Ground floor spa area		15	835	-	-		835
Second floor spa suite		15	668	167	550		1,385
Total Units/Hotel Keys	49	105					

The new Blue Horizon Resort is making a strong effort to develop the property with eco-friendly building practices, taking special advantage of solar power. The resort operation will feature a saline pool, solar-powered golf carts, rain-water irrigation, on-site recycling and on-site fruit and vegetable gardens. The developer is also investigating the construction of an on-site windmill to reduce electricity operating costs. Landscaping will include species indigenous to the island such as palms and bougainvillea.

According to our discussions with the developer, we have assumed that The Blue Horizon Resort & Spa will be affiliated with, and managed by, a leading international luxury-class hotel company, with a focus on personalized service and upscale guest amenities to ensure a quality of hospitality that will distinguish the planned luxury resort among its existing and potential competitors. For purposes of our analysis and projections of estimated operating results, we further assumed that the eight Plantation Villas with 28 hotel keys would be sold to individual investors and operated by the selected hotel operator under a rental management program in accordance with the provisions of the Puerto Rico Tourism Development Act of 1993.

Future development phases for The Blue Horizon Resort & Spa are planned to include additional Plantation Villa hamlets on the eastern portion of the resort property, an ocean-front restaurant with bar and swimming pools, an offshore “Destination Island” freshwater swimming platform, and “Le Petit Village” center along State Road 996 at the main entrance to the resort property. This European-style shopping village will include artisan shops and unique upscale boutiques in addition to food and beverage outlets, with 21 penthouses suites on the second level. The units overlook the resort and would have distant ocean views. They would encompass 1,000 square feet with one or two bedroom each, with private patio, roof garden and Jacuzzi. Additional oceanfront pool and restaurant facilities are planned for future development east of the main resort hotel villas, with function and banquet facilities to accommodate small groups and wedding parties. A boardwalk will connect the oceanfront pool and restaurant facilities to the Petit Village.

It is anticipated that some of the Plantation Villa units developed in the future may be acquired by their individual owners for vacation and second home use, and some of the villa units may be included in the hotel rental program. These branded residential units would be affiliated to The Blue Horizon Resort & Spa, which would provide property operation and maintenance services, dedicated residential concierge and other hotel services available to owners on a fee-for-service basis, including catering and in-residence dining, butler and grocery shopping service and housekeeping.

Project Development Team

The development company for The Blue Horizon Resort & Spa is Vision GreenWave, Inc., headed by John B. Dennis Brull, a business entrepreneur and owner/operator of four award winning boutique hotels in Puerto Rico. Other key management and design professionals include Bayard M. Irwin III, CEO and pre-development construction professional with experience in upscale resort and hotel projects in the U.S. mainland and Puerto Rico; Robert Kohler, Partner and VP Design, an architect and engineer with depth of experience with high-profile clients in the Netherlands ; Paul D. Mather, Partner & VP Hotel Operations experienced in hotel management and marketing in the US and the Caribbean; Luis A. Hernández, Partner and CFO, Thomas Darby, Partner and Construction & Green Building Director; and Mayra I. Rivera, Partner and Corporate Secretary in charge of permitting and compliance.

Vieques Island – Destination Overview

The island of Vieques is renowned for its numerous beautiful sandy beaches which are easily accessible to vacationers for daily beach excursions. Traditionally, visitors to Vieques make touring the island and enjoying its natural attractions, such as its pristine beaches, an integral part of their vacation experience. The island has a wealth of tourism resources, with areas of unspoiled ecology, pristine white sand beaches, abundant vegetation, archaeological treasures and a fascinating history. Puerto Mosquito (Mosquito Bay) and Bahía Tapón are among the world’s brightest bioluminescent bays, and are the island’s most special attractions. Travel writers increasingly feature the island as a “hidden treasure” that has the atmosphere of “down island” Caribbean, with a relaxed yet “hip” atmosphere, attracting increasing awareness among savvy Caribbean travelers. Vieques was named the best island in the Caribbean, Bermuda and the Bahamas according to Travel & Leisure magazine’s World’s Best Awards 2008.

Vieques lies about eight miles off the east coast of Puerto Rico, and measures approximately 21 miles long by four miles wide, with a population of around 9,300 residents. The name Vieques comes from the native Amerindian word *bieques* meaning “small island.” The island is also known as “*Isla Nena*” or little girl island, as a reference to its being perceived as Puerto Rico’s little sister island. Vieques, and Culebra, together with various small islets, are frequently referred to as the Spanish Virgin Islands. Vieques is easily accessible by daily scheduled flights from both Luis Muñoz Marín International Airport, and Isla Grande Airport in San Juan. Flying time to the Vieques is approximately 25 minutes from the international airport. There is also daily ferry service to the island from Fajardo.



The two main towns of Vieques are Isabel Segunda, the administrative center located on the northern side of the island, and Esperanza, located on the southern side. Vieques was occupied at various times by the French and the British, before Puerto Rico acquired it in 1854. The ruins of several sugar and pineapple plantations testify to the once-flourishing agricultural economy. For 60 years, the majority of Vieques was closed off by the U.S. Navy for military exercises, and the island remained almost entirely undeveloped for tourism. This lack of development is now marketed as a key attraction. The island has always held a strong appeal to well-heeled travelers from the U.S. and Europe. Many of its vacation homes scattered throughout the island are owned by wealthy U.S. mainland residents.

In 2003, the Navy discontinued their military exercises and withdrew from Vieques, and much of the island was designated a wildlife reserve under the control of the U.S. Fish and Wildlife Service. Closure of the Roosevelt Roads Naval Base followed in 2004. A portion of the west and the entire eastern end of Vieques is being administered as the Vieques National Wildlife Refuge, comprising 18,000 acres – about 14,900 acres on the eastern end and 3,100 acres on the west – making it the biggest protected natural reserve in Puerto Rico, with numerous powder-white sandy beaches and a coral-ringed coastline.

The existing lodging properties on Vieques are primarily small boutique-style inns and guest houses, with the exception of the 156-room Martineau Bay Resort & Spa. This resort, which opened in 2003, was acquired by a private European investment group in April, 2005, and is being redeveloped and re-flagged by Starwood Hotels & Resorts as the W Retreat & Spa – Vieques Island, scheduled to reopen in 2009. In addition, there are currently five upscale inns on the island with a total of 58 rooms, including The Inn on the Blue Horizon, Hix Island House, Bravo Beach Hotel, The Great Escape Inn, and Hacienda Tamarindo which is being acquired by the owners of The Blue Horizon. Another small villa resort project called Dos Palmas, on the southern coast of the Island, is currently in the planning approval process.

Vieques Air Service

Vieques is easily accessible by daily scheduled flights from both Luis Muñoz Marín International Airport, and Isla Grande Airport in San Juan. Flying time to the Vieques is approximately 25 minutes from the international airport, with a round-trip air fare of approximately \$170 to \$180 per person. The typical aircraft is a nine-passenger Cessna 402 flown by Cap Air. Vieques is served by Cape Air, Air Sunshine and Vieques Air Link with 12 daily scheduled flights from San Juan's international airport, and by Vieques Air Link with four daily flights from the Isla Grande airport in San Juan. Vieques can also be reached by daily passenger and cargo ferry service from Fajardo on Puerto Rico's North-east coast, and by Isla Nena Air Service with four daily flights from Fajardo's regional airport.

American Eagle's area president for Puerto Rico announced in July, 2008 that an agreement was reached with the Puerto Rico Ports Authority Executive Director to have an American Eagle flight to Vieques as soon as the island municipality's airport is certified by the Federal Aviation Administration (FAA). As soon as the Vieques airport has the FAA's approval, American Eagle reportedly will finalize an agreement with the W Resort and begin flights to Vieques, presumably upon opening of the W Resort in late 2009. Potential growth in visitation to the Island will depend primarily on expansion of scheduled air service to Vieques, specifically with the addition of daily service by American Eagle with an ATR-72 passenger aircraft.

Puerto Rico Tourism Overview

The most recent statistics for Fiscal Year 2008 ended June 30, 2008 show that the average occupancy rate for all lodgings in Puerto Rico declined slightly from 68.7% in FY 2007 to 67.3% in FY 2008. Room supply (measured room nights available) increased 1.8% from FY 2007, while room demand (measured by room nights occupied) slipped 0.3% over the same period, resulting in a slight decline in average occupancy rate. Non-resident hotel registrations totaled 1.343 million in FY 2008, which was down 3.2% from FY 2007, and down 10.3% from the peak of 1.496 million non-resident registrations in FY 2006. Non-resident registrations, primarily from the U.S. mainland, account for over two-thirds of all hotel registrations on the Island. The decline in non-resident registrations reflects a sharp 18.7% decline in non-metro area lodgings in FY 2008, while non-resident registrations at San Juan metro area properties climbed 3.4% over FY 2007. Local Puerto Rico resident registrations were down 1.5% in FY 2008, due to a 2.3% decline at non-metro area lodgings. The number of hotel rooms available totaled approximately 11,690 in FY 2008, of which approximately 6,480 rooms or 55% were located in the San Juan metro area, and 5,210 rooms were located throughout the Island.

The average occupancy rate at San Juan metro area lodgings – which cater to a diversified mix of business, leisure and group market segments -- decreased slightly from 78.5% in FY 2007 to 77.4% in FY 2008. Although room demand (measured by room nights occupied) increased 3.6% in FY 2008, room supply rebounded 5.1% due to completion of renovations at several San Juan area properties, resulting in a slight decline in average occupancy rate. Total registrations were up 2.9% in FY 2008, due primarily to a 3.4% increase in non-resident registrations from FY 2007.

The average occupancy rate at non-metro area lodgings – which cater primarily to the leisure and group market segments -- declined from 57.3% in FY 2007 to 54.8% in FY 2008. Although room supply decreased 2.1% in FY 2008, room demand (measured by room nights occupied) fell 6.4% from FY 2007, resulting in a decline in the average occupancy rate at non-metro area properties. Total hotel registrations fell 10.2% in FY 2008, reflecting a sharp 18.7% decline in non-resident registrations from FY 2007, due largely to a 27% decline in non-resident registrations at larger resort properties with over 200 rooms in the East region of the Island. Local resident registrations were also down 2.3% from FY 2007.

The accompanying table shows a summary of Puerto Rico Tourism Economic Indicators for fiscal years 2003 through 2008.

**Selected Tourism Economic Indicators
Puerto Rico - San Juan and Non-Metro Area Lodgings**

Fiscal Year End June 30,	2003	2004	2005	2006	2007	2008	Annual % Change	
							2003/08	2007/08
Total All Lodgings (1)								
Total Registrations	1,964,963	2,008,730	2,097,606	2,160,455	2,044,097	1,989,554	0.2%	-2.7%
Non-Residents	1,304,610	1,371,003	1,440,008	1,496,278	1,387,697	1,342,865	0.6%	-3.2%
Residents	660,353	637,727	657,598	664,177	656,400	646,689	-0.4%	-1.5%
Number Hotel Rooms	11,468	11,273	11,842	12,187	11,484	11,689	0.4%	1.8%
Room Nights Available	4,185,858	4,114,718	4,322,437	4,448,085	4,191,655	4,266,433	0.4%	1.8%
Room Nights Occupied	2,717,677	2,835,286	2,927,705	3,021,288	2,879,812	2,872,267	1.1%	-0.3%
Occupancy Rate	64.9%	68.9%	67.7%	67.9%	68.7%	67.3%	0.7%	-2.0%
Average Length of Stay	2.6	2.6	2.6	2.6	2.6	2.6	0.0%	0.0%
Average Room Rate	\$ 103.30	\$ 105.54	\$ 111.04	\$ 117.01	\$ 122.56	\$ 126.73	4.2%	3.4%
San Juan Metro Area (2)								
Total Registrations	1,274,636	1,280,996	1,280,669	1,299,152	1,174,018	1,207,812	-1.1%	2.9%
Non-Residents	1,015,962	1,046,755	1,050,540	1,070,349	972,530	1,005,453	-0.2%	3.4%
Residents	258,674	234,241	230,129	228,803	201,488	202,359	-4.8%	0.4%
Number Hotel Rooms	6,993	6,693	6,673	6,863	6,162	6,478	-1.5%	5.1%
Room Nights Available	2,552,409	2,442,883	2,435,822	2,504,840	2,249,277	2,364,595	-1.5%	5.1%
Room Nights Occupied	1,859,812	1,931,648	1,906,464	1,950,140	1,766,116	1,829,381	-0.3%	3.6%
Occupancy Rate	72.9%	79.1%	78.3%	77.9%	78.5%	77.4%	1.2%	-1.4%
Average Length of Stay	2.6	2.6	2.6	2.6	2.5	2.5	-0.8%	0.0%
Average Room Rate	\$ 109.73	\$ 111.76	\$ 116.23	\$ 134.26	\$ 148.04	\$ 152.91	6.9%	3.3%
Non-Metro Area Lodgings								
Total Registrations	690,327	727,734	816,937	861,303	870,079	781,742	2.5%	-10.2%
Non-Residents	288,648	324,248	389,468	425,929	415,167	337,412	3.2%	-18.7%
Residents	401,679	403,486	427,469	435,374	454,912	444,330	2.0%	-2.3%
Number Hotel Rooms	4,475	4,580	5,169	5,324	5,322	5,211	3.1%	-2.1%
Room Nights Available	1,633,449	1,671,835	1,886,615	1,943,245	1,942,378	1,901,838	3.1%	-2.1%
Room Nights Occupied	857,865	903,638	1,021,241	1,071,148	1,113,696	1,042,886	4.0%	-6.4%
Occupancy Rate	52.5%	54.1%	54.1%	55.1%	57.3%	54.8%	0.9%	-4.4%
Average Room Rate	\$ 99.69	\$ 101.92	\$ 108.12	\$ 109.49	\$ 110.03	\$ 113.45	2.6%	3.1%

(1) Includes Paradores

(2) San Juan Metro Area includes Vega Baja, Vega Alta, Dorado, Toa Alta, Toa Baja, Bayamon, Catano, Guaynabo, San Juan, Trujillo Alto, Carolina, Canovanas, Loiza and Caguas.

Puerto Rico Air Service

Puerto Rico is experiencing a substantial reduction in scheduled airline flights and seat capacity this fall and will continue to experience it throughout the coming winter season. By the end of 2008 airline seat capacity for San Juan will be approximately 30% below the seat capacity offered for the same period last year. For the winter season – measured on the basis of advance schedules published by the airlines for January 2009 – seat capacity will be approximately 26% below the prior year, according to aviation consultants Simat, Helliesen & Eichner (SH&E).

The principal reason for the reduced service at San Juan is the massive cutback by American Airlines, San Juan's largest airline, including its wholly owned subsidiary American Eagle, which provides regional turboprop service in intra-Caribbean markets. American Airlines will be reducing its seat capacity for San Juan by approximately 45% in both the fall and winter seasons. This reduction reflects not only the decision to curtail capacity due to high fuel prices and expected reductions in travel demand, but also a significant change in the role of San Juan as a connecting hub for service between the U.S. mainland and Caribbean destinations. By contrast, American's capacity reduction at Miami International Airport is less than one percent, reflecting the increasing dominance of Miami in the Caribbean travel market.

San Juan's U.S. domestic seat capacity will be down 28% this fall as compared to a year ago. American's seats will be reduced by 49%, while all other "network" carriers combined will be reduced 7%. However, seat capacity of three low-cost carriers Jet Blue, Spirit and AirTran Airways will increase 25%. During the winter season, San Juan's U.S. domestic seat capacity will be approximately 20% below 2007. The three low cost carrier airlines plan to provide 38% more flights and 31% more seats as compared to the prior year, with some flights replacing services withdrawn by American. Delta and US Airways also increased their services from a year ago.

In San Juan's international markets, American/American Eagle had provided 90% of the seats in regional intra-Caribbean markets. American will be reducing capacity by 38% in the fall and 45% in the winter season for its San Juan international markets. Overall, seat capacity in this regional intra-Caribbean market sector will drop 35% in the fall, and 40% in the winter.

Caribbean Tourism Overview

Puerto Rico competes with other major destination markets within the Caribbean region for the leisure travel market, including popular destinations such as Cancún, Jamaica, the Bahamas, Aruba and the U.S. Virgin Islands. The Caribbean's largest destination, the Dominican Republic, has recently targeted the more upscale U.S. leisure market, with the ongoing development and promotion of new upscale resorts with extensive recreational amenities. Puerto Rico ranked number six among the top-20 destination markets in the Caribbean region in calendar year 2007, with 1.4 million visitors accounting for approximately seven percent of total arrivals to such destinations, according to statistics published by the Caribbean Tourism Organization.

Tourist arrivals to the Caribbean's top-10 destinations totaled 15.3 million in 2007, representing 84% of all visitors to the top-20 markets in the Caribbean region. Tourist arrivals to the top-10 destinations grew 2.9% in 2007, although total arrivals were actually unchanged from 2006, excluding the strong rebound in tourists to Cancún which was recovering from Hurricane Wilma which hit the Yucatán Peninsula in October, 2005. Visitor arrivals to the top-10 Caribbean destinations have grown 3.0% per year over the last five years since 2003.

Total tourist arrivals to the top-20 destinations totaled 18.3 million visitors in calendar year 2007, which was up about three percent from the previous year. However, total arrivals to the top-20 destinations would have been unchanged from 2006 excluding Cancún, Mexico. Visitor arrivals to the top-20 Caribbean destinations have grown 3.4% per year over the last five years since 2003. Beginning January 23, 2007, all U.S. Citizens were required to have a valid passport to travel to and from the U.S. to the Caribbean. The United States accounted for 50% of the 18.2 million tourist arrivals to the top-20 Caribbean destinations in 2007, and 56% of all arrivals excluding Cuba. Europe accounted for 24% of all tourist arrivals in 2007, followed by Canada with 11% and all other markets with 15%. The accompanying table shows a summary of Caribbean Tourist Arrivals for calendar years 2003 through 2007, including the region's top-20 destinations.

The most recent statistics from the Caribbean Tourism Organization indicate that tourist arrivals were up about 4.5% through the first half of calendar year 2008, due largely to gains in tourist arrivals to Cuba, Cancún, the Dominican Republic and Jamaica. However, given the region's dependence on airlift, the most significant challenges facing the Caribbean hotel industry are the rising cost of airfares and the announced cutbacks in air service from the U.S. mainland. Due mostly to the higher cost of fuel, four of the five leading air carriers to the Caribbean have announced cutbacks in service. Not only is the reduced air capacity a concern, but so are rising airfares. In addition, the travel and tourism industry is being negatively impacted by the emerging worldwide economic slowdown, starting in the third quarter of 2008.

While it is still too early to predict exactly how the current economic slowdown will impact the travel and tourism industry, the slowing U.S. economy, reduced air capacity and higher airfares are likely to negatively impact tourist arrivals to the Caribbean region for the immediate future, especially the leisure market segment.

Another challenge facing Caribbean hotels is the anticipated growth in competitive supply predicted over the next several years, as most major international brands have extensive plans to increase their presence in the region, particularly luxury and upper-upscale properties currently under construction or planned in the region and other destinations such as Costa Rica and Belize, that are becoming increasingly competitive with the Caribbean as a vacation destination for U.S. citizens, as well as travelers from Europe and South America. However, we would not expect that all proposed hotel projects will ultimately be constructed, and the planned development of some resort hotels projects may be postponed or cancelled due to the current unfavorable economic environment and credit market conditions for financing major construction projects.

Caribbean Tourist Arrivals - Top 20 Destinations

Destination	2003	2004	2005	2006	2007	% Total	Annual	Annual	2007 Arrivals by Main Market		
							% Change	% Change	United	Europe	Canada
							2003/07	2006/07	States		
Dominican Republic (2)	3,268,182	3,443,205	3,690,692	3,965,055	3,979,582	22%	5.0%	0.4%	1,080,066	1,387,476	587,370
Cuba	1,894,746	2,048,572	2,319,334	2,220,567	2,152,221	12%	3.2%	-3.1%	-	924,025	660,384
Cancun Mexico (1)	2,076,478	2,331,362	2,134,180	1,586,942	2,022,302	11%	-0.7%	27.4%	1,571,703	209,407	117,081
Jamaica	1,350,284	1,414,786	1,478,663	1,678,905	1,700,785	9%	5.9%	1.3%	1,132,532	288,894	190,650
Bahamas	1,428,599	1,450,043	1,514,532	1,491,633	1,527,588	8%	1.7%	2.4%	1,263,591	87,165	100,335
Puerto Rico (1)	1,324,968	1,411,910	1,465,292	1,485,296	1,361,083	7%	0.7%	-8.4%	1,205,598	35,668	16,821
Aruba	641,906	728,157	732,514	694,372	772,073	4%	4.7%	11.2%	520,385	67,353	25,673
US Virgin Islands	618,703	658,638	697,033	671,362	693,372	4%	2.9%	3.3%	612,197	14,881	6,017
Barbados	531,211	551,502	547,534	562,558	574,533	3%	2.0%	2.1%	134,080	252,782	53,273
Martinique	445,424	470,891	484,127	502,053	503,107	3%	3.1%	0.2%	4,454	374,156	4,009
Total Top-10 Markets	13,580,501	14,509,066	15,063,901	14,858,743	15,286,646	84%	3.0%	2.9%	7,524,606	3,641,807	1,761,613
St. Maarten (1)	427,587	475,031	467,861	467,804	469,407	3%	2.4%	0.3%	253,831	96,365	32,350
Trinidad & Tobago (3)	334,811	442,555	460,195	455,593	436,427	2%	6.9%	-4.2%	158,649	74,147	45,153
British Virgin Islands	184,777	304,518	337,135	356,271	358,056	2%	18.0%	0.5%	282,864	39,386	7,161
Bermuda	256,563	271,607	269,576	298,973	305,548	2%	4.5%	2.2%	229,498	35,938	27,844
Curacao	221,390	223,439	222,070	234,383	299,784	2%	7.9%	27.9%	46,212	121,429	6,898
Cayman Islands	293,515	259,929	167,801	267,257	291,503	2%	-0.2%	9.1%	231,865	20,267	17,355
St. Lucia	276,948	298,431	317,939	302,510	287,435	2%	0.9%	-5.0%	113,433	88,828	18,640
Antigua & Barbuda (2)	182,423	245,797	245,384	253,669	261,786	1%	9.5%	3.2%	78,697	115,448	10,489
Belize	220,574	230,831	236,573	247,308	251,655	1%	3.4%	1.8%	152,567	34,173	16,655
Suriname	71,501	104,513	159,770	152,895	162,509	1%	22.8%	6.3%	4,573	108,134	1,226
Total Top-20 Markets	15,979,089	17,261,204	17,788,435	17,742,511	18,248,247	100%	3.4%	2.9%	9,076,795	4,375,922	1,945,384

Source: Caribbean Tourism Organization

(1) Non-resident hotel registrations only

(2) Non-resident air arrivals

Selected Luxury Resort Properties – Caribbean Region

For purposes of our market analysis we identified 11 luxury resort properties in the Caribbean region, with a total of 1,275 guestrooms, which we consider to represent potentially competitive accommodations supply in the regional market area, as set forth below. The selected properties range in size from 50 to 180 rooms, with a median size of 100 rooms. These luxury resort properties are all affiliated with leading international hotel companies (with the exception of Como Parrot Cay in the Turks & Caicos Islands and Cap Juluca in Anguilla), and many of the resorts have achieved international recognition for their unique ambiance, personalized service, and quality of accommodations and amenities. The selected properties achieved superior operating performance with an ADR of \$624.00 and average occupancy rate of 65.5% in calendar year 2007.

Selected Competitive Properties	Location	Hotel Rooms	Open Date
Rosewood Jumby Bay Resort	St. Johns, Antigua	50	Jun 1985
RockResort The Landings	Castries, St. Lucia	52	Dec 2007
Como Parrot Cay Resort	Providenciales, Turks & Caicos	65	
Orient Express La Samanna	Marigot, St. Martin	81	Jan 1974
Cap Juluca Hotel	Mandalay Bay, Anguilla	98	Jun 1992
Rosewood Little Dix Bay	Virgin Gorda, BVI	100	Jan 1964
Raffles Resort Canouan Island	St. Vincent & the Grenadines	156	Feb 1999
Four Seasons Costa Rica	Guanacaste, Costa Rica	163	Jan 2004
Regent Hotel The Palms	Providenciales, Turks & Caicos	164	Feb 2005
Rosewood Caneel Bay Resort	St. John, U.S. Virgin Islands	166	Jan 1956
Ritz Carlton St. Thomas	St. Thomas, U.S. Virgin Islands	180	Jan 1966
Total Rooms		1,275	

The selected luxury resorts all have superior beachfront locations – many in sheltered locations with beautiful sandy beaches and tropical landscaping. Dining facilities feature a diversity of Caribbean cuisine offerings, ambiance and décor -- from the open-air simplicity of beachfront pavilions to elegant plantation-style houses with award-winning gourmet cuisine. Most of the resorts offer extensive spa services and two of the properties have on-site championship golf courses. Four of the resorts have no golf facilities, while five properties have access to off-site golf courses. These luxury-tier Caribbean resorts are considered comparable in scale and character to the planned Blue Horizon Resort & Spa on the island of Vieques, Puerto Rico.

Due to their upscale leisure market positioning, these luxury resort properties are able to achieve superior average room rates and occupancy during the peak winter season in the Caribbean, but typically experience substantially lower occupancy levels during the shoulder and off-season periods. In our experience, these luxury operators focus largely on guest experience, expectations and consistency of personalized service delivery -- not only physical facilities and amenities. These leading luxury resort operators provide a distinctive experience for the ever-demanding and sophisticated consumer.

Selected Caribbean Resort Properties – Historical Performance Trends

According to performance trends compiled by Smith Travel Research, the selected luxury resort properties in the Caribbean region achieved an average occupancy rate of 65.3% and average room rate (ADR) of \$607.06 in calendar year 2007. Revenue Per Available Room (RevPAR) climbed 7.1% to \$396.18 in 2007, reflecting both a 5.0% gain in ADR and 2.0% increase in average occupancy over 2006. Average RevPAR for the selected competitors has grown at an annual rate of 6.3% per year since 2002, reflecting a strong 7.0% annual growth rate in ADR over the same six-year period. Room demand (measured by occupied room nights) has grown at an annual rate of 11.2% since 2002, slightly less than the 11.8% annual growth in room supply, causing the average occupancy rate to decline from 67.1% in 2002 to 65.3% in 2007. The occupancy rate for the selected competitors averaged 66.0% over the same six-year period.

Selected Luxury Resort Properties - Caribbean Region Historical Performance Trends

Year	Occupancy		Room Rate		RevPAR		Room Supply		Room Demand	
	Occ	% Chg	ADR	% Chg	RevPAR	% Chg	ARN	% Chg	ORN	% Chg
2002	67.1%		\$434.10		\$291.44		309,533		207,808	
2003	68.1%	1.5%	\$457.87	5.5%	\$311.89	7.0%	318,128	2.8%	216,701	4.3%
2004	66.4%	-2.5%	\$468.55	2.3%	\$311.12	-0.2%	461,251	45.0%	306,273	41.3%
2005	65.6%	-1.2%	\$522.35	11.5%	\$342.84	10.2%	537,627	16.6%	352,863	15.2%
2006	64.0%	-2.4%	\$577.96	10.6%	\$369.86	7.9%	532,535	-0.9%	340,789	-3.4%
2007	65.3%	2.0%	\$607.06	5.0%	\$396.18	7.1%	541,655	1.7%	353,497	3.7%
April YTD										
2007	77.0%	0.0%	\$806.84	11.9%	\$621.33	11.9%	175,080	0.0%	134,826	0.4%
2008	70.7%	-8.2%	\$862.25	6.9%	\$609.77	-1.9%	193,800	10.7%	137,053	1.7%

Source: Smith Travel Research-Trend Response Report

Despite a strong 6.9% gain in ADR for the first four months of 2008, average RevPAR for the selected competitors slipped 1.9% due to a decline in average occupancy rate attributable to inclusion of the 128-room Rosewood Mayakoba Resort which opened in February, 2008. The room supply increased by 10.7% for the first four months of 2008, while room demand grew at a slower rate of 1.7% over the same period, causing the average occupancy rate to decline from 77.0% in 2007 to 70.7% through April 30, 2008.

Based on performance trends through April, 2008, the selected competitors could potentially achieve an ADR of \$649.00 in calendar year 2008, although average RevPAR would likely decline slightly from 2007, considering the impact of the additional room supply on the average occupancy rate for the selected competitors, including the new Rosewood Mayakoba Resort during its initial year of operations. As a result, the average occupancy rate for the selected competitors would likely decline to around 60% in 2008. However, the results for the rest of 2008 and 2009 could be negatively impacted by the evolving U.S. financial and global economic crisis, causing a further decline in occupancy rate and relatively flat growth in achieved ADR compared to 2007.

Competitive Accommodations Supply – Caribbean Region

We identified 22 existing luxury resort properties throughout the Caribbean region, with a total of 2,496 rooms, that could be considered potentially competitive with the proposed Blue Horizon Resort & Spa. The identified resort hotels range in size from 50 to 196 rooms, with a median size of 115 rooms. The selected resort hotels excluded certain larger luxury-tier properties with over 300 rooms, which are not considered directly competitive with the smaller luxury resorts catering primarily to the upscale leisure traveler. According to our analysis, nine of the luxury resorts (41%) have on-site golf courses, nine resorts (41%) have access to off-site golf course facilities, and four resort hotels (18%) have no golf facilities.

Potential Additions to Accommodations Supply

Additionally, we identified 27 planned or proposed luxury resort properties in the Caribbean region with a total of 3,450 rooms. The proposed resort hotels ranged from 84 to 275 rooms, with a median size of 128 hotel rooms. According to our analysis, 14 of the proposed resorts (52%) will have on-site golf courses, six resorts (22%) will have access to off-site golf course facilities, and seven planned resorts (26%) will have no golf facilities. The potential supply of luxury accommodations would increase by almost 150% if all proposed resort hotels are ultimately constructed as proposed. However, due to the dynamics of market supply and demand conditions, we would not expect that all proposed hotel projects will ultimately be constructed, and the planned development of some resort hotel projects may be postponed or cancelled due to the current unfavorable economic environment and credit market conditions for financing major construction projects. For example, the demise of Lehman Brothers has caused suspension of construction on the Ritz Carlton Molasses Reef in the Turks & Caicos Islands which was about 75% complete, as well as delayed development of the Ritz Carlton Rose Island in the Bahamas and the Ritz Carlton at the Cap Cana Resort in the Dominican Republic.

Competitive Luxury Accommodations Supply - Caribbean Region

Existing Luxury Resort Properties		Open Date	Hotel Units	Golf Course Facilities
Four Seasons Resort Nevis	Nevis	Jan-91	196	Robert Trent Jones 18-holes
Four Seasons Great Exuma Emerald Bay	Bahamas	Nov-03	183	Greg Norman 18-holes
Rosewood Little Dix Bay, Virgin Gorda	Virgin Gorda	Jan-64	100	No golf
Ritz Carlton St. Thomas	St. Thomas	Jan-96	180	Off-site Mahogany Run Fazio 18-holes
Rosewood Caneel Bay Resort	St. John USVI	Jan-56	166	No golf
Regent The Palms, Provo	Provo TCI	Feb-05	164	Off-site Provo Golf Club Karl Litten 18-holes
Cap Juluca Hotel	Anguilla	Jun-92	98	Off-site Temenos Golf Club Greg Norman 18-holes
Raffles Resort Canouan Island	Grenadines	Feb-99	156	Trump Int'l Golf Club Fazio 18-hole
Four Seasons Papagayo, Costa Rica	Costa Rica	Jan-04	163	Arnold Palmer 18-holes
Rosewood Mayakoba	Riviera Maya	Jan-07	128	Mayakoba Greg Norman 18-holes
La Samanna Orient Express	St. Martin	Jan-74	81	Off-site Mullet Bay, Joe Lee, 18-holes bad repair
Fairmont Royal Pavilion Suites, Barbados	Barbados	Jan-87	75	Off-site, Sandy Lane 45-holes, Barbados Golf Club
Sandy Lane Golf & Spa Resort	Barbados		112	Tom Fazio, 45-holes, Green Monkey & Country Club
Tortuga Bay Punta Cana	Dom. Rep.		32	La Cana 18-holes, Hacienda 18-holes, PB Dye
Como Parrot Cay Resort Providenciales	Provo TCI		65	No golf, Provo Golf Club
Rock Resorts The Landings St. Lucia	St. Lucia	Dec-07	52	Off-site future, Ritz Carlton, Raffles & La Paradis
Rosewood Jumby Bay, Antigua	Antigua	Jun-85	50	No golf, Cedar Valley Golf Course 18-holes on Antigua
Mandarin Oriental Riviera Maya	Riviera Maya		128	Mayakoba Greg Norman 18-holes
One&Only Ocean Club, Paradise Island	Bahamas		105	Troon Golf Tom Weiskoph 18-holes
Jalousie Plantation (Tides Sugar Beach)	St. Lucia		115	Off-site future, Ritz Carlton, Raffles & La Paradis
Carlisle Bay Antigua	Antigua		82	Off-site, Cedar Valley Golf Course 18-holes
Orient Express Maroma Resort & Spa	Riviera Maya		65	Off-site, Mayakoba Greg Norman 18-holes
Potential Additions to Supply			2,496	
Ritz Molasses Reef West Caicos	Turks & Caicos		125	No golf, Provo Golf Club off-island
Ritz Rose Island Bahamas	Bahamas			
Ritz Carlton St. Lucia, Laborie	St. Lucia		275	36-holes, Arnold Palmer & Christy O'Connor
Ritz Carlton Cap Cana, Dominican Rep.	Dom. Rep.		220	Jack Nicklaus Punta Espada 2006, Las Iguanas 2009
Mandarin Dellis Cay, Turks & Caicos	Turks & Caicos		197	No golf
Mandarin Costa Rica, Rancho Manzanillo	Costa Rica		130	Fred Couples 18-holes
Mandarin Grand Cayman	Grand Cayman		114	Off-site North Sound Club 18-holes
Mandarin St. Kitts, Christophe Harbour	St. Kitts		125	Tom Fazio 18-holes
Mandarin Palmas del Mar	Puerto Rico		142	Palmas del Mar CC, 36-holes, Rees Jones, Gary Player
Raffles Resort Tortola BVI	Tortola BVI		100	No golf
Rosewood Costa Carmel Guanacaste	Costa Rica		111	Off-site, 36-holes, Pinilla & Melia Playa Conchal
Rock Resorts Rum Cay Resort Bahamas	Bahamas		100	No golf, marina
Rock Resorts Third Turtle Club Provo	Provo, TCI			Off-site Provo Golf Club 18-holes
St. Regis Playa Coyoil Herradura	Costa Rica		150	Off-site, Marriott Los Suenos La Iguana 18 holes
St. Regis Bahia Beach	Puerto Rico		135	Robert Trent Jones Jr, 18-holes, Troon Golf
Regent Punta Candelero	Puerto Rico		152	Palmas del Mar CC, 36-holes, Rees Jones, Gary Player
Fairmont Roco Ki Dominican Republic	Dom Rep		255	Nick Faldo 18-holes, Troon Golf
Fairmont Anguilla	Anguilla		140	Jack Nicklaus Golf Club-18 holes
Baccarat Hotel & Residences Temenos	Anguilla		114	Temenos Golf Club, Greg Norman 18-holes, Troon Golf
The Preserve at Botany Bay Timbers Co.	St. Thomas		84	Off-site, Mahogany Run Fazio 18-holes
Scrub Island Mainsail Resort & Marina	BVI		90	No golf, marina
Viceroy Anguilla Resort & Residences	Anguilla		100	Off-site Temenos Golf Club Greg Norman 18-holes
Salt Cay Resort & Golf Club	Turks & Caicos		120	Arthur Hills/Steve Forrest 18-holes, Troon Golf
Capella Residences Bahia Maroma	Riviera Maya		86	Reese Jones 18-holes
W Resort Vieques	Puerto Rico		156	No golf, off-site Puerto Rico
Four Seasons Resort Grenada	Grenada		123	On-site 18-holes
Four Seasons Resort Barbados	Barbados		106	Off-site, Sandy Lane 45-holes, Barbados Golf Club
			3,450	

Local Accommodations Supply – Vieques Island

The existing lodging properties on Vieques are primarily small boutique-style inns and guest houses, with the exception of the 156-room Martineau Bay Resort & Spa, which is considered the primary competitor to the planned Blue Horizon Resort & Spa on Vieques. The resort, which opened in 2003, was acquired by a private European investment group in April, 2005, and is being redeveloped and re-flagged by Starwood Hotels & Resorts as the W Retreat & Spa – Vieques Island, scheduled to reopen in 2009. In addition, there are currently three upscale inns on the island with a total of 38 rooms, including the Hix Island House, the Bravo Beach Hotel and the Hacienda Tamarindo which will be acquired by the owners of the Blue Horizon. We also identified two proposed smaller resort villa projects on the southern coast of the Island which are currently in the planning approval process, including the Dos Palmas Resort and the Island Groves Resort with 40 hotel keys and 10 private villa units. The small inns and resort villa projects are not considered to be directly competitive to the planned Blue Horizon Resort due to the subject property's design concept, superior site location, and luxury market positioning.

W Retreat & Spa – Vieques Island

Starwood Hotels & Resorts will debut its W Hotels brand in the Caribbean with the opening of the W Retreat & Spa – Vieques Island. The former Martineau Bay Resort property is owned by REIG Capital Group and designed by REIG Capital Group's Art Director, Patricia Urquiola, of Urquiola Studios in collaboration with Sierra Cardona Ferrer Architects of Puerto Rico, and the Rockwell Group Europe. Scheduled to open in late 2009, the 157-room retreat and spa will feature private luxury villas, a world-class restaurant, a signature spa, access to W Hotel's renowned Whatever/Whenever Concierge Service, and a WIRED business center.

The hotel facilities include 114 guestrooms in 9 two and three-story oceanfront buildings and 42 suites in seven two-story villas on the 30.3 acre oceanfront site, plus an additional 14.8 acres vacant land for potential future development. The extensive renovation program includes remodeling, redecorating and refurnishing of the guestrooms and bathrooms, main house public areas and restaurant, meeting rooms, boutique retail facility, spa, two new swimming pools and site landscaping. The resort's facilities will incorporate a unique blend of sophisticated *nouveau* Caribbean design, together with the contemporary W design features for which the brand has become world-renowned.

We understand the resort's restaurant will be operated by Groupe Alain Ducasse, which operates gourmet restaurants worldwide, including the award winning Alain Ducasse Restaurant at the Essex House in New York and the Plaza Athénée Restaurant in Paris. The Spa reportedly will be operated by Spa Chakra Alliance, which was selected by Guerlain Paris, a wholly-owned subsidiary of the world's leading luxury goods conglomerate, the Moët Hennessy-Louis Vuitton Group (LVMH) as its partner to create and manage the new L'Institut de Guerlain network of luxury flagship spas of this genre in destination cities around the world.

Total development cost for the resort hotel project is estimated at approximately \$148 million, including acquisition cost of the former Martineau Bay Resort property and financing costs. We understand that the owners of the property are currently in the process of refinancing the project.

We further understand that an additional 44 banded W-Residences and 12 residential estate lots will be developed on the hillside across the street from the main resort property, which would be affiliated to and managed by the W Retreat & Spa. The development program for the property includes a village clubhouse with swimming pool, and 3,000 square feet of commercial space along PR-200 at the entrance to the property, with separate public access from the PR-200 roadway. Additionally, we understand that the owners of the W-Resort are planning to develop an 18-hole championship golf course on property owned by the Municipality bordering PR-200. The golf course facilities would be available to guests of other resorts.

In our opinion, the W-Retreat & Spa – Vieques Island will assist in creating a positive market awareness of Vieques as an upscale resort destination, and will encourage increased airlift to the Island, thus benefiting future marketing of the Blue Horizon Resort & Spa.

Potential Additions to Competitive Supply – Puerto Rico

Several new luxury resort projects are being developed or planned in Puerto Rico, including the St. Regis Resort at Bahía Beach, the Regent Puerto Rico Beach Resort & Spa and the Mandarin Oriental Resort at Palmas del Mar, and the Ritz Carlton Reserve at Dorado Beach. With their upscale facilities and luxury brand affiliations, these new luxury properties are expected to create a higher level market perception and induce new demand among the targeted upscale leisure traveler that will distinguish these new Puerto Rico properties in the international travel industry. Due to the upscale leisure orientation, luxury branding, and site location characteristics of the potential additions to supply, we expect that the majority of demand growth to these new resort properties will be induced by their respective operators.

St. Regis Resort & Residences - Bahía Beach Resort & Golf Club

The St. Regis Resort, located on Puerto Rico's northeast coast, will feature 135 luxuriously appointed hotel suites, a Remède Spa and Fitness Center, casual and fine dining restaurants, oceanfront swimming pools, and concierge. The resort, which is situated on a 483-acre oceanfront site, is slated for opening in late 2009. The community facilities will include a two-mile crescent of sandy beach, an 18-hole championship beachfront golf course, golf and beach clubhouses and seaside "town center" village. We understand that 90 of the 135 hotel suites will be sold as fully-furnished condo-hotel residences to be operated by St. Regis under a qualified rental management program in accordance with the provisions of the Puerto Rico Tourism Development Act. The one-bedroom condo-hotel suites with 900 square feet will be priced around \$700 per square foot or \$630,000 according to the developer. The 26 St. Regis-branded Estate Homes will range from 6,000 to 10,000 square feet of total construction area and be available in six different models starting at \$2.5 million. St. Regis Hotels & Resorts is the internationally renowned luxury brand of Starwood Hotels & Resorts

Regent Puerto Rico Beach Resort & Spa, Palmas del Mar

Construction is expected to start in 2009 on the new Regent Puerto Rico Beach Resort & Spa, located on the 33-acre Candelero Point oceanfront peninsula in the Palmas del Mar resort community on Puerto Rico's southeast coast. The 148-room property, which will operate under the Regent Luxury Group flag, will include 55 hotel guestrooms, 88 condo-hotel suites and five spa suites. The luxury resort will include a 15,000 square-foot lake-side spa, three restaurants, several pools and other water features. The environmentally friendly resort project also has 162 beachfront branded residences, with two and three-bedroom models. The Regent Puerto Rico Beach Resort & Spa will be the first hotel of this brand to be operated in the Caribbean and Latin America.

Mandarin Oriental Palmas del Mar

Palmas del Mar Properties and Hines Development of Texas have joined forces to develop a 142-room five-star Mandarin Oriental Resort on the 40-acre Punta Guayanés oceanfront site in the Palmas del Mar resort community. The planned resort will consist of the 142-room luxury hotel, an 18,000 square foot signature Mandarin Oriental Spa, 44 Mandarin-branded Condominium Residences, and 25 branded Estate Homes. The cost of the hotel and spa, plus the condo residences reportedly will be around \$230 million. The hotel and condo residences are anticipated to start construction in late 2009, and are expected to be completed by 2011. The Estate Home residences will start construction in 2011 and be completed in 2013.

Ritz Carlton Reserve Dorado Beach

Caribbean Property Group (CPG), owner of the Ritz-Carlton Hotel & Casino in San Juan, and local developer Prisa Group headed by Federico Stubbe, are planning to develop a 130-room Ritz-Carlton Reserve – Ritz-Carlton’s luxury-class resort brand -- plus an additional 129 rental condominiums at Dorado Beach on the site of the former Hyatt Dorado Beach Resort which closed in 2006. CPG and the Prisa Group acquired the Hyatt Dorado Beach resort properties from the Pritzker family in 2007, including both the Hyatt Dorado Beach Resort and the former 500-room Hyatt Regency Cerromar Hotel which closed in 2003, and four 18-hole golf courses designed by Robert Trent Jones, Sr. The Ritz-Carlton Reserve will include 100 guestrooms, 29 one-bedroom suites, a 19,000 square foot Spa and approximately 7,100 square feet of meeting space. An additional 95 branded beachfront residences and 34 golf residences will be constructed in conjunction with the Ritz-Carlton Reserve. All the branded beachfront and golf residences will be sold as condominiums and unit owners will have the option of including them in a rental program managed by Ritz-Carlton. The Dorado Beach East Course will be renovated to a five-star level in order to host world-class golf events. The new Ritz-Carlton Reserve is expected to open in late 2011.

Fairmont Dorado Resort

Caribbean Property Group has also acquired the former Hyatt Regency Cerromar Beach Resort and plans to demolish the structure and develop a 400-room Fairmont Resort. The hotel is anticipated to cater to the leisure and groups market and is expected to open in 2013.

Market Position – Subject Property

The leading resort hotels in Puerto Rico are generally positioned as upscale four-star properties catering to the high-end leisure and business traveler. However, they have not achieved the luxury brand recognition of such leading international hotel companies as Four Seasons, Ritz Carlton, Mandarin Oriental, St. Regis and Regent Hotels, that have consistently demonstrated the ability to successfully charge a rate premium and achieve a leadership position over non-affiliated competitors in the luxury hotel sector. Compared to other destinations, the Caribbean traditionally has been underrepresented by leading international hotel brands that are now establishing new resort properties in the region.

However, the new five-star luxury resorts being developed in Puerto Rico, including the St. Regis, Mandarin Oriental, Regent, Ritz-Carlton Reserve and W Retreat & Spa, with their upscale facilities and luxury brand affiliations, are expected to create a higher level market perception for Puerto Rico as an upscale destination, and induce new demand among the targeted high-end leisure traveler that will distinguish these new properties in the international travel industry. On Vieques, the Blue Horizon has the added competitive advantage of a larger site allowing for lower density development compared to the W-Retreat & Spa - Vieques Island. The Blue Horizon Resort also enjoys the calmer waters on the southern side of the Island and quick access to the quaint fisherman's village of Esperanza.

Based on our analysis of existing and proposed luxury resort properties in the Caribbean, the proposed Blue Horizon Resort & Spa should be competitively positioned with other leading international hotel companies which operate competitive luxury resorts in the Caribbean region. Our evaluation of the potential market position that could be attained by the subject property assumes a targeted marketing strategy by the selected hotel operator to effectively position the proposed Blue Horizon Resort & Spa among the leading luxury resorts in Puerto Rico and the Caribbean region catering to the high-end leisure traveler and small group market segments.

Our assessment of existing and planned competitive supply of luxury resort accommodations in the Caribbean region suggests a potentially competitive environment over the next several years with the ongoing development and opening of numerous luxury resorts targeting the high-end leisure travel segment, particularly from the United States, which accounts for 56% of all tourist arrivals to the Caribbean region, excluding Cuba. However, we would expect Puerto Rico's new five-star resorts to achieve a stabilized level of operations within a three to five-year period of operations, as the new resorts establish themselves in the competitive marketplace.

Market Position – Stabilized Occupancy and Estimated Average Rate

The results of our market feasibility study indicates a positive level of market support for the proposed resort project as envisioned, based on our analysis of current and future demand for accommodations in the market area assessment of existing and potential competitive supply, and evaluation of the market share that could be reasonably attained by the subject property.

Based on our evaluation of the market position that could be reasonably attained by the subject property and analysis of the operating performance of selected competitors, we prepared our estimates of attainable average rate and occupancy for the proposed Blue Horizon Resort & Spa for a representative year of operations (the Base Year) expressed in 2008 dollars.

Although several new luxury resorts are under development or planned in Puerto Rico, increasing the potential supply of luxury accommodations in the market area, we would expect that such competitively distinctive resort properties will induce new high-end leisure demand to Puerto Rico and Vieques Island, realizing a stabilized level of operations within three to five years of operations. For purposes of our analysis, we assumed that the planned Blue Horizon Resort & Spa could achieve a stabilized level of operations by its fourth full year of operations in 2015, considering that the new resort would be opening around the same time as several other new luxury-class properties being developed in Puerto Rico.

We estimated that the 105-key Blue Horizon Resort & Spa could achieve an average occupancy rate of 65% and average daily rate (ADR) of \$607.00 in 2008 dollars, for a stabilized year of operations, based on our analysis of operating performance for the selected competitive set of luxury resorts in the Caribbean region, and evaluation of the market position that could be reasonably attained by the subject property based on the proposed design concept, luxury brand affiliation and marketing strategy targeting the upscale leisure market segment, and specifically a well-traveled wealthy clientele

We assumed the hotel's occupancy rate would "ramp-up" over the initial three years of operations, from 55% in the first full year of operations, to 65% in the fourth year of operations, as the new resort hotel establishes itself in the competitive marketplace. We further assumed certain promotional discounts reflected in the hotel's ADR over the first three years of operations to induce market demand to the new property. The estimated ADR in inflated dollars was discounted 15% in the first year, 10% in the second year, and 5% in the third full-year of operations, as reflected in the Statements of Estimated Operating Results. Our estimates of attainable average rate and occupancy ranges for the subject property reflect expectations for expanded airlift to Vieques, and successful implementation of promotional strategies by the selected hotel operator to increase market awareness of the destination among upscale leisure travelers. In developing our proforma of potential operating results, we assumed the subject property would be branded and operated by a leading luxury-class hotel company with international marketing and reservations systems.

**Assumptions to Statements of Estimated Operating Results
Proposed 105-Key Blue Horizon Resort & Spa**

We estimated potential occupancy levels and attainable average rates for the subject property for both a stabilized year (the Base Year in 2008 dollars) and for the first seven years after opening. We then developed Statements of Estimated Operating Results for the 105-key Blue Horizon Resort & Spa for calendar years 2012 through 2018, including revenues, departmental expenses, and undistributed operating expenses in conformity with the *Uniform System of Accounts for the Lodging Industry* as recommended by the American Hotel & Lodging Association.

Our forecast of operating results reflects our determination of current and future demand for accommodations in the market area, assessment of existing and potential competitive supply, and evaluation of the market position that could be reasonably attained by the subject property for a stabilized year of operations. Since the estimated operating results are based on estimates and assumptions which are subject to uncertainty and variation, we do not represent them as results that will actually be achieved.

In developing our statement of estimated operating results for the proposed Blue Horizon Resort & Spa, we evaluated our projections of operating results for the subject property compared to industry performance ratios for comparable luxury resorts in the Caribbean - including ranges and average ratios to sales (total revenue), amounts per available room, and amounts per occupied room night. The following discussion with regard to revenue and expense assumptions is based on a representative year of operations expressed in 2008 dollars, as set forth in the accompanying Base Year Statement of Estimated Operating Results. All line items have been projected assuming an inflation rate of 3% per year.

For purposes of our analysis and projections of potential operating results, we assumed that the eight Plantation Villas with 28 hotel keys would be sold to individual investors and operated by the selected hotel operator under an integrated rental program pursuant to the outlined terms of the management and rental agreement. The accompanying Statements of Estimated Operating Results for the proposed 105-key Blue Horizon Resort & Spa reflect all revenues and expenses for the resort hotel operation, including rooms revenue from the Plantation Villas rental program and operating expenses attributable to operation and management of such rental program. We assumed that the Plantation Villa owners would receive a 55% share of Net Rentals as defined in the Management and Rental Agreement. The estimated villa owners' profit share from the rental program is deducted from Net Operating Income in the Statement of Estimated Operating Results.

Rooms Department. Rooms Revenue includes revenues derived from the rental of rooms and suites, net of any rebates and discounts. Rooms Department Expenses include labor costs for front desk, housekeeping, reservations, bell staff and laundry, plus employee benefits. Other operating expenses in the rooms department include cable television, commissions, contract cleaning services, guest relocation, guest transportation, laundry and dry cleaning, linen, operating and cleaning supplies, training, uniforms and complimentary guest services.

Occupancy and Average Room Rate (ADR) are the two variables which determine Rooms Revenue and Revenue Per Available Room (RevPAR). According to our analysis, we estimated the proposed 105-key Blue Horizon Resort & Spa could achieve Revenue Per Available Room (RevPAR) of \$394.55 (stated in 2008 dollars) reflecting estimated ADR of \$607.00 and occupancy rate of 65% for a stabilized year of operations. Rooms Department Expenses are estimated at 20% of Rooms Revenue or \$121.39 per occupied room night (2008 dollars) based on operating experience of comparable luxury resorts in the Caribbean.

Food & Beverage Department. Food & Beverage Revenue includes revenues derived from the sale of food and beverages, including restaurant, lounge, room service and banquets. Also includes Other Food & Beverage Revenue derived from other sources such as meeting room rentals, cover or service charges, and revenues derived from the sale of goods or services made in connection with banquets, such as equipment rental, music and decorations. Food & Beverage departmental expenses include the cost of goods sold (food & beverage), labor and related benefits, and other operating expenses for china, silverware, linens, restaurant and kitchen supplies, menus and printing. Labor costs include departmental management, cooks and kitchen personnel, service staff, banquet staff and bartenders.

Food & Beverage Revenue is estimated at 46% of Rooms Revenue or \$279.23 per occupied room night on a stabilized basis (in 2008 dollars) based on operating experience and typical F&B department ratios comparable luxury resorts in the Caribbean. F&B Expense is estimated at 80% of F&B Revenue, based on typical F&B departmental expense ratios for comparable luxury resorts in the Caribbean, considering the operational aspects and limitations of the subject property's site location on the island of Vieques.

Telecommunications. Telecommunications includes revenues derived from guest-use of telephones in the hotel, including local and long distance calls, service charges, and commissions received from pay stations. In addition, this account includes revenue derived from guests using internet access services when the cost of calls for such services is included in the telecommunications department. Telecommunications departmental expenses include costs of calls, salaries and wages, contract services for equipment maintenance and service contracts related to the telecommunications department. Telecommunications revenues are estimated at 1.3% of Rooms Revenue or \$7.91 per occupied room night (2008 dollars) and telecommunications expense is estimated at 100% of telecommunications revenue based on operating experience of comparable luxury resorts in the Caribbean.

Spa and Fitness Center. Spa and Fitness Center Revenue includes all revenue derived from membership and visitor fees, fitness consultations and programs, massages and treatments, sales of merchandise (such as skin care products and clothing) and fees for other services provided by the spa, including hotel guests and other resort residents. Departmental expenses include cost of merchandise sold, total payroll and related expenses, and operating expenses for contract services, laundry and dry cleaning, linen, maintenance of spa and fitness center equipment, operating supplies, cost of contract professionals engaged to provide fitness consultations and massages, training, uniforms and telecommunications. Spa and Fitness Center Revenue is estimated at \$822,000 or \$33.00 per occupied room night (2008 dollars) and Spa Department Expense is estimated at 70% of departmental revenue based on operating experience of comparable resort hotel spas. Spa Department Revenue includes only estimated revenue attributable to the 105-key resort hotel, and excludes potential spa revenue from future development phases. We have assumed the spa will be operated by the selected hotel company.

Rentals and Other Income. Rentals and other income include commercial space rentals and concessions, commissions received from others for services such as vehicle rentals, forfeited deposits, and interest income earned on cash investments. Rentals and Other Income is estimated at 5.0% of Rooms Revenue or \$30.35 per occupied room (2008 dollars) based on operating experience of comparable luxury resorts in the Caribbean.

Administrative and General Expense. Included in this category are the payroll and related expenses for the general manager, human resources, security, clerical staff, controller and accounting staff. Other A&G expenses include office supplies, computer services, accounting and legal fees, bad debt expenses, credit card commissions, and travel and entertainment. Administrative and General Expenses are estimated at 10.0% of Total Revenue or \$22,714 per available room (2008 dollars) based on operating experience of comparable luxury resorts in the Caribbean.

Marketing Expense. Marketing expenses include payroll and related expenses for the sales and marketing staff, direct sales expenses, advertising and promotion, and travel expenses for the sales staff. This account normally includes national advertising fees or assessments paid to a hotel franchise company, plus cost of frequent guest stay programs. Marketing Expense is estimated at 5.5% of Total Revenue or \$12,495 per available room (2008 dollars) based on operating experience of comparable luxury resorts in the Caribbean.

Franchise Royalty Fee. The franchise royalty fee represents compensation for the use of the hotel company's trade name, service marks and associated logos, goodwill, and other franchise services. Other franchise fees charged by the hotel company for national advertising, and fees associated with the administration of frequent guest stay or similar programs are included in Marketing Expense.

Property Operation and Maintenance. This category includes payroll and related expenses for maintenance personnel, cost of materials and contract services related to repairing and maintaining the building, electrical and mechanical equipment, elevators, HVAC equipment, furniture, grounds and landscaping, painting and decorating, swimming pool, and life safety equipment. Also included in this category are vehicle maintenance and rubbish removal expenses. Property Operation and Maintenance Expenses (POM) are estimated at 6.0% of Total Revenue or \$13,629 per available room (2008 dollars) based on operating experience of comparable luxury resorts in the Caribbean.

Utility Costs. Utility costs include the cost of electricity, water, and sewer charges. Utility costs are estimated at 6.0% of Total Revenue or \$13,629 per available room (2008 dollars) based on operating experience of comparable luxury resorts in the Caribbean and Puerto Rico. Estimated utility costs are subject to uncertainty and variation due to continued fluctuations in oil prices which have increased sharply between 2004 and 2008.

Management Fees. Fees charged by the hotel management company for management services or supervision. We computed the Base Management fee at 3.0% of Total Revenue based on typical industry experience. We have not included an incentive management fee in our statements of estimated operating results, since we assume that any incentive fee would be subordinated to mortgage debt service according to typical industry experience. The final terms and conditions of the management agreement would be subject to negotiation between the hotel owner and the selected hotel operator.

Insurance. Includes the cost of insuring the hotel building and contents against damage or destruction by fire, weather, sprinkler leakage, plate glass breakage or any other cause. General insurance costs, including premiums relating to liability, fidelity, and theft coverage should be included in this account. Payroll related insurance (workers' compensation) is included in employee benefits in the appropriate department to which the associated payroll is charged. Insurance expense is estimated at 3.0% of Total Revenue or \$6,819 per available room (2008 dollars) based on operating experience of comparable luxury resorts in the Caribbean and Puerto Rico.

Property Taxes. Typically include taxes on real estate, business and occupation, personal property, utilities and other municipal taxes. New hotel facilities in Vieques, Puerto Rico qualify for a 10-year exemption from various taxes, including 100% exemption from income tax and property taxes, and 100% exemption from municipal license taxes, excise taxes on imported articles under specified conditions, and any municipal construction tax. The original 10-year term can be extended for an additional 10-year term.

Reserve for Replacement. For purposes of our analysis, we excluded non-cash charges for depreciation and amortization related to buildings, furniture and equipment, assets held under capital leases, leasehold improvements and intangibles. However, we have deducted from operating profits a reserve for replacement of furniture, fixtures and equipment starting at 2.0% of Total Revenue in the initial year of operations, increasing to 3.0% of Total Revenue in the second year, and stabilizing at 4.0% of Total Revenue in the third year of operations and thereafter.

Condo Owners Profit Share. Represents the Plantation Villas owners' share of Net Rentals from the condo-hotel rental program in an amount equal to 55% of Net Rentals as defined in the Management and Rental Agreement.

Statement of Estimated Operating Results

The following schedules present a summary of projected future cash flows from operations for the Base Year (2008 dollars) and for years 2012 through 2018 expressed in inflated dollars. Since the estimated operating results are based on estimates and assumptions which are subject to uncertainty and variation, we do not represent them as results that will actually be achieved.

The Blue Horizon Resort & Spa, Vieques, Puerto Rico

Proposed 105-Key Blue Horizon Resort & Spa, Vieques, Puerto Rico
Base Year Statement (2008 dollars) and Statements of Estimated Operating Results (Expressed in Inflated Dollars)

	Base Year 2008				Base +4 2012				Base +5 2013				Base +6 2014			
Number of Rooms/Suites	105				105				105				105			
Occupancy	65.0%				55.3%				58.5%				61.8%			
Average Rate	\$ 607.00				\$ 581.00				\$ 633.00				\$ 689.00			
Days Open	365				365				365				365			
Rooms Occupied	24911				21175				22420				23666			
Revenues	\$(000)	Percent	\$/Avail Rm	\$/Occ Rm	\$(000)	Percent	\$/Avail Rm	\$/Occ Rm	\$(000)	Percent	\$/Avail Rm	\$/Occ Rm	\$(000)	Percent	\$/Avail Rm	\$/Occ Rm
Rooms	\$ 15,121	63.4%	\$ 144,010	\$ 606.99	\$ 12,302	58.3%	\$ 117,162	\$ 580.98	\$ 14,192	60.1%	\$ 135,162	\$ 633.00	\$ 16,305	61.9%	\$ 155,286	\$ 688.97
Food & Beverage	\$ 6,956	29.2%	\$ 66,248	\$ 279.23	\$ 6,948	33.0%	\$ 66,171	\$ 328.13	\$ 7,459	31.6%	\$ 71,038	\$ 332.69	\$ 7,994	30.3%	\$ 76,133	\$ 337.79
Beverages	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -
Telecommunications	\$ 197	0.8%	\$ 1,876	\$ 7.91	\$ 191	0.9%	\$ 1,819	\$ 9.02	\$ 207	0.9%	\$ 1,971	\$ 9.23	\$ 224	0.8%	\$ 2,133	\$ 9.47
Rentals and Other Income	\$ 756	3.2%	\$ 7,200	\$ 30.35	\$ 787	3.7%	\$ 7,495	\$ 37.17	\$ 833	3.5%	\$ 7,933	\$ 37.15	\$ 880	3.3%	\$ 8,381	\$ 37.18
Spa	\$ 822	3.4%	\$ 7,829	\$ 33.00	\$ 856	4.1%	\$ 8,152	\$ 40.43	\$ 905	3.8%	\$ 8,619	\$ 40.37	\$ 957	3.6%	\$ 9,114	\$ 40.44
Total Revenue	\$ 23,852	100.0%	\$ 227,162	\$ 957.48	\$ 21,084	100.0%	\$ 200,800	\$ 995.72	\$ 23,596	100.0%	\$ 224,724	\$ 1,052.45	\$ 26,360	100.0%	\$ 251,048	\$ 1,113.85
Departmental Expenses																
Rooms	\$ 3,024	20.0%	\$ 28,800	\$ 121.39	\$ 3,200	26.0%	\$ 30,476	\$ 151.12	\$ 3,366	23.7%	\$ 32,057	\$ 150.13	\$ 3,539	21.7%	\$ 33,705	\$ 149.54
Food & Beverage	\$ 5,565	80.0%	\$ 53,000	\$ 223.39	\$ 5,946	85.6%	\$ 56,629	\$ 280.81	\$ 6,233	83.6%	\$ 59,362	\$ 278.01	\$ 6,532	81.7%	\$ 62,210	\$ 276.01
Telecommunications	\$ 197	100.0%	\$ 1,876	\$ 7.91	\$ 209	109.4%	\$ 1,990	\$ 9.87	\$ 220	106.3%	\$ 2,095	\$ 9.81	\$ 230	102.7%	\$ 2,190	\$ 9.72
Rentals and Other Income	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -
Spa	\$ 575	70.0%	\$ 5,476	\$ 23.08	\$ 623	72.8%	\$ 5,933	\$ 29.42	\$ 650	71.8%	\$ 6,190	\$ 28.99	\$ 679	71.0%	\$ 6,467	\$ 28.69
Total Departmental Expenses	\$ 9,361	39.2%	\$ 89,152	\$ 375.77	\$ 9,978	47.3%	\$ 95,029	\$ 471.23	\$ 10,469	44.4%	\$ 99,705	\$ 466.95	\$ 10,980	41.7%	\$ 104,571	\$ 463.96
Departmental Income	\$ 14,491	60.8%	\$ 138,010	\$ 581.71	\$ 11,106	52.7%	\$ 105,771	\$ 524.50	\$ 13,127	55.6%	\$ 125,019	\$ 585.50	\$ 15,380	58.3%	\$ 146,476	\$ 649.89
Undistributed Operating Expenses																
Administrative & General	\$ 2,385	10.0%	\$ 22,714	\$ 95.74	\$ 2,578	12.2%	\$ 24,552	\$ 121.75	\$ 2,692	11.4%	\$ 25,638	\$ 120.07	\$ 2,810	10.7%	\$ 26,762	\$ 118.74
Marketing	\$ 1,312	5.5%	\$ 12,495	\$ 52.67	\$ 1,418	6.7%	\$ 13,505	\$ 66.97	\$ 1,480	6.3%	\$ 14,095	\$ 66.01	\$ 1,545	5.9%	\$ 14,714	\$ 65.28
Franchise Fees	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -
Prop. Oper. & Maintenance	\$ 1,431	6.0%	\$ 13,629	\$ 57.44	\$ 1,547	7.3%	\$ 14,733	\$ 73.06	\$ 1,615	6.8%	\$ 15,381	\$ 72.03	\$ 1,686	6.4%	\$ 16,057	\$ 71.24
Utility Costs	\$ 1,431	6.0%	\$ 13,629	\$ 57.44	\$ 1,589	7.5%	\$ 15,133	\$ 75.04	\$ 1,644	7.0%	\$ 15,657	\$ 73.33	\$ 1,701	6.5%	\$ 16,200	\$ 71.88
Total UDOEs	\$ 6,559	27.5%	\$ 62,467	\$ 263.29	\$ 7,132	33.8%	\$ 67,924	\$ 336.82	\$ 7,431	31.5%	\$ 70,771	\$ 331.44	\$ 7,742	29.4%	\$ 73,733	\$ 327.14
Income Before Fixed Charges	\$ 7,932	33.3%	\$ 75,543	\$ 318.41	\$ 3,974	18.8%	\$ 37,848	\$ 187.68	\$ 5,696	24.1%	\$ 54,248	\$ 254.06	\$ 7,638	29.0%	\$ 72,743	\$ 322.75
Fixed Charges																
Management Fee	\$ 716	3.0%	\$ 6,819	\$ 28.74	\$ 633	3.0%	\$ 6,029	\$ 29.89	\$ 708	3.0%	\$ 6,743	\$ 31.58	\$ 791	3.0%	\$ 7,533	\$ 33.42
Property Tax	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -
Insurance	\$ 716	3.0%	\$ 6,819	\$ 28.74	\$ 805	3.8%	\$ 7,667	\$ 38.02	\$ 830	3.5%	\$ 7,905	\$ 37.02	\$ 854	3.2%	\$ 8,133	\$ 36.09
Reserve for Replacement	\$ 954	4.0%	\$ 9,086	\$ 38.30	\$ 422	2.0%	\$ 4,016	\$ 19.91	\$ 708	3.0%	\$ 6,742	\$ 31.57	\$ 1,054	4.0%	\$ 10,038	\$ 44.54
Total Fixed Charges	\$ 2,386	10.0%	\$ 22,724	\$ 95.78	\$ 1,860	8.8%	\$ 17,711	\$ 87.83	\$ 2,246	9.5%	\$ 21,389	\$ 100.17	\$ 2,699	10.2%	\$ 25,705	\$ 114.05
Net Operating Income	\$ 5,546	23.3%	\$ 52,819	\$ 222.63	\$ 2,114	10.0%	\$ 20,136	\$ 99.85	\$ 3,450	14.6%	\$ 32,858	\$ 153.88	\$ 4,939	18.7%	\$ 47,038	\$ 208.70
Condo-Owners Profit Share																
Condo-Owners Profit Share	\$ 665				\$ 352				\$ 501				\$ 644			
Net Income	\$ 4,881				\$ 1,762				\$ 2,949				\$ 4,295			

Expense ratios to sales for rooms, F&B, telecommunications and spa departmental expenses are based on their respective departmental revenues.
All other expense ratios are based on total revenue.

See Computation of Operational Charges and Profit Distribution 28-Key Plantation Villas Rental Program (Rooms Only)

The Blue Horizon Resort & Spa, Vieques, Puerto Rico

Proposed 105-Key Blue Horizon Resort & Spa, Vieques, Puerto Rico
Statements of Estimated Operating Results (Expressed in Inflated Dollars)

	Base +7 2015				Base +8 2016				Base +9 2017				Base +10 2018			
Number of Rooms/Suites	105				105				105				105			
Occupancy	65.0%				65.0%				65.0%				65.0%			
Average Rate	\$ 747.00				\$ 769.00				\$ 792.00				\$ 816.00			
Days Open	365				365				365				365			
Rooms Occupied	24911				24911				24911				24911			
Revenues	\$(000)	Percent	\$/Avail Rm	\$/Occ Rm	\$(000)	Percent	\$/Avail Rm	\$/Occ Rm	\$(000)	Percent	\$/Avail Rm	\$/Occ Rm	\$(000)	Percent	\$/Avail Rm	\$/Occ Rm
Rooms	\$ 18,609	63.4%	\$ 177,229	\$ 747.01	\$ 19,157	63.4%	\$ 182,448	\$ 769.01	\$ 19,730	63.4%	\$ 187,905	\$ 792.01	\$ 20,327	63.4%	\$ 193,590	\$ 815.98
Food & Beverage	\$ 8,555	29.2%	\$ 81,476	\$ 343.42	\$ 8,811	29.2%	\$ 83,914	\$ 353.70	\$ 9,076	29.2%	\$ 86,438	\$ 364.33	\$ 9,348	29.2%	\$ 89,029	\$ 375.25
Beverages	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -
Telecommunications	\$ 242	0.8%	\$ 2,305	\$ 9.71	\$ 249	0.8%	\$ 2,371	\$ 10.00	\$ 256	0.8%	\$ 2,438	\$ 10.28	\$ 264	0.8%	\$ 2,514	\$ 10.60
Rentals and Other Income	\$ 930	3.2%	\$ 8,857	\$ 37.33	\$ 958	3.2%	\$ 9,124	\$ 38.46	\$ 986	3.2%	\$ 9,390	\$ 39.58	\$ 1,016	3.2%	\$ 9,676	\$ 40.78
Spa	\$ 1,011	3.4%	\$ 9,629	\$ 40.58	\$ 1,041	3.4%	\$ 9,914	\$ 41.79	\$ 1,073	3.4%	\$ 10,219	\$ 43.07	\$ 1,105	3.4%	\$ 10,524	\$ 44.36
Total Revenue	\$ 29,347	100.0%	\$ 279,495	\$ 1,178.06	\$ 30,216	100.0%	\$ 287,771	\$ 1,212.95	\$ 31,121	100.0%	\$ 296,390	\$ 1,249.27	\$ 32,060	100.0%	\$ 305,333	\$ 1,286.97
Departmental Expenses																
Rooms	\$ 3,719	20.0%	\$ 35,419	\$ 149.29	\$ 3,831	20.0%	\$ 36,486	\$ 153.79	\$ 3,946	20.0%	\$ 37,581	\$ 158.40	\$ 4,064	20.0%	\$ 38,705	\$ 163.14
Food & Beverage	\$ 6,844	80.0%	\$ 65,181	\$ 274.74	\$ 7,049	80.0%	\$ 67,133	\$ 282.96	\$ 7,261	80.0%	\$ 69,152	\$ 291.47	\$ 7,478	80.0%	\$ 71,219	\$ 300.19
Telecommunications	\$ 242	100.0%	\$ 2,305	\$ 9.71	\$ 249	100.0%	\$ 2,371	\$ 10.00	\$ 256	100.0%	\$ 2,438	\$ 10.28	\$ 264	100.0%	\$ 2,514	\$ 10.60
Rentals and Other Income	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -
Spa	\$ 708	70.0%	\$ 6,743	\$ 28.42	\$ 729	70.0%	\$ 6,943	\$ 29.26	\$ 751	70.0%	\$ 7,152	\$ 30.15	\$ 773	70.0%	\$ 7,362	\$ 31.03
Total Departmental Expenses	\$ 11,513	39.2%	\$ 109,648	\$ 462.16	\$ 11,858	39.2%	\$ 112,933	\$ 476.01	\$ 12,214	39.2%	\$ 116,324	\$ 490.30	\$ 12,579	39.2%	\$ 119,800	\$ 504.95
Departmental Income	\$ 17,834	60.8%	\$ 169,848	\$ 715.90	\$ 18,358	60.8%	\$ 174,838	\$ 736.94	\$ 18,907	60.8%	\$ 180,067	\$ 758.97	\$ 19,481	60.8%	\$ 185,533	\$ 782.02
Undistributed Operating Expenses																
Administrative & General	\$ 2,933	10.0%	\$ 27,933	\$ 117.74	\$ 3,021	10.0%	\$ 28,771	\$ 121.27	\$ 3,112	10.0%	\$ 29,638	\$ 124.92	\$ 3,205	10.0%	\$ 30,524	\$ 128.66
Marketing	\$ 1,613	5.5%	\$ 15,362	\$ 64.75	\$ 1,662	5.5%	\$ 15,829	\$ 66.72	\$ 1,712	5.5%	\$ 16,305	\$ 68.72	\$ 1,763	5.5%	\$ 16,790	\$ 70.77
Franchise Fees	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -
Prop. Oper. & Maintenance	\$ 1,760	6.0%	\$ 16,762	\$ 70.65	\$ 1,813	6.0%	\$ 17,267	\$ 72.78	\$ 1,867	6.0%	\$ 17,781	\$ 74.95	\$ 1,923	6.0%	\$ 18,314	\$ 77.19
Utility Costs	\$ 1,760	6.0%	\$ 16,762	\$ 70.65	\$ 1,813	6.0%	\$ 17,267	\$ 72.78	\$ 1,867	6.0%	\$ 17,781	\$ 74.95	\$ 1,923	6.0%	\$ 18,314	\$ 77.19
Total UDOEs	\$ 8,066	27.5%	\$ 76,819	\$ 323.79	\$ 8,309	27.5%	\$ 79,133	\$ 333.54	\$ 8,558	27.5%	\$ 81,505	\$ 343.54	\$ 8,814	27.5%	\$ 83,943	\$ 353.82
Income Before Fixed Charges	\$ 9,768	33.3%	\$ 93,029	\$ 392.11	\$ 10,049	33.3%	\$ 95,705	\$ 403.39	\$ 10,349	33.3%	\$ 98,562	\$ 415.43	\$ 10,667	33.3%	\$ 101,590	\$ 428.20
Fixed Charges																
Management Fee	\$ 880	3.0%	\$ 8,381	\$ 35.33	\$ 906	3.0%	\$ 8,629	\$ 36.37	\$ 934	3.0%	\$ 8,895	\$ 37.49	\$ 962	3.0%	\$ 9,162	\$ 38.62
Property Tax	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -
Insurance	\$ 880	3.0%	\$ 8,381	\$ 35.33	\$ 906	3.0%	\$ 8,629	\$ 36.37	\$ 934	3.0%	\$ 8,895	\$ 37.49	\$ 962	3.0%	\$ 9,162	\$ 38.62
Reserve for Replacement	\$ 1,174	4.0%	\$ 11,181	\$ 47.13	\$ 1,209	4.0%	\$ 11,514	\$ 48.53	\$ 1,245	4.0%	\$ 11,857	\$ 49.98	\$ 1,282	4.0%	\$ 12,210	\$ 51.46
Total Fixed Charges	\$ 2,934	10.0%	\$ 27,943	\$ 117.78	\$ 3,021	10.0%	\$ 28,771	\$ 121.27	\$ 3,113	10.0%	\$ 29,648	\$ 124.96	\$ 3,206	10.0%	\$ 30,533	\$ 128.70
Net Operating Income	\$ 6,834	23.3%	\$ 65,086	\$ 274.33	\$ 7,028	23.3%	\$ 66,933	\$ 282.12	\$ 7,236	23.3%	\$ 68,914	\$ 290.47	\$ 7,461	23.3%	\$ 71,057	\$ 299.50
Condo-Owners Profit Share																
Condo-Owners Profit Share	\$ 818				\$ 843				\$ 867				\$ 893			
Net Income	\$ 6,016				\$ 6,185				\$ 6,369				\$ 6,568			

Expense ratios to sales for rooms, F&B, telecommunications and spa departmental expenses are based on their respective departmental revenues. All other expense ratios are based on total revenue.

See Computation of Operational Charges and Profit Distribution 28-Key Plantation Villas Rental Program (Rooms Only)

Computation of Operational Charges and Profit Distribution

28-Key Plantation Villas Condo-Hotel Rental Program

For purposes of our analysis and projections of potential operating results, we assumed that 28 Plantation Villas condo-hotel suites would be sold to individual investors and operated by the selected hotel operator under an integrated condo-hotel rental program pursuant to the outlined terms of the management and rental agreement.

The hotel operator will receive compensation for direct operating expenses related to administration, marketing and housekeeping services provided to the condo-hotel units. In addition, the condo-hotel unit owners would be responsible for payment of other undistributed operating expenses for utilities, maintenance, insurance and reserve for replacement pursuant to the terms of the Management and Rental Agreement.

The hotel operator will be retained by the hotel owner to perform all daily condo-hotel management functions pursuant to the terms of the rental management agreement. The hotel operator will receive a management fee equal to 3% of Gross Rental Income. The hotel operator will operate the condo-hotel units on a day-to-day basis, and the hotel owner together with the hotel operator will continue to be responsible for general administration of the condo-hotel program and resort operations. For purposes of our analysis, we assumed that the hotel owner would receive compensation for administrative services to be rendered under the condo-hotel program in an amount equal to 45% of all “Net Rentals” generated by the condo-hotel units. For purposes hereof, Net Rentals shall mean the aggregate of all “Gross Rental Income” generated by the units, less the following deductions for “Operational Charges” including:

- A marketing and franchise fee
- An administrative fee
- A management fee
- Housekeeping charge
- Special housekeeping charge for each period of owner occupancy.
- Owner Fixed Charges:
 - Electricity, water and sewer expense
 - Repair and maintenance expense
 - Homeowner’s insurance and property tax expense
 - FF&E reserve for replacement

The deduction of Operational Charges from Gross Rentals is solely for purposes of calculating the hotel owner’s share of Net Rentals, and neither the hotel owner nor the hotel operator is liable for, nor assumes any obligation for paying such expenses, other than from rentals generated by the condo-hotel unit which might be available for such payment.

We developed the Computation of Operational Charges and Profit Distribution for the Base Year (2008 Dollars) and calendar years 2012 through 2018, including room revenues, departmental expense, undistributed expenses and fixed charges in conformity with the Uniform System of Accounts for the Lodging Industry as recommended by the American Hotel & Lodging Association. The estimated Plantation Villas owners' share of Net Rentals from the rental program is deducted from Net Operating Income in the Statements of Estimated Operating Results for the proposed 105-key Blue Horizon Resort & Spa.

We assumed that the Plantation Villas hotel units must be made available by the owners for rental by the hotel operator during at least 11 months each year, including at least 23 weeks out of the 25-week high season which extends from December 15 to April 30 each year. In addition, the unit must be made available for rental specifically during Christmas week, New Years Week, Presidents Week, Valentines Week, Thanksgiving Week, Easter Week, and the months of February and March of each year. The owner may retain the use, or assign the use of the unit to his own guests or invitees on a reserved basis during an aggregate of 30 days during each term. The Owner must notify the Agent in writing at least 30 days in advance of the particular dates the Owner wishes to use his Unit for purposes of owner's occupancy.

Our forecast of operating results for the subject condo-hotel rental program reflects our opinion of existing and potential demand for the property, and projection of estimated operating results as set forth in the accompanying Computation of Operational Charges and Profit Distribution. Since the estimated operating results are based on estimates and assumptions which are subject to uncertainty and variation, we do not represent them as results that will actually be achieved.

The Blue Horizon Resort & Spa, Vieques, Puerto Rico

Proposed 28-Key Plantation Villas Rental Program (Rooms Only)
Computation of Operational Charges and Profit Distribution (Inflated Dollars)

	Base Year 2008				Base +4 2012				Base +5 2013				Base +6 2014			
Number of Rooms	28				28				28				28			
Occupancy	65.0%				55.0%				59.0%				62.0%			
Average Rate	\$ 431.00				\$ 412.00				\$ 450.00				\$ 489.00			
Days Open	365				365				365				365			
Rooms Occupied	6,643	7,483	(1)		5,621	6,461	(1)		6,030	6,870	(1)		6,336	7,176	(1)	
Revenues	\$(000)	Percent	\$/Avail Rm	\$/Occ Rm	\$(000)	Percent	\$/Avail Rm	\$/Occ Rm	\$(000)	Percent	\$/Avail Rm	\$/Occ Rm	\$(000)	Percent	\$/Avail Rm	\$/Occ Rm
Rooms	\$ 2,863	100.0%	\$ 102,250	\$ 430.98	\$ 2,316	100.0%	\$ 82,714	\$ 412.03	\$ 2,713	100.0%	\$ 96,893	\$ 449.93	\$ 3,098	100.0%	\$ 110,643	\$ 488.92
Total Revenue	\$ 2,863	100.0%	\$ 102,250	\$ 430.98	\$ 2,316	100.0%	\$ 82,714	\$ 412.03	\$ 2,713	100.0%	\$ 96,893	\$ 449.93	\$ 3,098	100.0%	\$ 110,643	\$ 488.92
Departmental Expenses																
Rooms	\$ 573	20.0%	\$ 20,464	\$ 86.26	\$ 605	26.1%	\$ 21,607	\$ 107.63	\$ 639	23.6%	\$ 22,821	\$ 105.97	\$ 671	21.7%	\$ 23,964	\$ 105.90
Special Housekeeping Charge	\$ 7	0.3%	\$ 259	\$ 8.63	\$ 9	0.4%	\$ 323	\$ 10.76	\$ 9	0.3%	\$ 318	\$ 10.59	\$ 9	0.3%	\$ 318	\$ 10.59
Total Departmental Expenses	\$ 580	20.3%	\$ 20,723	\$ 87.35	\$ 614	26.5%	\$ 21,930	\$ 109.24	\$ 648	23.9%	\$ 23,139	\$ 107.45	\$ 680	21.9%	\$ 24,282	\$ 107.30
Departmental Income	\$ 2,283	79.7%	\$ 81,527	\$ 343.63	\$ 1,702	73.5%	\$ 60,784	\$ 302.79	\$ 2,065	76.1%	\$ 73,754	\$ 342.48	\$ 2,418	78.1%	\$ 86,361	\$ 381.62
Undistributed Operating Expenses																
Administrative & General	\$ 286	10.0%	\$ 10,214	\$ 43.05	\$ 307	13.3%	\$ 10,964	\$ 54.62	\$ 323	11.9%	\$ 11,536	\$ 53.57	\$ 337	10.9%	\$ 12,036	\$ 53.18
Marketing	\$ 157	5.5%	\$ 5,607	\$ 23.63	\$ 169	7.3%	\$ 6,036	\$ 30.07	\$ 177	6.5%	\$ 6,321	\$ 29.35	\$ 185	6.0%	\$ 6,607	\$ 29.20
Franchise Fees	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -
Prop. Oper. & Maintenance	\$ 172	6.0%	\$ 6,143	\$ 25.89	\$ 184	7.9%	\$ 6,571	\$ 32.73	\$ 194	7.2%	\$ 6,929	\$ 32.17	\$ 202	6.5%	\$ 7,214	\$ 31.88
Utility Costs	\$ 172	6.0%	\$ 6,143	\$ 25.89	\$ 190	8.2%	\$ 6,786	\$ 33.80	\$ 197	7.3%	\$ 7,036	\$ 32.67	\$ 204	6.6%	\$ 7,286	\$ 32.19
Total UDOEs	\$ 787	27.5%	\$ 28,107	\$ 118.47	\$ 850	36.7%	\$ 30,357	\$ 151.22	\$ 891	32.8%	\$ 31,821	\$ 147.77	\$ 928	30.0%	\$ 33,143	\$ 146.46
Income Before Fixed Charges	\$ 1,496	52.2%	\$ 53,420	\$ 225.16	\$ 852	36.8%	\$ 30,427	\$ 151.57	\$ 1,174	43.3%	\$ 41,932	\$ 194.72	\$ 1,490	48.1%	\$ 53,218	\$ 235.17
Fixed Charges																
Management Fee	\$ 86	3.0%	\$ 3,071	\$ 12.95	\$ 69	3.0%	\$ 2,481	\$ 12.36	\$ 81	3.0%	\$ 2,893	\$ 13.43	\$ 93	3.0%	\$ 3,321	\$ 14.68
Property Tax	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -
Insurance	\$ 86	3.0%	\$ 3,071	\$ 12.95	\$ 97	4.2%	\$ 3,464	\$ 17.26	\$ 100	3.7%	\$ 3,571	\$ 16.58	\$ 103	3.3%	\$ 3,679	\$ 16.26
Reserve for Replacement	\$ 115	4.0%	\$ 4,107	\$ 17.31	\$ 46	2.0%	\$ 1,654	\$ 8.24	\$ 81	3.0%	\$ 2,907	\$ 13.50	\$ 124	4.0%	\$ 4,429	\$ 19.57
Total Fixed Charges	\$ 287	10.0%	\$ 10,250	\$ 43.20	\$ 213	9.2%	\$ 7,600	\$ 37.86	\$ 262	9.7%	\$ 9,371	\$ 43.52	\$ 320	10.3%	\$ 11,429	\$ 50.50
Net Rental Income	\$ 1,209	42.2%	\$ 43,170	\$ 181.96	\$ 639	27.6%	\$ 22,827	\$ 113.71	\$ 912	33.6%	\$ 32,561	\$ 151.20	\$ 1,170	37.8%	\$ 41,789	\$ 184.66
OPERATIONAL CHARGES AND PROFIT DISTRIBUTION																
Marketing/Franchise Fee	\$ 157				\$ 169				\$ 177				\$ 185			
Administrative Fee	\$ 286				\$ 307				\$ 323				\$ 337			
Management Fee	\$ 86				\$ 69				\$ 81				\$ 93			
Housekeeping Charges	\$ 580				\$ 614				\$ 648				\$ 680			
Owner Fixed Charges	\$ 545				\$ 517				\$ 572				\$ 633			
NET RENTAL INCOME	\$ 1,209				\$ 639				\$ 912				\$ 1,170			
Hotel Profit Share	\$ 544	45%			\$ 288	45%			\$ 410	45%			\$ 527	45%		
Condo-Owners Profit Share	\$ 665	55%			\$ 352	55%			\$ 501	55%			\$ 644	55%		
REVENUE DISTRIBUTION																
Hotel % Revenue	\$ 1,653	58%			\$ 1,447	62%			\$ 1,639	60%			\$ 1,821	59%		
Condo-Owners % Revenue	\$ 1,210	42%			\$ 869	38%			\$ 1,074	40%			\$ 1,277	41%		

(1) Includes Condo Owners 30-day complimentary use period.

The Blue Horizon Resort & Spa, Vieques, Puerto Rico

Proposed 28-Key Plantation Villas Rental Program (Rooms Only)
Computation of Operational Charges and Profit Distribution (Inflated Dollars)

	Base +7 2015				Base +8 2016				Base +9 2017				Base +10 2018			
Number of Rooms	28				28				28				28			
Occupancy	65.0%				65.0%				65.0%				65.0%			
Average Rate	\$ 530.00				\$ 546.00				\$ 562.00				\$ 579.00			
Days Open	365				365				365				365			
Rooms Occupied	6,643	7,483	(1)		6,643	7,483	(1)		6,643	7,483	(1)		6,643	7,483	(1)	
Revenues	\$(000)	Percent	\$/Avail Rm	\$/Occ Rm	\$(000)	Percent	\$/Avail Rm	\$/Occ Rm	\$(000)	Percent	\$/Avail Rm	\$/Occ Rm	\$(000)	Percent	\$/Avail Rm	\$/Occ Rm
Rooms	\$ 3,521	100.0%	\$ 125,750	\$ 530.03	\$ 3,627	100.0%	\$ 129,536	\$ 545.99	\$ 3,733	100.0%	\$ 133,321	\$ 561.94	\$ 3,846	100.0%	\$ 137,357	\$ 578.96
Total Revenue	\$ 3,521	100.0%	\$ 125,750	\$ 530.03	\$ 3,627	100.0%	\$ 129,536	\$ 545.99	\$ 3,733	100.0%	\$ 133,321	\$ 561.94	\$ 3,846	100.0%	\$ 137,357	\$ 578.96
Departmental Expenses																
Rooms	\$ 704	20.0%	\$ 25,143	\$ 105.98	\$ 725	20.0%	\$ 25,893	\$ 109.14	\$ 747	20.0%	\$ 26,679	\$ 112.45	\$ 770	20.0%	\$ 27,500	\$ 115.91
Special Housekeeping Charge	\$ 9	0.3%	\$ 318	\$ 10.60	\$ 9	0.3%	\$ 327	\$ 10.91	\$ 9	0.3%	\$ 337	\$ 11.24	\$ 10	0.3%	\$ 348	\$ 11.59
Total Departmental Expenses	\$ 713	20.2%	\$ 25,461	\$ 107.32	\$ 734	20.2%	\$ 26,220	\$ 110.52	\$ 756	20.3%	\$ 27,016	\$ 113.87	\$ 780	20.3%	\$ 27,848	\$ 117.38
Departmental Income	\$ 2,808	79.8%	\$ 100,289	\$ 422.72	\$ 2,893	79.8%	\$ 103,315	\$ 435.47	\$ 2,977	79.7%	\$ 106,306	\$ 448.07	\$ 3,066	79.7%	\$ 109,509	\$ 461.58
Undistributed Operating Expenses																
Administrative & General	\$ 352	10.0%	\$ 12,571	\$ 52.99	\$ 363	10.0%	\$ 12,964	\$ 54.64	\$ 374	10.0%	\$ 13,357	\$ 56.30	\$ 385	10.0%	\$ 13,750	\$ 57.96
Marketing	\$ 194	5.5%	\$ 6,929	\$ 29.20	\$ 199	5.5%	\$ 7,107	\$ 29.96	\$ 205	5.5%	\$ 7,321	\$ 30.86	\$ 212	5.5%	\$ 7,571	\$ 31.91
Franchise Fees	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -
Prop. Oper. & Maintenance	\$ 211	6.0%	\$ 7,536	\$ 31.76	\$ 218	6.0%	\$ 7,786	\$ 32.82	\$ 224	6.0%	\$ 8,000	\$ 33.72	\$ 231	6.0%	\$ 8,250	\$ 34.77
Utility Costs	\$ 211	6.0%	\$ 7,536	\$ 31.76	\$ 218	6.0%	\$ 7,786	\$ 32.82	\$ 224	6.0%	\$ 8,000	\$ 33.72	\$ 231	6.0%	\$ 8,250	\$ 34.77
Total UDOEs	\$ 968	27.5%	\$ 34,571	\$ 145.72	\$ 998	27.5%	\$ 35,643	\$ 150.23	\$ 1,027	27.5%	\$ 36,679	\$ 154.60	\$ 1,059	27.5%	\$ 37,821	\$ 159.42
Income Before Fixed Charges	\$ 1,840	52.3%	\$ 65,718	\$ 277.00	\$ 1,895	52.2%	\$ 67,673	\$ 285.24	\$ 1,950	52.2%	\$ 69,627	\$ 293.47	\$ 2,007	52.2%	\$ 71,688	\$ 302.16
Fixed Charges																
Management Fee	\$ 106	3.0%	\$ 3,786	\$ 15.96	\$ 109	3.0%	\$ 3,893	\$ 16.41	\$ 112	3.0%	\$ 4,000	\$ 16.86	\$ 115	3.0%	\$ 4,107	\$ 17.31
Property Tax	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -
Insurance	\$ 106	3.0%	\$ 3,786	\$ 15.96	\$ 109	3.0%	\$ 3,893	\$ 16.41	\$ 112	3.0%	\$ 4,000	\$ 16.86	\$ 115	3.0%	\$ 4,107	\$ 17.31
Reserve for Replacement	\$ 141	4.0%	\$ 5,036	\$ 21.23	\$ 145	4.0%	\$ 5,179	\$ 21.83	\$ 149	4.0%	\$ 5,321	\$ 22.43	\$ 154	4.0%	\$ 5,500	\$ 23.18
Total Fixed Charges	\$ 353	10.0%	\$ 12,607	\$ 53.14	\$ 363	10.0%	\$ 12,964	\$ 54.64	\$ 373	10.0%	\$ 13,321	\$ 56.15	\$ 384	10.0%	\$ 13,714	\$ 57.81
Net Rental Income	\$ 1,487	42.2%	\$ 53,111	\$ 223.86	\$ 1,532	42.2%	\$ 54,708	\$ 230.59	\$ 1,577	42.2%	\$ 56,306	\$ 237.33	\$ 1,623	42.2%	\$ 57,974	\$ 244.36
OPERATIONAL CHARGES AND PROFIT DISTRIBUTION																
Marketing/Franchise Fee	\$ 194				\$ 199				\$ 205				\$ 212			
Administrative Fee	\$ 352				\$ 363				\$ 374				\$ 385			
Management Fee	\$ 106				\$ 109				\$ 112				\$ 115			
Housekeeping Charges	\$ 713				\$ 734				\$ 756				\$ 780			
Owner Fixed Charges	\$ 669				\$ 690				\$ 709				\$ 731			
NET RENTAL INCOME	\$ 1,487				\$ 1,532				\$ 1,577				\$ 1,623			
Hotel Profit Share	\$ 669	45%			\$ 689	45%			\$ 709	45%			\$ 730	45%		
Condo-Owners Profit Share	\$ 818	55%			\$ 843	55%			\$ 867	55%			\$ 893	55%		
REVENUE DISTRIBUTION																
Hotel % Revenue	\$ 2,034	58%			\$ 2,094	58%			\$ 2,157	58%			\$ 2,222	58%		
Condo-Owners % Revenue	\$ 1,487	42%			\$ 1,533	42%			\$ 1,576	42%			\$ 1,624	42%		

(1) Includes Condo Owners 30-day complimentary use period.

RDC Consulting

International Hospitality, Tourism and Real Estate Consulting Services

Firm Concept

Resort Development Consultants, Inc. was founded in 1988 by Marie Dexter and Frank Csar to provide specialized advisory and consulting services to the hospitality, tourism and real estate industries. Our firm is distinguished by the direct and active participation of its two highly-qualified principals in all consulting engagements, with over 50 years combined experience in international tourism markets. RDC's experienced professional team has earned an impeccable reputation and highest level of credibility among international hotel operators, institutional investors, financial institutions, and leading development clients.

International Experience

Through our direct involvement in numerous hotel and resort real estate projects throughout the Caribbean and Latin America over the last 25 years, we have gained an invaluable perspective and first-hand experience in international tourism markets. This experience gives our clients a competitive advantage in identifying, planning and developing new projects. The professional advisory and consulting services provided by RDC principals give our clients a reliable and thorough evaluation of the full potential or a proposed project.

Scope of Services

RDC provides a specialized range of advisory and consulting services to the hospitality, real estate and tourism industries including:

- International Hotel and Tourism Consulting
 - Market and Financial Feasibility Analyses
 - Redevelopment Analysis and Strategies
 - Development Programming and Marketing Strategies
 - Management Contract Analysis and Negotiation
 - Tourism Studies and Strategies
- Asset Management and Operational Advisory Services
- Timeshare Consulting and Resort Development Services
- Marketing and Disposition of Hotel Properties

International Hotel and Tourism Consulting

Evaluating the market and financial feasibility of a hotel, mixed-use development, vacation ownership project or other hospitality project prior to making a major financial commitment is perhaps the most important aspect of sound decision-making. For over 25 years, developers, investors, operators and lenders have looked to RDC to provide accurate, insightful analyses with a reliable and thorough evaluation of the full potential of existing and proposed projects. Additionally, we can assist clients in the selection of a management company and the negotiation of contract terms. We tailor the scope of our studies to the unique needs of the individual project, as exemplified in the following representative engagements.

Puerto Rico Convention Center Headquarters Hotel.

RDC was engaged by the Puerto Rico Convention Center District Authority and Spaulding & Slye Colliers International in 2003 to prepare a complete market and financial feasibility analysis for a proposed headquarters hotel adjoining the new 580,000 square foot Puerto Rico Convention Center which opened in 2005. Subsequent to completion of our initial studies, RDC was engaged in 2004 by Interlink Group and Garfield Traub Development, the successful bidders for development of the headquarters hotel facility, to complete a detailed market feasibility study and Statements of Estimated Operating Results for the planned 500-room Sheraton Headquarters Hotel for use in evaluating the economic potential of the project and for submission to financial institutions in support of the projects financing requirements.

Condado Vanderbilt Hotel and La Concha Resort & Casino

RDC was engaged in 2003 and 2004, to prepare two market feasibility studies and statements of estimated operating results for the redevelopment of the former Condado Trio project in the exclusive Condado District of San Juan, Puerto Rico. This major redevelopment project by International Hospitality Enterprises, headed by veteran hotelier Hugh Andrews, consisted of two hotels with a combined total of 788 hotel keys, including restoration of the historic 93-room Condado Vanderbilt Hotel, complete renovation of the existing 248-room La Concha Hotel and construction of three new condo-hotel towers with an additional 447 hotel keys. RDC was subsequently engaged again in 2007, to update its previous feasibility studies based on the realized development program for the resort project and to prepare detailed projections of operating results for the two hotels and three condo-hotel towers, including computation of operational charges and estimated distributions of net rental income according to the proposed condo-hotel rental management program.

San Juan Waterfront Project, Puerto Rico

In August 2006, RDC completed its Hospitality Market Analysis for the planned San Juan Waterfront Project prepared for the Puerto Rico Department of Economic Development and Commerce and project advisor Colliers Turley Martin Tucker. The San Antonio Channel Waterfront Project is a public-private sector initiative to facilitate redevelopment of *Puerta de Tierra* and its waterfront encompassing approximately 87 acres of public land along the San Antonio Channel and San Juan Bay in Old San Juan. The study analyzed the potential for redevelopment and revitalization of the San Antonio waterfront district and strategies for accomplishing the proposed redevelopment, including RDC recommendations for a “cornerstone” development of boutique hotel properties along the waterfront similar in design concept to Miami’s South Beach hotels.

Proposed Hampton Inn & Suites, Providenciales, Turks & Caicos Islands

RDC provided development consulting services starting in 2006 for the proposed 106-unit Hampton Inn & Suites at Kathleen’s Beach Center in Providenciales, Turks & Caicos Islands, including preparation of the initial market research analysis, project development presentation and financial feasibility analysis, including project economic valuation based on the discounted cash flow analysis, and development cost estimates for submission to prospective lenders and project investors

Proposed Hilton Garden Inn, Trinidad & Tobago

In 2007, RDC conducted a market study for the proposed 125-room Hilton Garden Inn in Chaguanas, Trinidad to evaluate existing and potential demand for the property and its market feasibility. RDC provided architectural and planning recommendations and suggestions within the scope of the project concept, and developed statements of estimated annual operating results for the project as proposed and recommended.

Puerto Rico Tourism Company

RDC and its principals provided tourism advisory and hospitality consulting services to the Puerto Rico Tourism Company during the period from 1993 through 2000, and advised the Puerto Rico Planning Board with regard to the preparation of a region-wide master plan for tourism development on the Island’s northeast coast. RDC conducted additional tourism studies for the Puerto Rico Tourism Company related to *A Market Assessment and Economic Impact of Tourism in Puerto Rico*, and *Supply and Demand Characteristics of Puerto Rico’s Mid-Market Tourism Segment*.

Asset Management and Operational Advisory Services

RDC's experienced principals have provided asset management and operational advisory services to diverse clients including corporate organizations owning or managing more than one hotel property and government agencies. Our asset management and operational advisory services are designed to meet the specific needs of each client and each property, with the focus on improving profitability and value of the hotel asset through evaluation of market positioning, identifying key impact areas in the operation through internal review of each of the hotel's operating departments and implementing strategies that focus on increasing revenue and decreasing expense.

Puerto Rico Tourism Development Fund Hotel Portfolio

RDC provided asset management and portfolio advisory services to the Puerto Rico Tourism Development Fund of the Government Development Bank for Puerto Rico from 1993 through 2000. The Puerto Rico Tourism Development Fund (TDF) currently has a portfolio of 13 hotel projects, representing over \$661 million in loans and financing guarantees. RDC principals were engaged to assist the TDF in due-diligence analysis to evaluate the market and financial feasibility of proposed hotel projects, and to provide ongoing portfolio asset management advisory services for properties in the fund's hotel portfolio.

Casa de Campo Resort Hotel Portfolio

RDC was engaged by the Central Romana Corporation from 1993 through 2002 to provide asset management and operational advisory services for its three hotel properties in the Dominican Republic, which included the renowned Casa de Campo Resort in La Romana, the 220-room Hotel Santo Domingo in the capital city, and the 600-room Bayahibe All-Inclusive Resort. RDC principals provided oversight of monthly operations for the three properties, involving analysis of monthly operating statements, meetings with management to critique the operation, consulting on marketing strategies, and reporting to the owners with observations about operating performance.

Marketing and Disposition of Hotel Properties

RDC formulates a strategy for marketing the property that is appropriate to its individual circumstances. A comprehensive information package is prepared that contains details about the property and its market positioning opportunities. We discretely target potential investors through our select clientele of hotel investors and operators. We coordinate all negotiations with skills and experience gained from successful international hotel transactions. Investors can take advantage of our detailed understanding of the complexities of individual markets, our connections with local hotel owners and our database of local market trends. We conduct confidential searches for purchase opportunities and then provide due diligence analysis and valuation of specific properties.

Sale of Wyndham Martineau Bay Resort & Spa, Vieques, Puerto Rico

RDC was engaged in 2004 by the Tourism Development Fund of the Government Development Bank for Puerto Rico as exclusive marketing agent to assist and represent the Bank in the sale of the 156-room Martineau Bay Resort on the island of Vieques, Puerto Rico. A targeted marketing program resulted in the solicitation of 10 letters of intent to purchase the property from qualified buyers within a 60-day period, resulting in execution of a purchase contract within a 90-day period from commencement of the engagement. The \$33 million sale of this resort property to a private European investment group was successfully completed in April, 2005.

Sale of Embassy Suites Hotel & Casino, San Juan, Puerto Rico

RDC was retained by Mora Development Corporation as exclusive marketing agent to assist and represent the managing partner and owners in marketing for sale the 300-suite Embassy Suites Hotel & Casino in the Isla Verde tourist sector of San Juan, Puerto Rico. Purchase offers were solicited from major U.S. institutional investors identified by RDC, and the sale of this \$60 million property was successfully accomplished in June, 2005 to Eagle Hospitality Properties Trust, Inc. of Covington, KY.

Sale of the Normandie Hotel, San Juan, Puerto Rico

RDC was retained as the sellers' exclusive marketing agent and advisor to assist and represent the owners in marketing for sale the 173-room Normandie Hotel located in San Juan, Puerto Rico. The \$37 million sale of this historic landmark property was successfully accomplished in December, 2006 to Caribbean Real Estate Opportunity Fund affiliated to Caribbean Property Group LLC of New York.

Timeshare Consulting and Development Advisory Services

Timeshare and Vacation Ownership is the most rapidly growing and creatively evolving segment of the resort development industry. Evaluating the economic feasibility of a timeshare development requires a thorough understanding of the economics of timeshare development and, in particular, the sources of profit from development and sales, profit from financial arbitrage, and profit from resort management income. RDC assists clients in developing a comprehensive cash flow model for the project as proposed and recommended, including evaluation of key assumptions with regard to the number of intervals sold, their average price, and cumulative sales revenue. RDC assists clients in the development process by providing specialized knowledge of key destination markets, established relationships with international hotel companies, and expertise in the evaluating the market and financial feasibility of proposed projects.

Proposed Hyatt Cerromar Vacation Club Resort

RDC was engaged by Hyatt Vacation Ownership Inc. of Chicago Illinois in 2004 to prepare a market feasibility analysis for the proposed conversion of the former 500-room Hyatt Cerromar Beach Hotel into 188 vacation club units adjoining the existing Hyatt Hacienda del Mar Vacation Club in Dorado Beach Puerto Rico. Our market feasibility study and Sales Projection and Cash Flow Analysis involved determination of the number of intervals sold and, their average price and cumulative sales revenue.

W Vieques Resort Master Development Plan

Subsequent to the acquisition of the 156-room Martineau Bay Resort & Spa on the island of Vieques by a private European investment group in 2005, RDC was engaged by the new owners to prepare a master plan development analysis and implementation strategies for redevelopment and expansion of the existing resort property and conversion to Starwood's ultra-chic W Hotel brand affiliation.

Blackstone LXR Luxury Resorts

RDC was engaged by Blackstone LXR Luxury Resorts in 2006, to assist the company in evaluating potential development opportunities for resort real estate products at the 383-room El San Juan Hotel & Casino in San Juan, and the 983-room El Conquistador Resort and Las Casitas Village in Fajardo, Puerto Rico. RDC prepared a market research analysis to determine appropriate product and pricing, and architectural design recommendations for the proposed development of an 83-unit luxury condominium project at the El San Juan Hotel & Casino in the Isla Verde tourist sector of San Juan, Puerto Rico. At the El Conquistador Resort, RDC evaluated development strategy for resort-related residential products considering identified site and market opportunities and constraints, capitalizing on existing strengths and strong brand identification of the El Conquistador Resort & Las Casitas Village and cross marketing opportunities.

Professional Résumés

Marie L. Dexter is the co-founder and Principal of Resort Development Consultants, Inc. Previously, as International Consulting Partner for Pannell Kerr Forster in Miami, Ms. Dexter supervised the firm's management advisory services in Latin America and the Caribbean. She was responsible for consulting services for income-producing real estate properties in the U.S. and internationally, especially in the lodging, food and beverage, tourism and leisure-time industries, with particular emphasis on major destination resort projects.

Ms. Dexter has over 25 years experience in tourism and hospitality industries, including responsibilities as Area Manager and Director of Development for Sheraton Hotel Corporation in the Latin America and Caribbean Division, where she was responsible for negotiating and structuring hotel management contracts, franchise agreements and property acquisitions on behalf of Sheraton Corporation internationally.

She received her Bachelor of Arts degree from the college of New Rochelle in New York, and completed her Master of Science degree studies in Hotel and Food Service Management, and Bachelor of Science degree in Travel and Tourism Management, from Florida International University in Miami. As a native of Puerto Rico, she speaks fluent Spanish, and has a working knowledge of French and Italian.

Frank J. Csar is the co-founder and Principal of Resort Development Consultants, Inc., specializing in development consulting services for mixed-use resort real estate projects, including project planning, market research and financial feasibility studies. Previously, he was Manager of Real Estate Advisory Services with Panell Kerr Forster, an international accounting and consulting firm in Miami. Mr. Csar was responsible for real estate market and economic feasibility studies for new hotel and resort projects, residential planned unit developments, office and industrial parks, and commercial centers throughout Florida and internationally in the Caribbean and Latin America.

Mr. Csar has over 30 years experience in the real estate, consulting and banking industries, including positions as senior vice president of a diversified Florida real estate investment and development company; director of acquisitions for a national syndication of public real estate limited partnerships; senior vice president and chief financial officer of a NYSE bank holding company; and principal of a NASD investment banking firm. He is a licensed real estate broker and mortgage broker in Florida. He received his Master's Degree in Business Administration from Northwestern University in Chicago, and Bachelor of Science Degree from Georgetown University in Washington, D.C.

Fernando Peña, Esq. is a Principal of Resort Development Consultants, Inc. Mr. Peña served as Senior Attorney for the Office of International Trade, U.S. Customs, specializing in advising agency clients concerning the application of international trade and tariff laws. Previously, Mr. Peña was a financial advisor to the President of the Government Development Bank for Puerto Rico on the privatization of hospitality, healthcare, agricultural and correctional facilities as well as to the Puerto Rico Tourism Development Fund, on the financing of hotel projects. More recently, Mr. Peña was legal counsel and financial consultant with the Real Estate and Hospitality Group at McConnell Valdés in San Juan, Puerto Rico. From 1996 to 1999 he worked as Corporate Mergers and Acquisitions officer at Banco Popular.

Mr. Peña holds a Bachelor of Science in Foreign Service from Georgetown University (1996) and a Juris Doctor from the University of Puerto Rico School of Law (2002). Mr. Peña is admitted to practice in the Commonwealth of Puerto Rico and the U.S. Court of International Trade in New York. Mr. Peña is fluent in English and Spanish and is proficient in French and Portuguese.

Jonathan Kracer is a Senior Consultant with Resort Development Consultants, Inc. Previously, Mr. Kracer served as an Analyst with Jones Lang LaSalle Hotels' Asset Management and Advisory practice group in Miami. In this role, Mr. Kracer performed a range of strategic and financial advisory assignments for a wide variety of hotel product types in various locations throughout the United States, Mexico, Latin America, and the Caribbean. Mr. Kracer also obtained relevant finance and consulting experience during summer internships as an Analyst in the Global Equity Research Group at Banc of America Securities in New York City and as a Consultant with Horwath HTL, a leading hospitality consulting firm in the Asia Pacific region. Mr. Kracer has extensive knowledge of both hotel and restaurant management and operations and has worked at numerous world renowned hotels and resorts including the New York Palace Hotel in New York City, the Amanusa Resort in Bali, the Old Course Hotel in St. Andrews, and the Hotel D'Angleterre in Geneva.

Mr. Kracer attained his Bachelor of Science Degree with Distinction from Cornell University's School of Hotel Administration, and his Swiss Hotel Management Diploma from the Swiss Hotel Management School Les Roches. He is fluent in English and Spanish and proficient in French, Italian and Portuguese.

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