



INVESTMENT MEMORANDUM

HATILLO DOMINICAL - DEVELOPMENT SITE COSTA RICA

September 2007







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THE OPPORTUNITY

Realty Executives would like to offer the ability to bid one of Costa Rica's best remaining beach front development sites. The property consists of a fully serviced 440 acre beach front development parcel, ideal for a hotel resort master planned community.

The site offers over 1 kilometers of secluded frontage along the Central Pacific's most desirable beach. The master plan contemplates the development of a hotel and spa, private beach club, 121 estate lots, 49 single family home sites, 184 ocean-view condominiums, 36 exclusive villas and a retail facility. The site is currently in the initial stages of planning. The expected gross project sell out is estimated at US\$133 million.

The property owners are interested in entertaining offers equivalent to US\$ 20 million for the project.





Project Highlights

- Best Hotel Resort site in the Dominical area
- Parcel offers over 1 kilometer of secluded beach frontage
- Property offers incredible ocean views, maximizing the site's development value
- Site will benefit with the completion of the Pan-American Highway, reducing drive time to San Jose, by half.
- Property will benefit with the opening of the planned international airport in Palmar Sur
- Property priced below market

PROPERTY DESCRIPTION

Overview

Hatillo Dominical is a well proportioned 440 acre prime development site with 1 mile (1.5km) of breathtaking beach front, and a clean beautiful river winding through the site.

Costa Rica's leading firm, Zurcher Architects' master planning division, Green Plan, have created a conceptual master plan for which approval is currently pending. The current design includes the following development proposal:

- Hotel
- Beach Club
- 121 estate homes
- 49 single family residences
- 184 luxury condominiums
- 36 ocean view villas
- 25 retail units in commerce center
- A Spa/Meditation center

As per government planning, the improved Costanera highway will run in future through the north end of the site and separate a small elevated section from the main site, for which the master plan suggests to develop the commercial areas and focus on mountain view residences.

Located along some of Costa Rica's most pristine coast-line, the Hatillo Beach master planned resort residential community offers its resident's luxury in a tropical destination.

The project is projected to be completed in three distinct phases.

Phase I consists of the development of the project infrastructure and amenities. Phase I will also include the development of a boutique hotel, a private beach club, plus 60 beach condominium units and 75 estate homes.

Phase II of the development will consist of 66 ocean view luxury condominium units, the spa and mediation center, 23 ocean view estate homes, 10 ocean view single family residences and 36 luxury ocean view villas.

Phase III of the development consists of 58 ocean front condominium units, 23 luxury estate homes, 39 luxury single family residences and a commercial center.

Hatillo beach is expected to take 10 years from ground break to final sell out. A projected US\$133 million in real estate unit sales are expected over the life of the project.



Project Master Plan



Location

The Hatillo Dominical site is located on Playa Hatillo, approximately 5 miles (8km) north of Dominical, and 25 miles (40km) south of Quepos and Manuel Antonio, right on the Costanera (Coastal) highway.



There are currently two routes on which Hatillo Dominical can be reached by car:

1. Via Jaco – the driving time from San Jose to the site via Jaco is approximately 4 hours, 2 of which are from San Jose to Jaco). The two lane road is paved as far as Quepos/Manuel Antonio. After Quepos, the road is unpaved, but it poses no challenge to SUVs. A

concession to build a direct highway (all the bridges have already been built) has been granted to a European/Costa Rican company. The construction of this highway will be completed in the near future and will save travelers up to one hour on their trip to Jaco. In addition, the unpaved road from Quepos to Dominical is being gradually paved; at the end of all road improvement projects, the drive Hatillo site will take a little over two and a half hours.

2. Via Cartago – the route via Cartago takes approximately 3 hours, most of which along the country’s main highway, Panamericana. The two lane road is paved as far as Dominical.

Both routes are scenic and interesting, offering numerous resting and eating opportunities along the way.

At present, the national air shuttle service Sansa Air is servicing the Palmar Sur airport, which is about one and a half hours driving distance south of Dominical. This gives visitors also the option to fly into Palmar Sur and then drive up.

Currently, there are plans to upgrade the Palma Sur local airport into an international airport in order to accommodate tourist visiting the south of the country. This upgrade will also encourage the expansion of rental car operations, shuttle buses and taxis for the area.





Site Description

The Hatillo Dominical site is comprised of two large lots which are divided by a winding river. The site runs along the existing Costanera highway, which makes it easily accessible.

The majority of the site consists of relatively even and solid ground which absorbs rain water rapidly.

The larger site on the south side of the river has a small but relatively high forested elevation at its highway end which offers a beautiful panoramic view over the site and the ocean.

The mountains are visible from virtually anywhere within the site. In addition, certain areas of the site offer river or ocean views.

The Hatillo river, which flows calmly, and which carries clean, clear water, pours into the ocean at the west end of the site.

The vast breathtaking beach consists of fine sand, and the ocean offers good swimming and water sports conditions.

The vegetation on the site is versatile; from rainforest on the elevation to dry forest along the river to palm trees along the beach shore.



Beach facing west



Palm tree plantation along beach shore



Hatillo River



Beach view



Hatillo River mouth



Area between elevation and river



Mountain view



Entrance to site

WHY COSTA RICA?

Costa Rica is widely recognized for its extraordinary scenic beauty, and its wide diversity of fauna and flora. Costa Rica has long been considered one of the most beautiful countries in the world. Covering only 0.03 percent of the surface of our planet, Costa Rica has approximately 6 percent of the world's biodiversity.

As such, Costa Rica is a nature lover's paradise, with nearly 1/8 of its land is protected as national parks or reserves. Costa Rica is located between the Pacific and Atlantic Oceans, in the narrow land bridge between the two American subcontinents. It is a small country, about 50,900 square kilometers, with some 1,215 kilometers (755 miles) of coastline.

The climate is ideal, with temperatures between 70° F and 90° F year-round (20° C and 26° C) and the shortest rainy season in the American tropics. In 2005, there were 4 million people that lived in Costa Rica, of which just over 25% resided in the San Jose, the country's capital. Costa Rica is relatively close to the United States (3 ½ hour flight from Houston and 2 ½ flight from Miami). Costa Rica is referred to as the most stable democracy in Latin America. Thanks in part to Costa Rica's pleasant climate, political stability, and hospitable people, more than 6% of its population is expatriate, in fact Costa Rica is home to the highest percentage of US expatriates per capita of any country.

Costa Rica is widely recognized as a top ecotourism and safe travel destination. Costa Rica's tourism endowments are provided by the country's geomorphology and its location situated between North and South America.



Over the millennia, Costa Rica has acted as part of the biological corridor through which life forms, both flora and fauna have moved between the two continents. This has left the country with plant and animal forms native to both North and South America. The result is that there are more than 9,000 different kinds of flowering plants in Costa Rica, including 1,200 species of orchids. There are also 848 species of birds (more than are found in the USA and Canada combined), 205 species of mammals, 376 species of reptiles and amphibians, and more types of butterflies than exist on the entire continent of Africa. Costa Rica is dominated by four mountain ranges of volcanic origin that form the continental divide down the middle of the country.

The different altitudes created by these mountain ranges have given the country a variety of ecosystems. Situated between the two oceans, CR has abundant marine life, living among the coral reefs, mangrove swamps, and rocky coastlines. Beaches can be long and palm-lined or lush little coves. At night, massive Leatherback sea turtles climb onto quiet beaches to lay their eggs.



The country has eight provinces: Guanacaste, Alajuela, Heredia, Limon, Cartago, San Jose, Puntarenas, and Isla del Coco.

Costa Rica’s relatively stable economy depends on tourism, agriculture, and electronics exports. Foreign investors remain attracted by the country’s political stability and high education levels, and tourism continues to bring in foreign exchange. Furthermore, Costa Rica recently concluded negotiations to participate in the US-Central American Free Trade Agreement, which, if ratified by the Costa Rican

Legislature, would result in economic reforms and an improved investment climate.

Tourism is a major source of income for the country, exceeding 1.45 billion US dollars in 2004, making it the second largest industry in Costa Rica just behind agriculture. The Costa Rica Tourism Bureau is reporting near 90 percent hotel occupancy for the peak season of 2006. Furthermore, recent government statistics, released by the Costa Rican Tourism Bureau, show that the tourism industry in Costa Rica has grown by an incredible 72 percent over the last four years; with an annual increase of 18 percent in 2005. Especially considering the events of the tragic September 11 incidents and subsequent terrorist threats, this growth in tourism for Costa Rica reflects a new reality; one where travelers seek out secure and peaceful countries in the Americas.

In fact, eco-tourism, and in particular surf tourism, is a major driver of growth for this facet of the economy. Central America, as a whole, and Costa Rica in particular, is a giant surfer’s playground, with diverse coastline, a tremendous variety of breaks, and most importantly, the possibility to surf excellent waves all year long in different regions with assorted warm water settings.

The country’s tourism endowments, coupled with the positive actions taken by the Costa Rican government, have moved Costa Rica up in the ranking of top tourism destinations in the Americas.



Costa Rica was ranked 21st most visited destinations in 1985 and today it has become the largest single tourist destination in Central America and the 10th in the Americas. Costa Rica tourism has grown from its 1995 level of 785,000 to an expected level of 1.726 million people in 2008. A survey done of arriving airlines in Costa Rica has estimated between an average of 20-25% of these arriving are interested in buying property. That is a potential 345,000 potential buyers of our homes, every year, all requiring accommodation, along with the general vacationers.

Over recent years, fully 80% or more of total visitors to Costa Rica originated in the Americas, with an average of more than 50% originating in North America, with the vast majority of from the USA. The next highest volume of visitors has arrived from Central America, which is generally petty traders or are visiting friends and relatives, followed by South America and the growing potential of Europeans, which has achieved 7%+ growth per annum, over recent years. The largest sources from Europe come from Germany, followed by Spain, Italy, the UK, the Netherlands, France and Switzerland. It is expected the current surge of North American visitors will continue, as more learn of the superb beaches, nature parks, rafting, kayaking, big game fishing, and scuba diving in Costa Rica.

The Costa Rica Tourism Bureau estimates that in 2004 approximately 222,650 visiting tourist

contributed over 273 million US dollars in the country's coffers. In an effort to promote its growing tourism industry, the Costa Rican government has adopted a number of policies and incentives designed to support private initiative in the tourism industry, tourism related services and resort developments.



With the country's natural beauty and amenities, it is no wonder that Americans, Canadians and Europeans alike are flocking to Costa Rica. There are more Americans per capita in Costa Rica than in any other country. Because of an increasingly active market, resort condominiums in Costa Rica can be sold at near United States prices while land and construction prices in Costa Rica are much lower. This attractive sales price / development cost ratio is a primary driver influencing development investment in the Costa Rican market.

TOURISM

Introduction

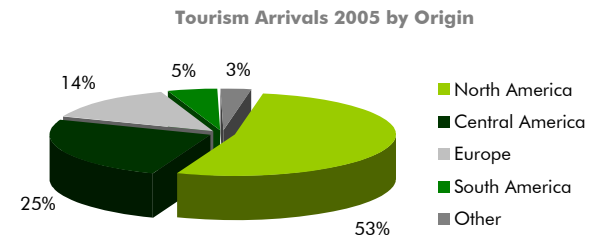
Costa Rica has more than doubled the amount of tourist arrivals since 1990 as a result of insightful government planning and private sector cooperation.

Between 1997 and 2000, foreign arrivals to Costa Rica increased at a compounded annual growth rate of 10.3%, as a result of the opening of several branded hotels such as the San Jose Marriott Hotel, Melia Playa Conchal Beach and Golf Resort, and the Hotel Barcelo Amapola. In addition, this period followed the 1996 start of a powerful and well-directed campaign that clearly repositioned the country as a major nature destination and away from mass tourism.

With the slogan “Costa Rica, No Artificial Ingredients”, the country has been able to portray itself as a diversified nature destination to strategically chosen target markets. The campaign has cemented the perception of Costa Rica as an intimate, safe and unspoiled destination and has established a broad market appeal, ranging from backpackers to the upscale clientele of the Four Seasons resort.

Tourist Arrivals

At present, over 1.5 million tourists visit Costa Rica each year, over half of which arrive from North America (primarily the USA).



Source: Costa Rica Tourism Board

74% of all tourist arrivals are by air, primarily to the San Jose International Airport (Juan Santamaria), 25% by land and 1% by sea.

Visitor Profile

With the purpose of developing a detailed profile of the international tourists visiting Costa Rica, ICT has conducted an annual tourism survey since 1982. The following information presents the findings of the latest available annual report.



The following table presents main purpose of visits:

Purpose of Visit	
Vacation, leisure or pleasure	65%
Business	23%
Family and Friends	7%
Education/Health	2%
Other	3%

The survey confirms Costa Rica’s positioning primarily as a leisure destination, with approximately three quarters of all visitors citing either vacation/leisure trips or visiting friends and family as the primary purpose of their visit. The breakdown among types of visitors remains stable over the course of the year.

Education and health facilities attract between 2 and 4 percent of annual visitors, reflecting Costa Rica’s superior public infrastructure within the region.

The ICT survey points to word of mouth as by far the primary motivator for people to choose Costa Rica for their vacations. Visitors citing recommendations from friends or family as the primary reason for their choice ranged from 60 percent to 72 percent. A further 12 to 15 percent cited articles and reviews in newspapers or magazines. Finally, in each quarterly survey, a significant number of visitors cited a desire to return to Costa Rica for vacations after visiting the

country for another purpose. The latter category ranged between 7 and 18 percent.

The following table presents a distribution of activities carried out by visitors to Costa Rica.

Activity	
Sand and Sun	63%
Nature Watching	45%
Volcano Visits	44%
Hikes	43%
Bird Watching	33%
Canopy Tours	26%
Business Meetings	18%
Museums, Theatre, Galleries	15%
Snorkeling	15%
Surfing	13%
Sport Fishing	10%
River Rafting	7%
Language Study	5%
Sea Kayaking	5%
Golf	4%
Diving	3%
Seminars and Conventions	3%
Bungee Jumping	0.5%
Wind Surfing	0.5%

Visitors to Costa Rica typically engage in at least three or four activities during their stay, which is facilitated by the small size of the country. At least three out of five visitors go to the beach, and more



than two out of five go for nature watches, hikes and volcano visits. The top six activities are all nature-related, consisting of various ways to enjoy the country’s relatively unspoiled landscapes, and clearly point to Costa Rica’s successful positioning as a nature destination.

Costa Rica has clearly carved a niche in the regional tourism marketplace, and has not tried to compete head-on with Mexico and the Caribbean in terms of the more traditional tourist activities associated with the region. Only 1.9 to 3.9 percent of visitors cited playing golf and 3.6 to 4.6 percent cited diving.

The following chart presents a quarterly distribution of the most frequented tourist destinations and average length of stay, in days, at each destination.

Destination	% of Tourists	Av. Length of Stay
Central Valley	84%	7
Central Pacific	36%	6
Guanacaste	30%	6
Northern Zone	30%	3
Monteverde	17%	3
S. Caribbean	15%	5
Puntarenas/Nicoya	14%	5
Osa Peninsula	8%	5
N. Caribbean	8%	2

San Jose (Central Valley region) is the main entry point for air arrivals, and a large majority of visitors to the country spend at least one night in this area.

After the Central Valley, the most frequented destination is the Central Pacific with more than 30 percent of total visitors for each period, followed by the Northern Zone and the Northern Guanacaste region. These regions offer the bulk of the country’s “sand and sun” lodging product, and the visitation ratio correlates with the fact that more than 60 percent of the visitors to Costa Rica visit beaches.

Visitors to Costa Rica are, in general, satisfied with the perception towards tourists that Costa Ricans have in addition to the availability of tourist information and overall safety.

Tourist satisfaction regarding roads and highways in addition to road signs received poor ratings. Roads were rated as “poor” or “very poor” by a majority of visitors (53.5 percent), while more than a third assigned the same ratings to signage. The difficulty in reaching the coastal regions from San Jose and the prohibitive cost of developing major road infrastructures in the country (cost is particularly affected by the country’s mountainous terrain) increase the critical importance of developing air infrastructures in secondary locations such as Guanacaste if these are to keep their development momentum.



Airports and Airlines

According to ICT, in 2004 approximately 75 percent of tourists arrived in Costa Rica by air and 90 percent of these air arrivals entered the country through Juan Santamaria International Airport (SJO); most of the remainder entered through the Daniel Oduber International Airport in Guanacaste.

Juan Santamaria Int. Airport, San Jose

The Juan Santamaria International Airport in San Jose is located eight miles from the center of San Jose.



The airport is serviced by 19 airlines offering regular scheduled flights, according to the Civil Aviation Authority (“DGAC”), American Airlines, Lacs and Continental Airlines bring more than 50 percent of total air arrivals to Costa Rica.

The following table presents a list of scheduled carriers servicing the Juan Santamaria Airport from international departure points as of 2005:

Scheduled International Carriers - SJO	
American Airlines	Delta
America West	Iberia
Aviateca	Lacs
Air Madrid	Martin Air
Air Canada	Mexicana
BWI	TACA
Continental	United Airways
Condor	US Airways
Copa	West Caribbean Airways
Cubana	West Caribbean CR

The Juan Santamaria International Airport was expanded to offer a new passenger terminal, additional counter positions and more contact gates as a result of an increase in infrastructure demand levels that have resulted from more commercial activity. Moreover, in November of 2002, the Civil Aviation Technical Council approved the demolition of the airport’s old passenger terminal in order to build a \$12.6 million terminal due to structural problems that may cause severe damage in case of strong earthquake activity.



Domestic Air Carriers

Several small carriers provide domestic air transportation including Sansa, Travelair and Aero Costa Sol. These carriers cover several tourist destinations within Costa Rica including Liberia, Tortuguero, Tambor, Golfito, and Quepos.

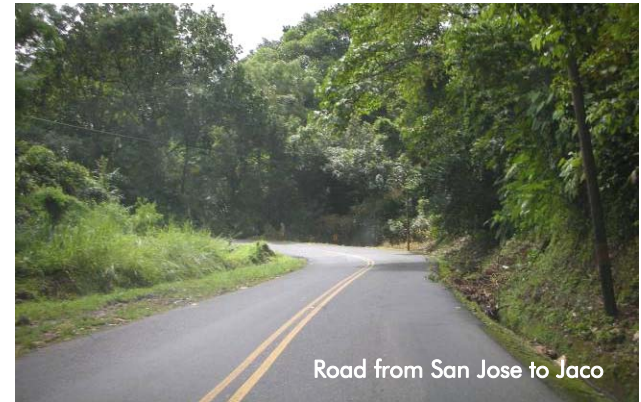
Furthermore, there are numerous smaller airstrips throughout the country which can be accessed with small private planes which are available for charter.

Highways

According to the last information available, as of December 2005 approximately 11 percent of paved national roads were in poor condition, 71 percent were good condition, 18 percent were in very good condition and only one percent was in excellent condition. With respect to unpaved roads, 72 percent were in poor condition, 36 percent in good condition, and the remaining two percent were in very good condition. While some new roads have been built, there has been no major upgrade to the road system since the December 2005 survey.

With respect to European and North American standards, most of the regional roads in Costa Rica are in a state of disrepair and internal connections from San Jose to other parts of the country are relatively challenging for foreigners. The country's topography, climate conditions and sparse

population density make it difficult to adequately invest in maintaining and expanding the road system.



However, the roads to Costa Rica's main destinations, Tamarindo and Jaco, have come a long way during the past decade, featuring smooth paved roads and relatively fast removal service for mudslides and down trees.



RESIDENTIAL RESORT MARKET

Resort-residential products are an increasingly dominant component of the resort development projects in Central America and the Caribbean today due to the convergence of two factors. The first is investment driven while the second is consumer driven.

From an investor's perspective, resort-residential projects generally provide quicker and higher return on capital compared with stand-alone hotel projects. From a consumer perspective, the resort-residential concept provides the type of personalized and exclusive resort experience preferred by consumers of luxury goods and services. In addition, a resort-residence is viewed as an investment vehicle also from the consumer's perspective.

High End Residential Project Criteria

Realty executives has evaluated various high end resortresidential developments in the region to gain an understanding of the product quality, pricing, and absorption levels typical of this market. The properties are currently under various phases of development and have an inventory of resortresidences in active sales.

While no two resort-residential developments are alike, certain characteristics are common to luxury residential resort communities, specifically:

- Luxury Destinations – Characterized by low density development, upscale tourism offerings, and considerably higher average spending per visitor compared to mass tourism destinations.
- Low Density Development Program – offers an exclusive lifestyle, maximum privacy, ample green areas, pristine beach frontage, and attractive views.
- Anchor Brand – Constitutes a value driver for the residential product and establishes the overall identity of the project. The most common type of anchor is a branded lodging component; however, other forms of anchor branding are increasingly common including a signature golf course, spa, club operator and food and beverage operator.
- Cross-Border Residential Sales and Marketing – Provides access to a world-wide pool of qualified buyers.
- Professional Property Management – Ensures that the lifestyle promoted by the developer, and property values are maintained.



Major Residential Projects, Costa Rica

There are currently six major prestigious residential developments in Costa Rica:

- Los Sueños Resort, Puntarenas
- Cabo Caletas, Puntarenas
- St. Regis Residences, Puntarenas
- Peninsula Papagayo, Guanacaste
- Hacienda Pinilla, Guanacaste
- Reserva Conchal, Guanacaste

The St. Regis Residences project is relatively small in terms of number of total units when compared to the other projects; however, it represents a highly successful luxury hotel brand, and is the latest arrival of this kind of project in Costa Rica.

In addition to the above representative set, there are numerous smaller gated community and condominium projects along Costa Rica’s Pacific coast, some of which command comparatively high unit sale prices; however, they lack in development potential.

There are also larger projects located further inland from the ocean front, often on hills, offering limited panoramic ocean and mountain views; these are not suitable comparable projects either, as beach frontage continues to be a major factor in securing brand operators and achieving high prices for


residential products. These projects generally offer home sites in various sizes and provide some basic amenities.



The following pages provide overviews of the Costa Rica’s main projects.




LOS SUEÑOS | Herradura Beach



Description	Pioneering development of this kind in Costa Rica. 1040 acre master planned community offering estate lots, villas and condominiums, anchored by a Marriott 191 key hotel, a 250 wet slip marina and a 18-hole Ted Robinson golf course
Geographic Features	Bay view slopes offering ocean views for many residences. Dark sand, less attractive beach, rarely used by residents.
Units	800 at built out, ~50% currently built
Price Range	\$300-700/SF incl. resales Prices originally started at \$150/SF
Absorption	Since 1999, mostly sold out, 12 new units available in current phase Average absorption 4.2/month since sales start (currently approx. 1.3/month)


CABO CALETAS | Esterillos Beach



Description	450 acre master planned community offering home sites and condominiums, featuring an 18-hole McCumber golf course and five star brand hotel (pending)
Geographic Features	Versatile hilly landscape. Steep drop to beach offering great views for hotel and ocean front residences. Very little sand beach, mostly volcanic rock. Residents would have to use close by public beach. Site borders a natural reserve.
Units	110 home sites (47 released), 700 condo units (24 released)
Price Range	Home Sites \$100-185/m ² Condos \$220-250/SF
Absorption	Since December 2006 (pre-sales) 75% condos – 1.8 /month 51% home sites – 2.3/month




ST. REGIS RESIDENCES | Herradura Beach




Description	250 acre site bordering Los Suenos at the south, offering St. Regis branded 1-3 bedroom condo hotel units and private residences, featuring a Remede spa.
Geographic Features	Steeply sloped, amphitheatre shaped private gulf with residences to be built at a relatively high point offering great ocean views to all units. Hiking and golf cart trails to private beach at bottom. Borders a macaw reserve at the north.
Units	133 of which 52 are condo hotel units
Price Range	\$750-900/SF for condo hotel units Private residences will be release at a later date and will not be included in the hotel rental pool.
Absorption	Since summer 2006 48% sold in pre-sales – 1.7/month


PENINSULA PAPAGAYO | Guanacaste



Description	2,300 acres on narrow peninsula with 15 miles of coastline offering various residential products, and featuring a 153 room Four Seasons hotel, 18-hole Arnold Palmer golf course, 18-hole Jack Nicklaus golf course. Project also proposes a 350 slip marina.
Geographic Features	Hilly terrain with 31 individual small beaches between rocky drops into the ocean. Offers great views for almost all residences.
Units	At build out, 300 lots, 600 condos, 20 villas, 120 fractional residences
Price Range	Lots ~\$250/m ² , Condos \$680-860/SF, Villas - \$880-1,100/SF
Absorption	Since 2002 34% estate lots (of total) – 2.5/month 100% villas – 0.75/month 95% fractional residences – 5/month



HACIENDA PINILLA Guanacaste	
	
Description	4,500 acres offering various residential products and features an existing small hotel and an 18-hole Mike Young golf course. A 320 room JW Marriott will open in 2008.
Geographic Features	Very large, relatively even site offering limited views to residents. Abundant green areas and 6 individual beaches.
Units	347 estate lots, various condominium buildings (54 units built, and third project pending)
Price Range	Lots \$200-680/m ² depending on location Single Family homes \$280 - 320/SF Condos \$210 – 400/SF
Absorption	95% estate lots 85% condos Current absorption is estimated at 1-2 units/month

RESERVA CONCHAL Guanacaste	
	
Description	2,297 acres featuring 302 room Sol Melia operated hotel (Paradisus), and an 18-hole Robert Trent Jones II golf course. A luxury boutique hotel is proposed.
Geographic Features	Versatile terrain offering various views and long white sand beach. Site includes 700 acres of preservation area, most of which consists of mangroves.
Units	Proposed at built out, 2200 residential units, 4 hotels, 2 golf courses
Price Range	Lots \$100-500/m ² Condos \$200 - 480/SF
Absorption	Released estate lots have sold out Released condo units are 90% sold Current absorption is estimated at 1-2 units/month



Other Representative Projects - Puntarenas

In addition to the three prime ocean front projects in Puntarenas (Los Sueños, Cabo Caletas and St. Regis), there are various other active master planned community and condominium projects which are targeted at the mid to high scale buyer market and which are indicative of current residential product offering and pricing in the area.

Project	Location	Type	Description	Price Range	Absorption
Del Pacifico*	Esterillos, Hillside location	Master planned	700 acre site along Costanera highway with off site beach club. Project offers sites, condos and custom homes	Sites: \$100-250/m ² Condos: \$250	N/A
Diamante del Sol	Hermosa Beach	Condominium	250 units in 5 buildings with 8-10 floors. 1-4 bedroom units	\$220-310/SF	25% sold
Hermosa Hills*	Hermosa Beach	Master planned	230 acre site offering condos and homes	Pre-sale Condos: from \$150, Homes: from \$300/SF	N/A
Joya Pacifica*	Parrita, Quepos Hillside location	Master planned	350 acre site with 234 home sites in un-gated community with limited infrastructure; on-site clubhouse	\$10-35/m ²	40% in six months
Los Altos	Manuel Antonio	Condominium	~70 furnished units in 4 buildings on 21 acres of property with beach access	\$220-340/SF	40% of first two buildings
La Reserva	Manuel Antonio	Home sites	11 acres with 18 home sites under 1 acre each	\$75-175/m ²	55% sold
Tortuga Landing	Manuel Antonio	Home sites	Rainforest home sites of varying sizes with bay views	~ \$100/m ²	N/A
Marisol**	Dominical Hillside location	Condominium	54 furnished units in 7 buildings; hillside location near beach with ocean views	\$200-290/SF	45% sold (100% of first phase)
Nativa Resort	Borders Carara National Park Hillside location*	Master planned	262 acres; 605 units at build out, currently 45 home sites and 124 condominiums; boutique hotel planned	Sites: \$110/m ² Condos: \$150-340/SF	80% sites 40% condos
Tesoro	Palo Seco Beach	Condominium	54 units in townhome style buildings; beachfront location	\$163-315/SF	40% sold

* No beachfront; home sites and condos offer ocean, mountain or nature views (ocean view sites are often limited)

** Properties belong to same development group and are located in relative vicinity to each other, sharing common amenities such as a restaurant, clubhouse with pool, spa and gym



Residential Prices

Costa Rica's Central Pacific

Beach front condominiums along the Central Pacific of Costa Rica sell for average prices ranging from \$250 to \$400 a square foot (\$2500 to \$4000 per meter). Many beach front condominium projects are selling out up to 80% plus in pre-completion. Current absorption rates for condominium projects average 1 to 2 units per project per month.

Condominiums located a 'driving' distance from the beach with no amenities are priced in ranges from \$100 to \$200 per square foot (\$1000 to \$2,000 per square meter).

Ocean view home sites range from \$15 to \$30 per square meter. Non-ocean view sites range from \$7 to \$10 per square meter. The majority of area developments are selling at these ranges for pre-completed home site development parcels. Ocean view home sites located within gated communities offering some amenities and/or improved access with completed infrastructure range from prices of \$30 to \$50 per square meter.

Single family home sites located within master planned resort communities range in price upwards from \$90 to \$300 per square meter. Single family homes located within master planned resort

communities range in the price of \$250 to \$450 per square foot. Currently the Four Seasons Papagayo Resort and the St. Regis resort are selling residential products at \$1,000 per square foot on average.



FINANCIALS

General Assumptions

Revenue Strategy: Master developer completes all project infrastructure and vertical build-out, excluding luxury hotel. Hotel site is expected to be sold to luxury hotel developer/operator. The master developer plans to provide the hotel developer with an improved site plus the branding and management rights of the Phase I beach condominium product.

- Project commences 2008 (permitting and initial site work begins)
- Sales begin 2008
- Project sell out expected by year 10
- Luxury hotel begins operations in 2009

Currently there exists a dearth of luxury residences located in master planned beach resort communities. The large majority of product currently being offered on the market consists of multi-family units. As such there exists a large amount of pent up demand for private residences.

The Hatillo beach resort community plans to offer their residences at a considerable discount to current market prices. As one may note from the market

report section of this offering memorandum, the average price for single family residential products is superior to \$300 per square foot.

Single Family Homes are expected to average 1100 square feet. The single family homes are to be sold for an average price per square foot of US\$ 240 or US\$264,000. These units are priced well below comparable market averages for single family homes within beach front master planned communities. Similar units sell for an average price of US\$ 300 plus per square foot.

The Estate homes are larger luxury residences averaging 1350 square foot. The majority of the Estate homes are expected to offer their residents water front living and are estimated to sell for an average of US\$ 260 per square foot or US\$350,000 per unit.

The majority of the Condominium units are located directly off the beach with clear water views from the majority of the units. A second portion of condominium units are to be located on a high ridge providing clear unobstructed ocean views. The condominium units are expected to average 900 square feet and are to be priced at US\$ 260 a square foot or US\$ 234,000 per unit. Comparable condominium products in Costa Rica are priced from averages of US\$250 to \$350 per square foot.

The Villa units are to be located on a ridge line offering clear views of the Pacific Ocean. The Villa



units are expected to average 1000 square feet and are to be priced at US\$ 220 per square foot or \$220,000 per unit. These units are priced below market, with comparable ocean view villas averaging over \$300,000 per unit with square foot prices from \$250 and above.



Cost Assumptions

- Project infrastructure costs are estimated at US\$ 10,500,000 (\$24,000 an acre)
- Project preliminaries are estimated at US\$2,500,000.
- Total construction costs are estimated at US\$51,000,000
- Home construction costs are estimated at US\$110 per square foot on average.
- The beach club is estimated to cost over US\$1 million.

Sales Assumptions

- Single family homes are expected to sell at an average pace of 1 unit per month.
- Condominium units are expected to sell at an average pace of 2 units per month.
- The villa units are expected to sell at a pace of 1 unit per month.

The proposed residential component at the proposed 440 acre Hatillo Dominical site consists of 415 whole ownership units.



Revenue and Sales Projections

Revenue / Sales Projections	Sep-09 Year 1	Sep-10 Year 2	Sep-11 Year 3	Sep-11 Year 4	Sep-12 Year 5	Sep-13 Year 6	Sep-14 Year 7	Sep-15 Year 8	Sep-16 Year 9
Unit Sales	Units Sold	Units Sold	Units Sold	Units Sold	Units Sold	Units Sold	Units Sold	Units Sold	Units Sold
Single Family Home Sites (49 units)	0	0	0	0	0	15	15	10	9
Estate Lots (121 units)	0	15	20	24	20	15	12	8	7
Condos (184)	20	32	28	26	24	20	18	16	0
Villas (36 units)	0	0	0	0	16	12	8	0	0
Retail (25 units)	0	0	0	0	0	0	5	10	10
Total	21	47	48	50	60	62	58	44	26
Unit Prices									
Single Family Home Sites (49 units)	\$ 264,000	\$ 277,200	\$ 291,060	\$ 305,613	\$ 317,838	\$ 330,551	\$ 343,773	\$ 354,086	\$ 364,709
Estate Lots (121 units)	\$ 351,000	\$ 368,550	\$ 386,978	\$ 406,326	\$ 422,579	\$ 439,483	\$ 457,062	\$ 470,774	\$ 484,897
Condos (184)	\$ 234,000	\$ 245,700	\$ 257,985	\$ 270,884	\$ 281,720	\$ 292,988	\$ 304,708	\$ 313,849	\$ 323,265
Villas (36 units)	\$ 220,000	\$ 231,000	\$ 242,550	\$ 254,678	\$ 264,865	\$ 275,459	\$ 286,478	\$ 295,072	\$ 303,924
Retail	\$ 75,000	\$ 78,750	\$ 82,688	\$ 86,822	\$ 90,295	\$ 93,907	\$ 97,663	\$ 100,593	\$ 103,610



Cash Flow Summary

				Sep-08	Sep-09	Sep-10	Sep-11	Sep-12	Sep-13	Sep-14	Sep-15	Sep-16
				Sum Year 1	Sum Year 2	Sum Year 3	Sum Year 4	Sum Year 5	Sum Year 6	Sum Year 7	Sum Year 8	Sum Year 9
BALANCE BROUGHT FORWARD				-	6,997,522	4,469,396	4,743,263	11,023,878	0	0	0	0
INCOME				TOTALS		cost/unit	% value					
Equity: Cash	\$	-		-	-	-	-	-	-	-	-	-
Development/Soft Costs Draws	\$	10,000,000		10,000,000	-	-	-	-	-	-	-	-
Unit Sales	\$	132,948,625		7,680,000	13,390,650	14,963,130	16,794,824	19,450,693	20,715,783	18,906,216	13,334,566	7,712,763
TOTAL		142,948,625		17,680,000	13,390,650	14,963,130	16,794,824	19,450,693	20,715,783	18,906,216	13,334,566	7,712,763
EXPENSES				TOTALS								
Preliminaries	\$	2,423,648	\$ 5,826	0.00%	1,104,504	788,854	530,290	-	-	-	-	-
Development Payments	\$	11,406,113	\$ 27,419	0.02%	4,398,574	4,328,787	1,900,179	730,683	6,850	7,267	7,710	8,179
Construction Payments	\$	51,068,728	\$ 122,761	0.09%	1,800,000	5,260,725	5,824,341	6,451,460	7,574,674	8,164,188	7,453,274	5,273,699
Construction Interest	9.00%				162,000	473,465	524,191	580,631	681,721	734,777	670,795	474,633
Real Estate Taxes	0.25%	\$ 332,372	\$ 799	0.00%	19,200	33,477	37,408	41,987	48,627	51,789	47,266	33,336
Real Estate Commission: Unit Sales	4.00%	\$ 5,317,945	\$ 12,784		307,200	535,626	598,525	671,793	778,028	828,631	756,249	533,383
Settlement Cost: Land & Unit Sales	0.50%	\$ 664,743	\$ 1,598	0.00%	38,400	66,953	74,816	83,974	97,253	103,579	94,531	66,673
Points: Up Front & With Draws	2.00%	\$ 200,000	\$ 481	0.00%	200,000	-	-	-	-	-	-	-
Payoff: Development Loan	\$	10,000,000			1,152,000	3,160,598	4,253,067	1,434,336	-	-	-	-
Interest: Development Loan	10.00%	\$ 2,596,974	\$ 6,243	0.00%	1,000,000	884,800	568,740	143,434	-	-	-	-
Interest: Development Equity	8.00%	\$ -	\$ -	0.00%	-	-	-	-	-	-	-	-
Overhead: Salaries, etc.		\$ 1,308,535	\$ 3,146	0.00%	167,000	150,559	155,076	159,728	164,520	99,899	102,896	105,983
Marketing		\$ 1,673,980	\$ 4,024	0.00%	333,600	234,933	222,631	216,182	215,676	222,147	228,811	-
Shareholder Distribution		\$ 51,359,402	\$ 123,460	0.09%	-	-	-	-	20,907,222	10,503,506	9,544,685	6,838,680
TOTAL		142,948,625		0.22%	10,682,478	15,918,776	14,689,263	10,514,208	30,474,571	20,715,783	18,906,216	13,334,566

