



Strategic Development Consulting, IRR Study, and Transaction Services for the Playa Grande Property Chiriqui, Panama

APPLIED DEVELOPMENT | JUNE 2007



BACKGROUND AND OBJECTIVES

Report Preparation

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Background

RCLCO was retained to perform a development opportunity assessment, and a market and financial feasibility analysis for the Playa Grande property in Chiriquí, Panama

Objectives

Analyze the subject property potential for resort hotel and for-sale whole ownership opportunities.

Perform market research to determine competitive supply, market audience, and potential source markets for property

Conduct case studies of analogous high-end resorts in the competitive market area

Prepare a financial model to determine the current market value of land holdings

KEY FINDINGS - OVERALL

- Panama is a burgeoning second home and vacation destination for both US and Central America, and the region is already attracting significant international attention. The Playa Grande site is spectacular, perhaps among the very best in the country, and can help catalyze the regions imminent transformation
- The land plan is highly creative and market responsive, leveraging its scale, topography and view potential, and providing a variety of experiences that will help draw from a greater market of potential buyers and maximize absorption
- RCLCO has recommended a broad diversity of hotel and residential product types, and amenity experiences including world-class golf, fishing, luxurious spa, entertainment & dining opportunities will be critical to the success of the project
- A new wave of development activity is currently hitting Panama, with most of the current resort product largely 3- and 4-Star environments that perform well none-the-less. RCLCO analysis suggests the Playa Grande site is well suited to service the luxury resort development experience that is well established in the Central American context and coming to Panama and the Chiriquí region to create a premier resort residential destination
- The scale of the planned development is significant, and the phasing of product releases and infrastructure spending must be carefully timed to capture the value of the property as it is created and build upon this value creation over the development horizon of 10-12 years

KEY FINDINGS – PRICE/RATE POSITIONING

- Panama has several areas of resort development that are experiencing strong residential growth and demand. When comparing the other regions desirability and positioning to the Chiriquí province, it is clear that Playa Grande's price positioning should be on the higher end of the available product
- The quality and experience of Playa Grande will allow it to be positioned near the top of the market within Panama, but at a moderate discount to Costa Rica given the established destination status of that country
- The quality and experience of Playa Grande will allow similar price positioning to Red Frog Beach Club, with a slight discount for the established destination status of the Bocas del Toro region
- Playa Grande should be able to achieve an appreciable price premium over the other resort residential projects in Coronado, Farallon, Boquette, and those immediately adjacent to the site
- RCLCO recommended price positioning should allow the development to achieve strong and increasing product absorption, while enhancing the value creation of the site and the developer return
- A wide variety of residential products and price ranges within the resort environment should be offered to allow a greater number of potential buyers to consider the site and increase potential absorption

TARGET MARKET – RETIREMENT & SECOND HOME BUYERS

- A majority of buyers for real estate in Panama are from the United States and Canada, with a smaller percentage of local Panamanians, European and Central & South American buyers
- Within this group of buyers, the market audience should be made up primarily of households with incomes of \$150,000 or above (per year)
- The largest segment of buyers are retirees from the United States and Canada who are drawn to the region for its low cost of living and quality healthcare
- The next largest segment of buyers are for second homes, with Panama providing a significant discount (or value play) today to the extremely expensive Caribbean and Costa Rica
- There has been limited interest from investors, with investor buyers making up a very small percentage of sales in the competitive communities in Panama
- The average personal use of the home or unit will be limited in most cases, with an average of two to four months per year

PRESENTATION STRUCTURE

- ▶ Overview of Recommendations
 - ▶ Panama as Resort/Retirement Destination
 - ▶ Subject Site Analysis
 - ▶ Competitive Market / Case Studies
 - ▶ Pricing Analysis and Recommendations

RCLCO RECOMMENDED PROGRAM

Product Type	Key/Unit Count	Lot Size	Unit Size (SF)	Unit/Lot Price	Price per Acre or per SF	Sales per Year
HOTEL KEYS						
4- to 5-Star Hotel	100-125	NA	450 – 1,000	NA	NA	NA
Boutique Hotel	30-50	NA	500 – 1,100	NA	NA	NA
Marina Inn	20-30	NA	450 - 600	NA	NA	NA
LOTS						
Beachfront Lots	25-40	0.33 – 0.5 Acres	NA	\$750K – \$1 Mil	\$2 Mil – \$2.3 Mil	8 – 10
Ocean View Lots	125-150	0.5 – 1.0 Acres	NA	\$475K – \$750K	\$750K – \$950K	10 – 15
Golf Estate Lots	40-50	0.5 – 1.0 Acres	NA	\$225K – \$400K	\$400K	5 – 10
Large Interior Lots	20-30	5 – 20 Acres	NA	\$500K – \$850K	\$40K – \$100K	1 – 2
FULL OWNERSHIP/PRODUCTION HOUSING						
Ocean View Villas	150-175	0.33 – 0.5 Acres	2,200 – 2,700	\$800K – \$1 Mil	\$365 – \$370/SF	5 – 10
Hotel Residences	80-100	NA	2,000 – 3,000	\$950K – \$1.25 Mil	\$430 – \$450/SF	5 – 10
Ocean View Condos	75-100	NA	1,400 – 2,400	\$450K – \$825K	\$320 – \$345/SF	10 – 12
Marina Condos	100-150	NA	1,200 – 1,800	\$400K – \$575K	\$310 – \$320/SF	10 – 12
Golf Bungalows	75-100	0.25 – 0.33 Acres	1,500 – 2,200	\$400K – \$575K	\$250 – \$260/SF	12 – 15
FRACTIONAL						
Branded Fractional	25-35	1/17 Share	1,800 – 2,800	\$150K - \$250K	\$80 – \$90/SF	5 – 10 Units
Marina Fractional	30-40	1/17 Share	1,800 – 2,300	\$150K - \$200K	\$80 – \$90/SF	5 – 8 Units
Overall	895-1,175	0.25 – 20 Acres	450 – 3,000	\$150K – \$1.25 Mil		76 – 114

A DIVERSE HOTEL OFFERING WILL MAXIMIZE CUSTOMER SEGMENTATION AND ENHANCE RESIDENTIAL DESIREABILITY

There is sufficient demand at the subject site to support three different hotel concepts: a large luxury branded hotel, a smaller branded boutique hotel, and a marina inn

POTENTIAL HOTEL FLAGS

- ▶ Four Seasons
- ▶ St. Regis
- ▶ Ritz Carlton
- ▶ Fairmont Hotels
- ▶ Auberge
- ▶ Rosewood
- ▶ Raffles
- ▶ Hilton
- ▶ Hyatt



<i>BRANDED LARGE SCALE HOTEL ROOMS</i>	UNITS	UNIT SIZE (SF)	LOW SEASON	HIGH SEASON	UNIT MIX
Standard	80	450	\$300	\$400	65%
Superior	35	650	\$350	\$450	27%
1 BR Suite	6	850	\$600	\$800	5%
2 BR Suite	4	1,000	\$900	\$1,100	3%
WEIGHTED AVG	125	540	\$350	\$450	100%

<i>BRANDED BOTIQUE HOTEL ROOMS</i>	UNITS	UNIT SIZE (SF)	LOW SEASON	HIGH SEASON	UNIT MIX
Standard	28	500	\$350	\$450	55%
Superior	15	700	\$400	\$500	30%
1 BR Suite	5	900	\$750	\$950	9%
2 BR Suite	3	1,100	\$1,100	\$1,300	6%
WEIGHTED AVG	50	630	\$450	\$560	100%

<i>MARINA INN</i>	UNITS	UNIT SIZE (SF)	LOW SEASON	HIGH SEASON	UNIT MIX
Standard	20	400	\$150	\$200	67%
Superior	10	600	\$200	\$5250	33%
WEIGHTED AVG	30	470	\$170	\$220	100%

RCLCO PROJECTED DELIVERY & ABSORPTION SCHEDULE

	2	2	2	2	2	2	2	2	2	2	2	2	2
	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	1	1	1	1	1	1	1	1	1	1	2
Product Type	8	9	0	1	2	3	4	5	6	7	8	9	0
<i>Large Hotel</i>	CONSTRUCTION		OPEN										
<i>Boutique Hotel</i>				CONSTRUCTION		OPEN							
<i>Marina Inn</i>					CONSTRUCTION		OPEN						
<i>Ocean View Villas</i>	0	15	20	20	15	10	10	10	10	10	10	10	10
<i>Hotel Residences</i>	0	10	10	10	10	10	10	10	10	10	0	0	0
<i>Golf Bungalow</i>	0	10	10	10	5	5	5	5	5	5	5	5	5
<i>Marina Village Condos</i>	0	5	15	15	15	15	10	10	10	10	10	10	10
<i>Ocean View Condos</i>	0	5	10	10	10	10	10	10	10	5	0	0	0
<i>Beachfront Lots</i>	0	5	5	5	5	5	5	5	3	3	3	3	3
<i>Ocean View Lots</i>	0	5	15	15	15	15	10	10	10	10	10	10	10
<i>Golf Estate Lots</i>	0	4	4	4	4	4	4	4	4	4	4	4	4
<i>Large Interior Lots</i>	0	1	2	2	2	2	2	2	1	1	0	0	0
<i>Branded Fractional</i>	0	10	10	10	10	10	10	10	10	5	5	5	5
<i>Marina Fractional</i>	0	0	0	0	10	5	5	5	5	5	5	5	5
Total Whole Ownership Units, Fractional & Lots Absorbed Per Year	0	70	101	101	101	91	81	81	78	68	52	52	52

PRESENTATION STRUCTURE

▶ Overview of Recommendations

▶ Panama as Resort/Retirement Destination

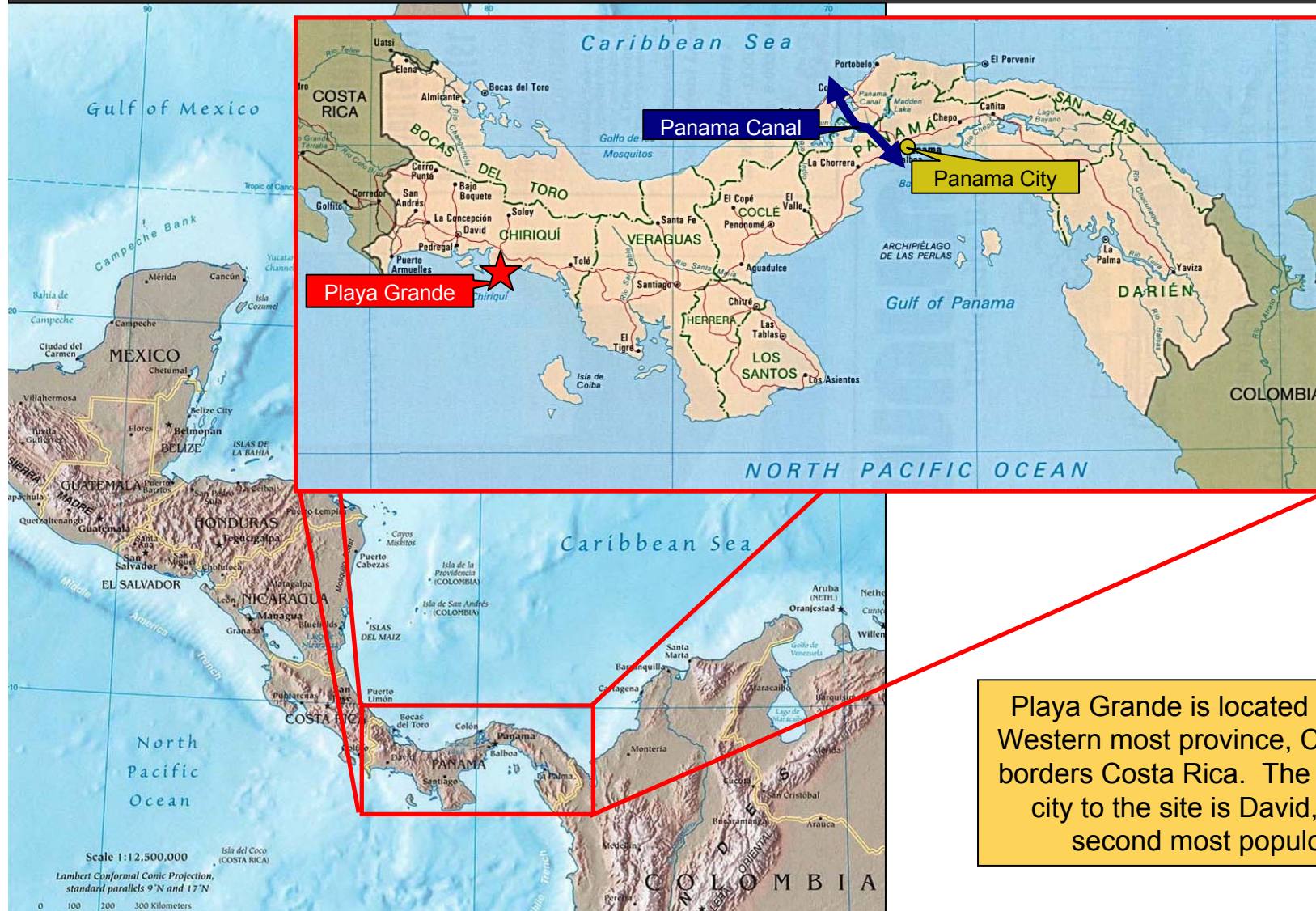
- Panama's unique offerings
- Economic and political environment
- Resulting growth in international tourism
- Costa Rica as a case study

▶ Subject Site Analysis

▶ Competitive Market / Case Studies

▶ Pricing Analysis and Recommendations

PLAYA GRANDE SITE CONTEXT



Playa Grande is located in Panama's Western most province, Chiriquí, which borders Costa Rica. The closest major city to the site is David, Panama's second most populous city.

WHY PANAMA REPRESENTS AN IDEAL DEVELOPMENT LOCATION?

- Natural Beauty – Panama has several diverse and pristine ecosystems including tropical rain forest, virgin beaches, high altitude mountain environments; its scenic landscape and pristine environments rival those of Costa Rican and Caribbean destinations
- Access to America – Panama is only 2.5 hours from the US (via Miami), and there are more than 400 weekly international flights into Panama City; weekly international flights from the US will begin to arrive in David by the end of 2007
- Safety – Panama is one of the safest countries in Latin America, and Panamanians are very welcoming to international development and investment
- Healthcare – Panama has a modern, American-style healthcare system with American trained, English speaking doctors. Standards at the country's top hospitals are similar to those in the US
- Title Laws – Panama has strong title laws that grant foreign investors the same rights as Panamanian citizens
- American Dollar – In Panama the US dollar is legal tender, and the local currency, the Balboa, is tied to the US dollar at a 1:1 exchange rate

PANAMA'S ECONOMIC AND POLITICAL ENVIRONMENT IS IDEAL FOR DEVELOPMENT

Panama's economic and political outlook are overwhelmingly positive for international investment and growth in tourism:

- **Political Risk:** Unlike other Latin American countries, Panama has a “fairly entrenched constitutional democracy and one of the safest crime situations in Central America.” The Latin American Monitor ranks it as having the second least political risk in the region, falling slightly behind Costa Rica
- **Economic Growth/Stability:** As seen in the table below, Panama's economy has experienced strong and sustained growth in recent years and is projected to remain strong for the foreseeable future, driven primarily by canal-related economic activity and increased tourism. With the national currency being the US Dollar, Panama has benefited from safe levels of inflation, a strong credit rating, and general economic stability compared to its regional neighbors. Panama is currently in the negotiations of a bilateral free trade agreement with the United States
- **Panama Canal:** Panama received control of all canal-related territory at the start of 2000 from the US. In October, 2006, Panamanians approved the widening of the canal, at an estimated cost of \$5.2 Billion over the next 7 years. According to many experts, the expansion plans are financially sound and should result in significant economic growth in the long term
- **Banking System:** Panama City is an international banking center and is home to more than 120 banks from 35 countries. Growth in the banking sector has been fueled in part by trade and other canal-related activities, but also by the business-friendly environment found in the country

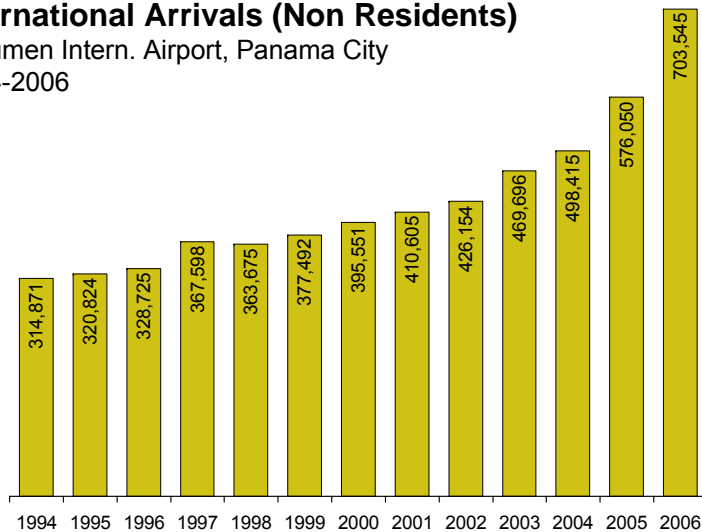
	2005	2006	2007	2008
Nominal GDP (in Billion US\$)	\$15.12	\$16.66	\$18.14	\$19.16
Real GDP Growth, year-over-year	6.5%	8.1%	6.6%	4.4%

SOURCE: Latin American Monitor; The Economist

ALL OF THESE PREVIOUS FACTORS HAVE LED TO A SURGE IN INTERNATIONAL TOURISM IN RECENT YEARS

International Arrivals (Non Residents)

Tocumen Intern. Airport, Panama City
1994-2006

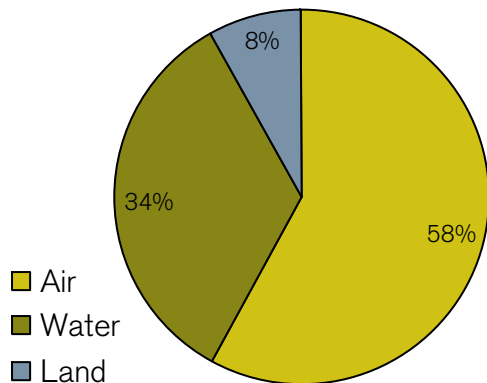


In the past five years, Panama has seen rapid growth in the number of international tourists and business travel:

- International arrivals from non-residents in 2006 was up 15% from 2005
- Expenditures made by tourists was also 20% higher than
- Arrivals to Panama by water, especially cruise ships, have also seen drastic growth in recent years, averaging an 11% annual growth rate for the past 5 years
- Hotel occupancy in 2006 was up 10.2% over the same period in 2005 with even stronger gains seen in upscale hotels

International Arrivals by Mode of Transportation

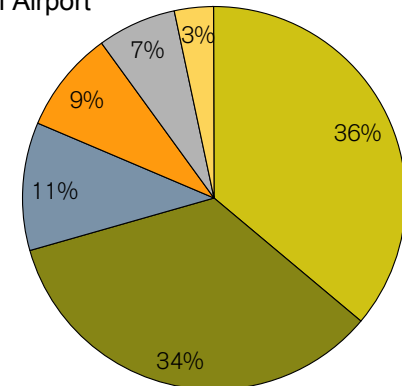
Panama
2006



Country of Origin of Visitors

Tocumen International Airport
Panama City
2003

- South America
- North America
- Central America
- Europe
- Caribbean
- Other



SOURCES: Panama Dept. of Statistics and Census; Panamanian Institute of Tourism; businesspanama.com

PANAMA SHOULD DEVELOP IN A SIMILAR MANNER TO COSTA RICA

- ▶ In late 2002, Delta Airlines began direct international service from Atlanta to the town of Liberia in northwest Costa Rica. Since then, development in the region and the use of the airport has increased significantly; there are now close to 40,000 passengers using the airport per month
- ▶ This improvement in access was instrumental in fueling a development boom in the Province of Guanacaste. The area has attracted some of the most notable five-star hotel flags including the Four Season and the Spanish brand Melia Sol as well as high-end second home development
- ▶ RCLCO expects Panama and the Chiriquí province to undergo a similar development process once the city of David begins receiving international flights at the end of the year



HIGH-END RESORTS HAVE ARRIVED AT GUANACASTE WITH SEVERAL MORE IN THE DEVELOPMENT PIPELINE

1 PENINSULA PAPAGAYO:

2,300 acre residential resort community
Four Seasons Resort, 153 keys
18-hole Arnold Palmer Signature golf course

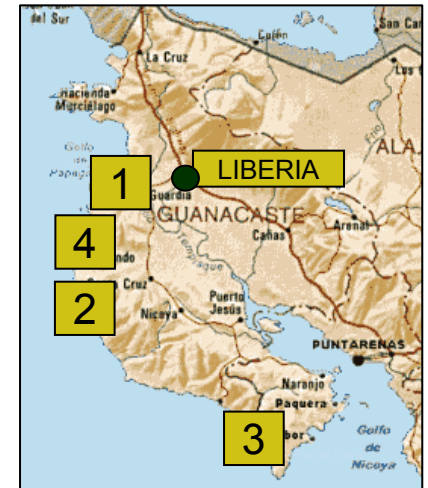
	Size	Price (US\$)	\$/SF or Acre
Branded Fractional (1/17 Share)	1,900 – 2,400 SF	\$170,000 - \$220,000	\$90 - \$92
Ocean View Lots	0.75 – 1.5 Acres	\$1 Mil - \$2.8 Mil	\$1.3 - \$1.9 Mil
Interior/Golf Lots	0.75 – 3.5 Acres	\$600,000 - \$1 Mil	\$285K - \$800K
Ocean View Condos	2,800 SF	\$1.7 Mil - \$2.85 Mil	\$607 - \$1,017
Branded Ocean View Villas	2,700 – 2,900 SF	\$1.9 Mil – \$3.0 Mil	\$700 - \$1,000



2 RESERVA CONCHAL:

2,300 acre residential resort community
Paradusis Plata Conchal Resort (Melia Sol), 312 keys
18-hole Robert Trent Jones II golf course
2,200 residential units, 4 hotels, and a second golf course, at build out

	Size (SF)	Price (US\$)	Price/SF
Golf-Oriented SFD	4,293 - 4,616	\$890,000 - \$989,000	\$207 - \$215
Ocean View Condos	2,722 – 2,722	\$739,000 - \$783,000	\$270 - \$287
Ocean View SFD	6,376	\$1,550,000	\$240



3 ST. REGIS COSTA RICA (OPENING 2009)

4 ROSEWOOD COSTA CARMEL (OPENING 2010)



PRESENTATION STRUCTURE

- ▶ Overview of Recommendations
- ▶ Panama as Resort/Retirement Destination
- ▶ **Subject Site Analysis**
 - Site's location
 - Topography and unique attributes
 - Strengths and challenges
- ▶ Competitive Market / Case Studies
- ▶ Pricing Analysis and Recommendations

PLAYA GRANDE IS 45 MINUTE DRIVE FROM THE FUTURE INTERNATIONAL AIRPORT IN DAVID



ROAD AND AIRPORT IMPROVEMENTS WILL DRASTICALLY INCREASE SITE'S ACCESSIBILITY

- **New Road to Playa Grande:**

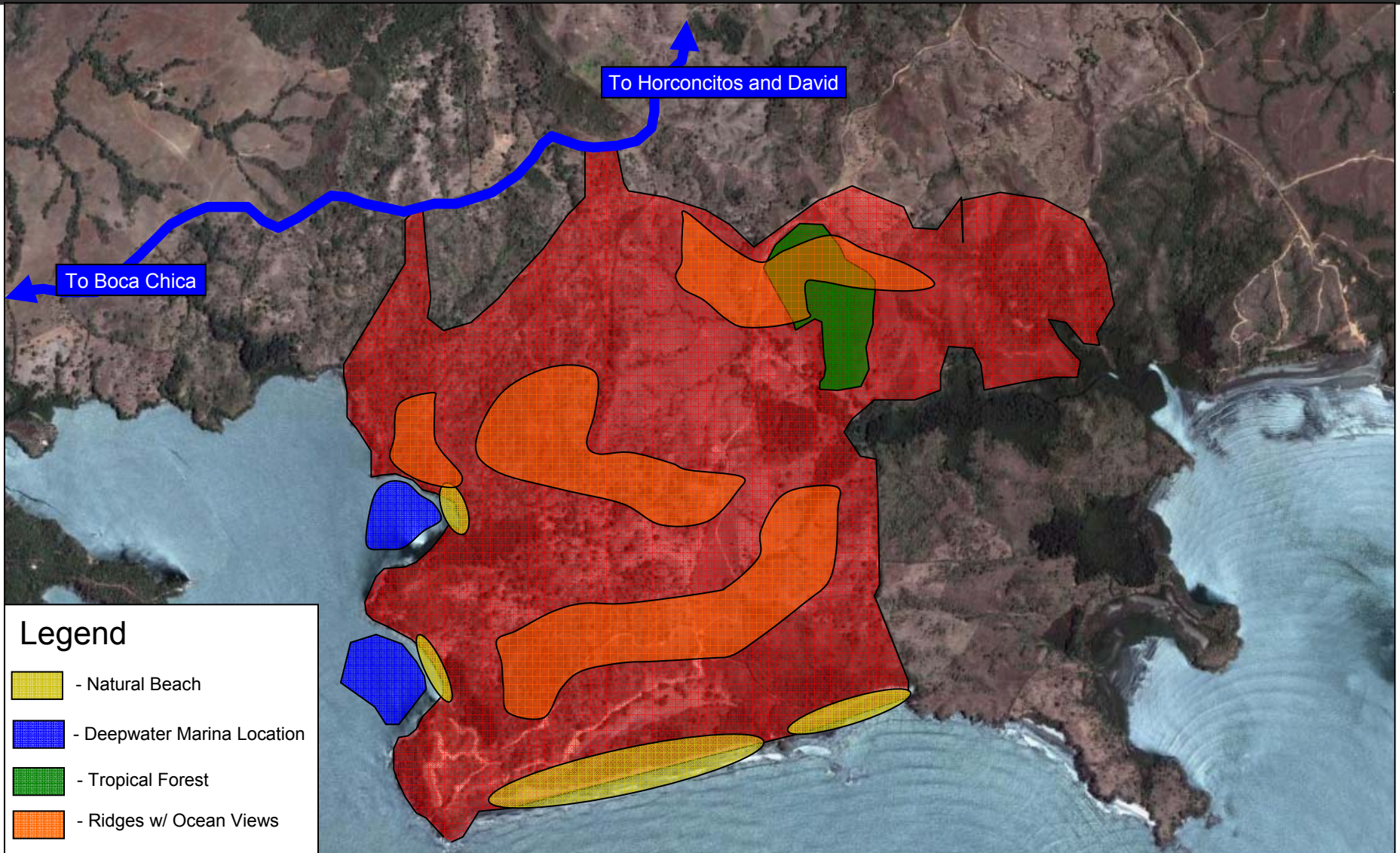
In the Summer of 2006, the Chiriquí Ministry of Public Works approved the reconstruction of the 25.5 km road that connects the Pan-American Highway with the towns of Horconcito and Boca Chico. This road will connect the subject site to the Pan-American Highway. Work is already underway on the \$2.4 million project, and construction is set to be completed in March 2008

- **International Flights to David:**

In April, the Civil Aeronautical Authority of Panama confirmed that by the end of 2007, Copa Airlines will begin weekly direct flights from the United States to Enrique Malek International Airport in David, Chiriquí. The airport will also undergo modernization and expansion plans that will include the expansion of the passenger terminal and runway



PLAYA GRANDE'S UNIQUE CHARACTERISTICS ALLOW FOR A VARIETY OF DISTINCT ZONES



PLAYA GRANDE HAS STRONG POTENTIAL, WITH SOME CHALLENGES

Strengths

- ▶ Site's large size (1,100 developable acres) allows for the development of distinct zones, which will help maximize market segmentation
- ▶ Diverse topography and natural features will increase achievable prices due to large amount of land with ocean view and golf course view potential
- ▶ Proximity to David will provide easy access via national and international flights to Enrique Malek Airport
- ▶ Newly paved road to Boca Chica will greatly improve access to the site
- ▶ Planned amenities and existing recreational opportunities (i.e. golf, fishing, boating, day trips to Boquete, trips to nearby islands) will greatly enhance project's desirability

Challenges

- ▶ Panama is still relatively unknown to many Americans as a resort/second home location
- ▶ Chiriquí is still an emerging location for resort/second home development within Panama
- ▶ Site appears remote today and distant from basic services and supporting retail (i.e. restaurants, grocery stores, drug stores, etc.)

PLAYA GRANDE HAS THE ABILITY TO TURN THESE CHALLENGES INTO OPPORTUNITIES

Challenge

- ▶ Panama is still relatively unknown to many Americans as a resort/second home location
- ▶ Chiriquí is still an emerging location for resort/second home development within Panama
- ▶ Site appears remote today and distant from basic services and supporting retail (i.e. restaurants, grocery stores, drug stores, etc.)



Opportunity

- ▶ By attracting a high-profile hotel flag, Panama's attractiveness will be further legitimized
- ▶ Improvements to David airport and attractiveness of site will change development patterns within the country and make Chiriquí the premier Panamanian development location
- ▶ Provide basic retail and services on site to improve convenience; leverage quaintness of Boca Chica and Horconcitos to provide guests/residents nearby dining, shopping, and entertainment alternatives

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- Competitive resort communities
 - Bocas del Toro – Panama's premier Caribbean destination
 - Coronado & Farallón – Pacific destination w/ easy access to Panama City
 - Boquete – Mountain retreat w/ proximity to David
- Panama's golf market
- Competitive hotel market

- ▶ Pricing Analysis and Recommendations

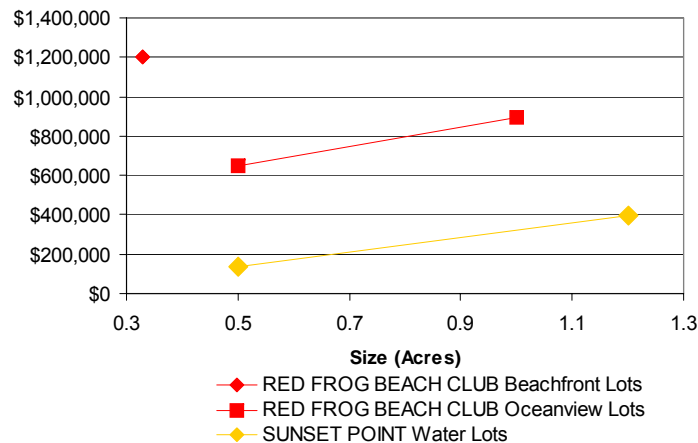
DEVELOPMENT IN PANAMA HAS BEEN MAINLY CONCENTRATED IN THREE REGIONS

The three major development areas in Panama that were used to assess the feasibility of the Playa Grande development are Bocas del Toro, Boquete, and the area around Farallon and Coronado. There is also significant resort/second home development in and around Panama City and the Panama Canal, however, we didn't feel the nature of that development was as analogous to Playa Grande as the other selected areas.



BOCAS DEL TORO – PANAMA'S PREMIER CARIBBEAN DESTINATION

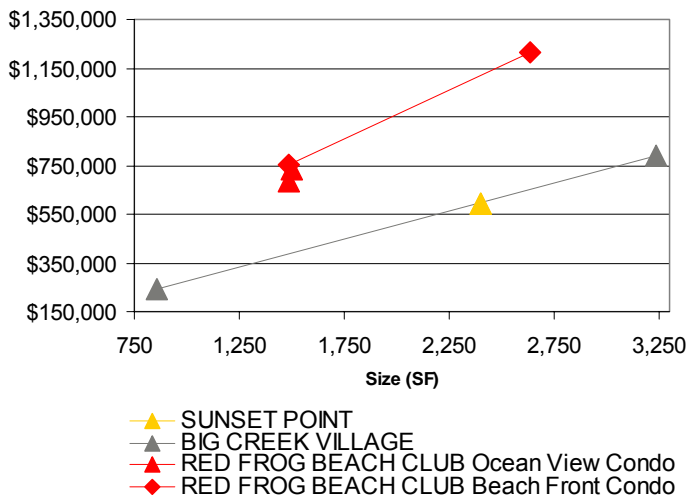
Bocas del Toro Lots



Bocas del Toro is a string of islands in western Panama that has become the country's most popular Caribbean attraction for international tourists. There are daily flights from David and Panama City into the town of Bocas del Toro on Isla Colon, the largest island in the chain. In recent years, several residential projects have begun to sell lots, homes, and condominiums to predominately American retirees and second home buyers.

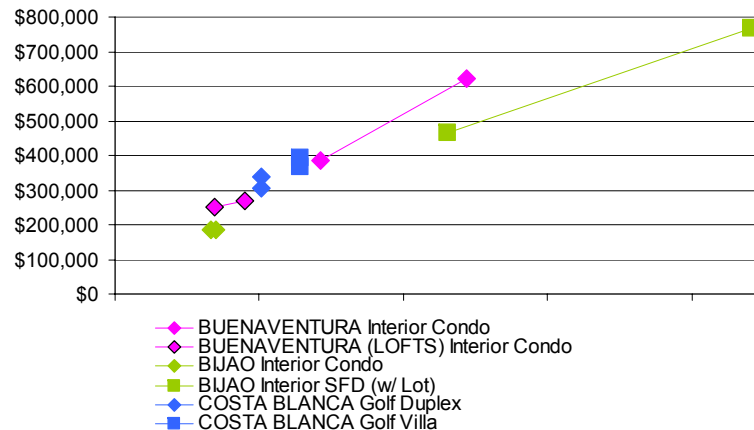
The most successful development in the area, and perhaps in the entire country, is Red Frog Beach Club on the island of Bastimentos. Red Frog is a master-planned community with golf, marina, and private beaches that offers a variety of product types. They have achieved a fast sales pace of close to 120 units annually.

Bocas del Toro Condominiums

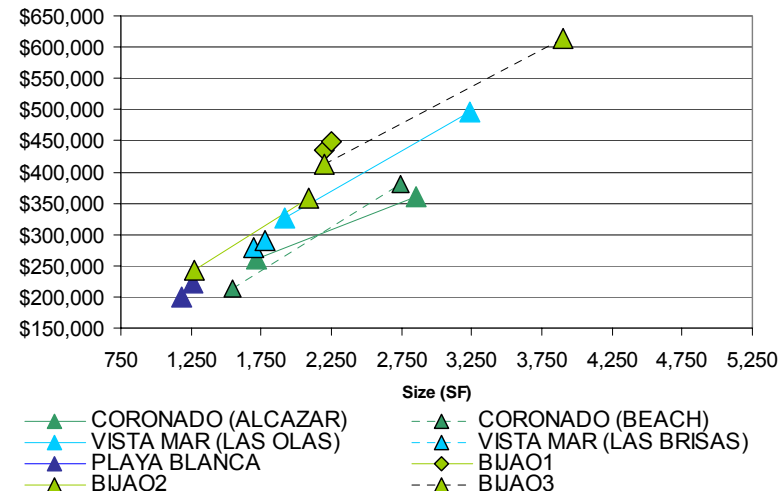


CORONADO & FARALLON – PACIFIC RESORT DESTINATION WITH EASY ACCESS TO PANAMA CITY

Farallon/Coronado Interior SFD/Condo/TH

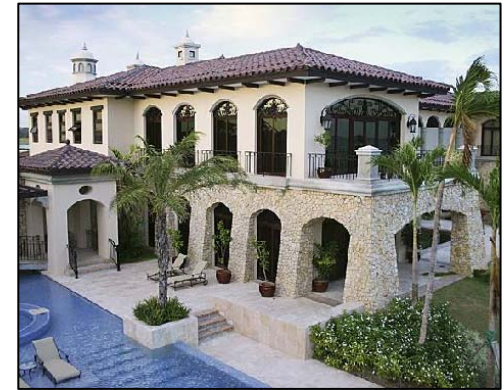


Farallon/Coronado Beachfront/Ocean View Condos

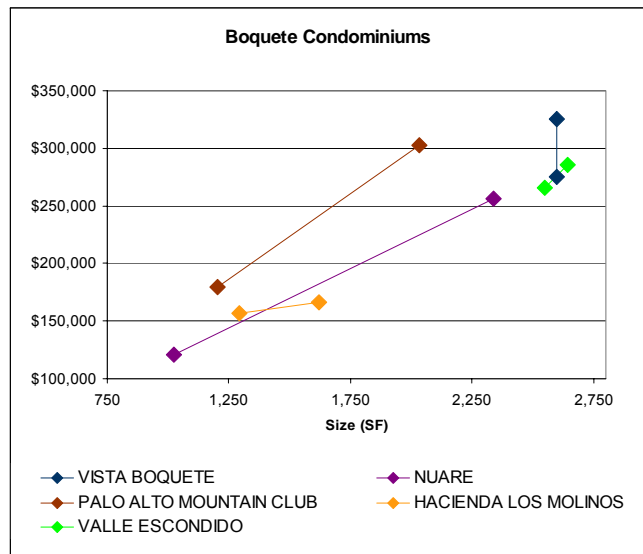
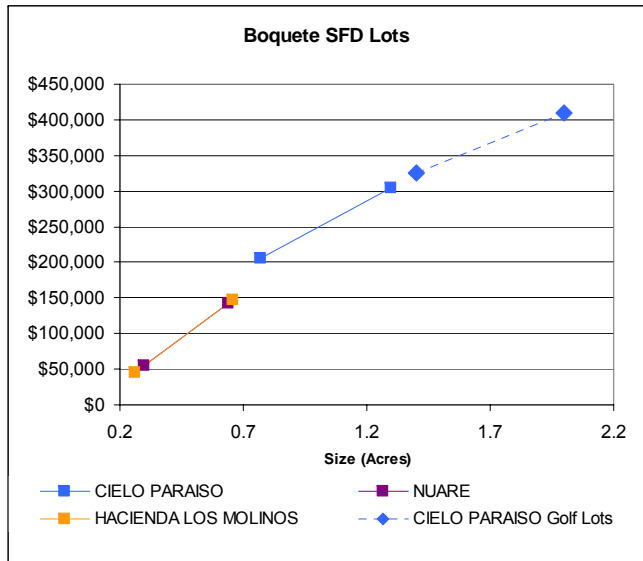


Coronado and Farallon, located 90 minutes southwest of Panama City, are two areas that have experienced significant growth in recent years. More so than in other locations in Panama, this area has a diverse array of projects and product types. The first and oldest development is Coronado Golf and Beach Resort, which has developed over the past 50 years. The highest-end development to date is Buenaventura.

Most buyers are international, especially Canadian and American, although there are more Panamanian buyers in this area due to its access to Panama City.



BOQUETE – MOUNTAIN RETREAT WITH EASY ACCESS TO DAVID



Boquete is a small mountain town located 45 minutes north of David in the province of Chiriquí. In recent years, it has seen a sharp increase in residential development targeting North American retiree buyers. The town's major attractions are its cool, fresh climate, natural beauty and relative affordability, as well as its proximity to David. The area is known for its coffee, which is regarded as the best in the country.

Although real estate prices have increased in recent years, second home development in Boquete is still among the cheapest in Panama.



RED FROG BEACH CLUB, BOCAS DEL TORO

SUMMARY / DESCRIPTION

Located in the Caribbean island chain, Bocas del Toro, Red Frog Beach Club is an exclusive second home development on the remote Bastimentos Island.

DEVELOPER: Pillar Panama

LOCATION: Bastimentos Island, Bocas del Toro

TOTAL UNITS: 900

MARKET AUDIENCE

To date, 95% of buyers have been from the United States. 30% will live at Red Frog full-time, 50% will be there for 2 to 6 months each year, and the remaining 20% have been investors.

ABSORPTION PACE

In the 2.5 years of sales, they have sold 300 units, which is equivalent to 120 sales per year. This relatively fast sales pace is due to the projects desirability, as well as a strong client referral program and incentive program for outside brokers.

AMENITIES

Several pools, spa, nature trails, tennis courts, two restaurants w/ bars, canopy and zip-line tours, marina w/ restaurant and shops

CRITICAL SUCCESS FACTORS

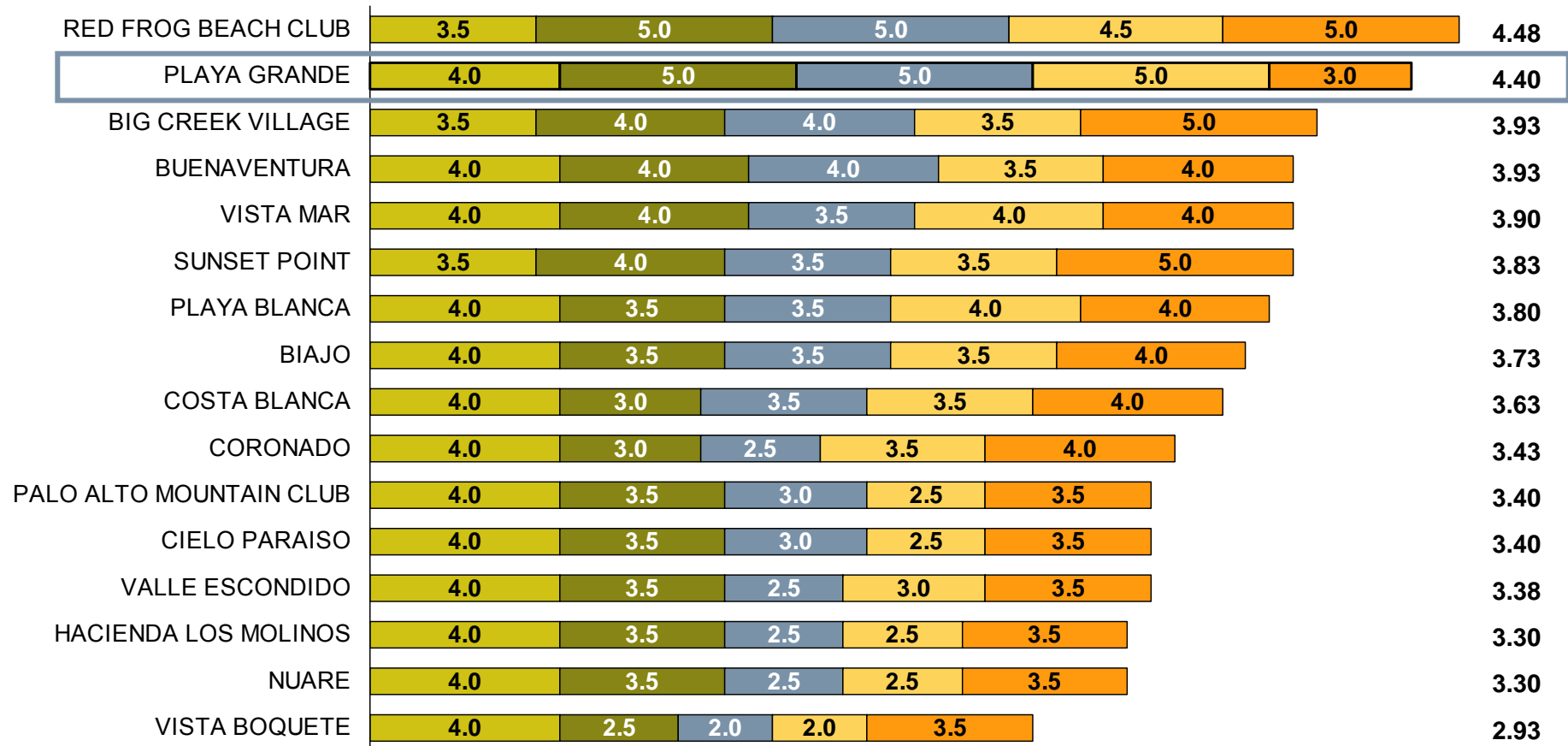
Site's remoteness and beauty; connectivity to the town of Bocas del Toro w/ hourly water taxi; successful advertising in the US; high-end product offering w/ top-of-the-line features and finishes



Product Type	Lot Price Range			Lot Size Range			Home Price Range			Home Size Range			\$/SF Range		
LOTS															
Interior Lot	\$245,000	-	\$350,000	0.5	-	0.8	NA	-	NA	NA	-	NA	NA	-	NA
Ocean View Lot	\$650,000	-	\$895,000	0.5	-	1.0	NA	-	NA	NA	-	NA	NA	-	NA
Beachfront Lots	\$1,200,000	-	\$1,200,000	0.3	-	0.3	NA	-	NA	NA	-	NA	NA	-	NA
SFD/TH/CONDO															
SFD (w/o Lot)	NA	-	NA	NA	-	NA	\$372,624	-	\$811,423	1,504	-	3,727	\$218	-	\$248
Interior Townhouse	NA	-	NA	NA	-	NA	\$364,481	-	\$395,620	1,524	-	1,524	\$239	-	\$260
Beachfront Condos	NA	-	NA	NA	-	NA	\$755,449	-	\$1,216,924	1,483	-	2,637	\$461	-	\$509
Ocean View Condo	NA	-	NA	NA	-	NA	\$684,229	-	\$736,897	1,483	-	1,501	\$461	-	\$491
Interior Condo	NA	-	NA	NA	-	NA	\$415,596		\$482,771	1,483	-	1,789	\$270	-	\$280

COMPETITIVE COMMUNITIES WERE RANKED BY SEVERAL FACTORS TO DETERMINE POSITIONING

Community Rankings



Access to site (30%)

Site Aesthetics & Appeal (20%)

Community Execution (20%)

Amenity Package (15%)

Location Prestige (15%)

GOLF COURSES IN COSTA RICA ARE THE MOST COMPARABLE TO PLANNED COURSE AT PLAYA GRANDE

There are a limited number of quality golf courses in Panama, although there are several high-end courses being planned or built. The most relevant comparable courses are in Costa Rica:

PENINSULA PAPAGAYO

Course Description:

6,788-yard, 18-hole Arnold Palmer Signature course; 18-hole Jack Nicklaus course is under construction and due to open in 2008

Memberships:

Two different membership levels:

Sports membership (12 rounds/year): \$25K deposit and \$180/month

Golf Membership (unlimited golf): \$60K deposit and \$450/month

Greens Fees:

Year round: \$185 per round of 18-holes

RESERVA CONCHAL

Course Description:

Par 71 private course designed by Robert Trent Jones II, focus on environmental sensitivity

Memberships:

Memberships are temporary anywhere from 3 months to a year and can be bought for individuals or for a family. Prices range from \$1,000 for a month individual pass to \$4,000 for a year long family pass

Greens Fees:

For resort guests: \$125 for low season and \$150 for high season

Outside Guests: \$150 for low season and \$175 for high season



EXISTING GOLF COURSES IN PANAMA TEND TO BE SUBPAR AND RELATIVELY INEXPENSIVE

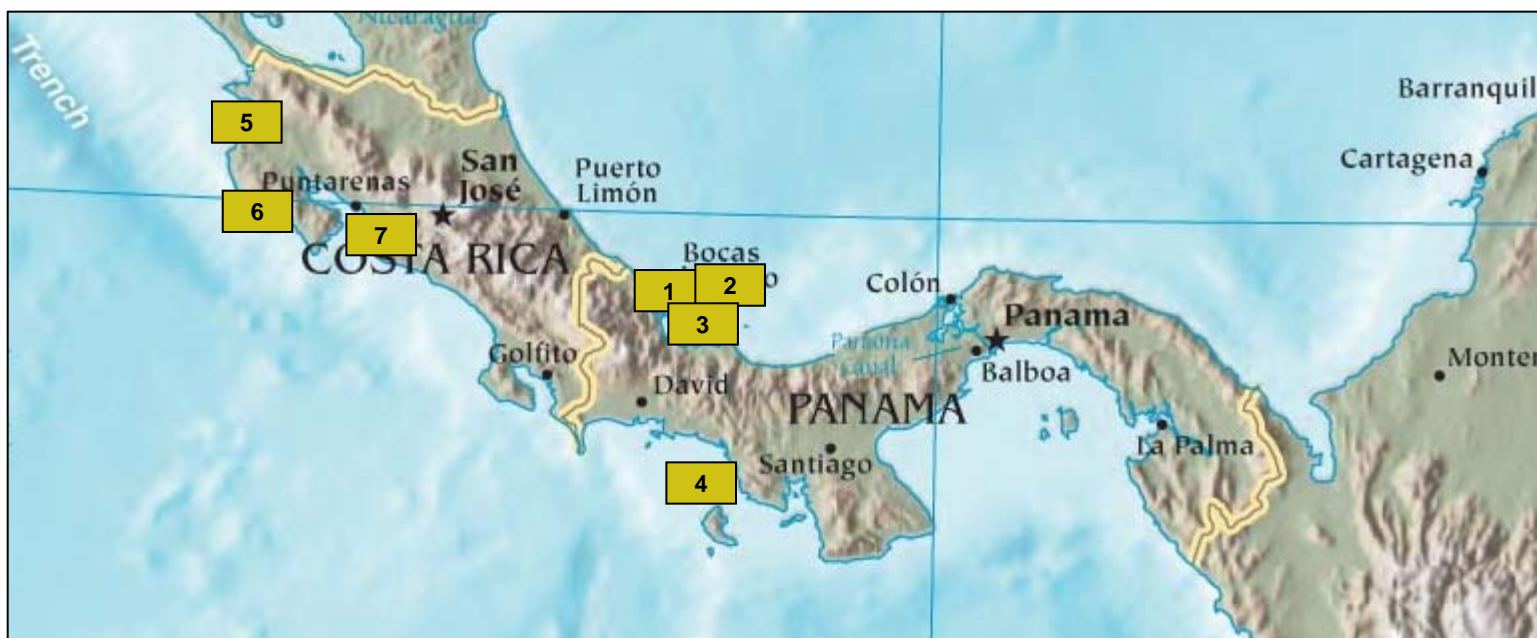
MAP KEY	COURSE NAME	# OF HOLES	COURSE DESIGNER	MEMBERSHIP COSTS	GREENS FEES ¹
1	Red Frog Beach Club	9	Not yet known	Not yet known	Not yet known
2	Cielo Paraiso	18	J. Michael Poellot Golf Designs	Included in lot	\$90
3	Costa Blanca	18	American Golf Course Designs	Included in home	\$55
4	Coronado	18	Tom Fazio	Included in lot	\$125
5	Vista Mar	18	J. Michael Poellot Golf Designs	\$25,000	\$95
6	Isla Viveros	18	Jack Nicklaus	Not yet known	Not yet known



NOTE: Greens fees are per person and include a golf cart

UP-MARKET HOTELS IN PANAMA, TYPICALLY SMALL, BOUTIQUE OPERATIONS COMPARED TO COSTA RICA

Map Key	Hotel Name	Location	# of Rooms	High-Season	Low-Season	Notes/Comments
1	Tropical Suites	Isla Colon	16	\$175	\$140	Includes breakfast
2	Hotel Al Natural	Isla Bastimentos	6	\$200	\$180	All Inclusive
3	Punta Caracol	Isla Colon	9	\$355	\$285	Includes breakfast and dinner
4	Islas Secas Resort	Islas Secas	7	\$990	NA	All Inclusive
5	Four Seasons Costa Rica	Peninsula Papagayo	153	\$470	\$425	NA
6	Paradisus Playa Conchal (Sol Melia)	Playa Conchal, Santa Cruz	430	\$535	\$412	All Inclusive
7	Marriott Los Suenos Resort	Los Suenos	191	\$309	\$159	NA



NOTE: Rates are for dual occupancy, standard room

SELECT HOTELS ALREADY CAPTURING LUXURY MARKET

PUNTA CARACOL, BOCAS DEL TORO, PANAMA

Located just off the island of Isla Colon in Bocas del Toro, Punta Caracol is one of the most luxurious boutique hotels in Panama. The resort is composed of nine two-story thatch-roofed cabanas that are suspended over the Caribbean Sea on stilts. Each suite has a private terrace and deck and is built using traditional practices and materials.

	May – June Sept – Dec	Dec – May July – Aug
Punta Caracol	Low Season	High Season
Standard Suite	\$285	\$355
Superior Suite	\$355	\$440
Master Suite	\$430	\$480

Rates are for dual occupancy and include:

- ▶ Transportation from airport
- ▶ Breakfast, afternoon tea, and dinner
- ▶ Kayak
- ▶ Snorkeling equipment

"[One of] ten handpicked resorts that are rich in sun-drenched beauty, high on adventure, and fine-tuned for luxury."

- Outside Magazine



SELECT HOTELS ALREADY CAPTURING LUXURY MARKET

ISLAS SECAS, CHIRIQUI, PANAMA

Islas Secas is a boutique eco-resort amid 16 secluded, private islands off of Panama's Pacific Coast. There are 7 private villas on the island, and there are normally no more than 14 guests on the islands at one time. Each villa is on an oceanfront cove with views of the ocean. The standard villas are 1 BR/1 BA, and the superior villa has 1BR/1BA and a full kitchen. The resort has an ecological theme; just 1 percent of the islands' area was modified for the resort, and the entire island is solar-powered.

Islas Secas	Year-Round
Standard Villa	\$990
Superior Villa	\$1,390

Rates are for dual occupancy and include:

- ▶ All food and beverages (including alcohol)
- ▶ All activities (snorkeling, scuba, surfing, kayaking)

NOTE: Rates don't include airfare to islands, which is about \$400/person roundtrip



COSTA RICA HAS ATTRACTED 5-STAR FLAGS

FOUR SEASONS PENINSULA PAPAGAYO, COSTA RICA

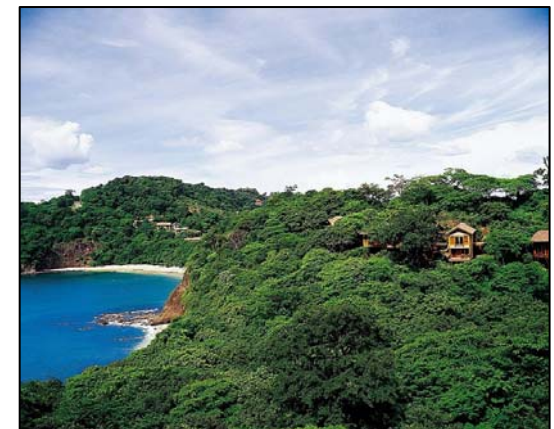
Opening in January, 2004, the 153-key Four Seasons was the first international 5-star flag to open in Costa Rica. As part of the Peninsula Papagayo residential resort community, the hotel shares many of the community's amenities including an 18-hole Arnold Palmer Signature golf course and a 18-hole Jack Nicklaus course, which is under construction. The hotel commands some of the highest rates in the country and has helped solidify Costa Rica's desirability as a true luxury destination.



FOUR SEASONS AMENITIES

- ▶ Fitness center (2,000+ SF)
- ▶ Luxury spa
- ▶ Two private beaches
- ▶ Three outdoor pools
- ▶ Golf
- ▶ Four outdoor tennis
- ▶ Business Center
- ▶ Concierge

	June - August and Nov - Dec	Sept - Nov
Four Seasons Costa Rica	Low Season	High Season
Garden Room	\$425	\$470
Deluxe Room	\$515	\$565
Premium Room	\$585	\$650
Canopy 1 BR Suite	\$1,200	\$1,325
Canopy 1BR Suite w/ Pool	\$1,400	\$1,600
Canopy 3BR Suite w/ Pool	\$2,400	\$2,500
2BR Residence	\$2,200	\$2,300
3BR Residence	\$2,800	\$2,900
Presidential 3BR Suite	\$5,800	\$6,500



PRESENTATION STRUCTURE

- ▶ Overview of Recommendations
- ▶ Panama as Resort/Retirement Destination
- ▶ Subject Site Analysis
- ▶ Competitive Market / Case Studies

▶ Pricing Analysis and Recommendations

- Residential, lots, hotel
- Phasing & absorption timeline
- Amenities
- Demand model

RCLCO RECOMMENDED PROGRAM – RESIDENTIAL UNITS

RCLCO RECOMMENDED RESIDENTIAL PROGRAM

PRODUCT TYPE		LOTS/ UNITS	Est. Ann. Abs	AVERAGE			UNIT MIX
				SIZE	PRICE	\$/ SF	
OCEAN VIEW VILLAS							
	3BR/3.5 bath	75		2,200	\$800,000	\$364	50%
	4BR/4.5 bath	75		2,700	\$1,000,000	\$370	50%
	SUBTOTALS/WGTED AVG.	150	10.0	2,450	\$900,000	\$367	
HOTEL RESIDENCES							
	2BR/2.5 bath	23		2,200	\$950,000	\$432	25%
	3BR/3.5 bath	32		2,500	\$1,100,000	\$440	35%
	4BR/4.5 bath	36		2,800	\$1,250,000	\$446	40%
	SUBTOTALS/WGTED AVG.	90	15.0	2,550	\$1,123,000	\$440	
GOLF BUNGALOWS							
	2BR/2.5 bath	30		1,600	\$400,000	\$250	40%
	3BR/3.5 bath	45		2,200	\$575,000	\$261	60%
	SUBTOTALS/WGTED AVG.	75	15.0	1,960	\$505,000	\$258	
MARINA VILLAGE CONDOMINIUM							
	2 Br 2.5 Bath	47		1,300	\$400,000	\$308	35%
	3 Br 3.5 Bath	88		1,800	\$575,000	\$319	65%
	SUBTOTALS/WGTED AVG.	135	15.0	1,625	\$514,000	\$316	
OCEAN VIEW CONDOMINIUM							
	2BR/2.5 bath	20		1,400	\$450,000	\$321	25%
	3BR/3.5 bath	32		1,950	\$650,000	\$333	40%
	4BR/4.5 bath	28		2,400	\$825,000	\$344	35%
	SUBTOTALS/WGTED AVG.	80	10.0	1,970	\$661,000	\$336	
BRANDED FRACTIONAL (1/17 SHARES)							
	2BR/2.5bath	20		1,800	\$150,000	\$83	20%
	3BR/3.5 bath	35		2,300	\$200,000	\$87	35%
	4BR/4.5 bath	45		2,800	\$250,000	\$89	45%
	SUBTOTALS/WGTED AVG.	100	10.0	2,430	\$213,000	\$88	
MARINA FRACTIONAL (1/17 SHARES)							
	2BR/2.5bath	20		1,800	\$150,000	\$83	40%
	3BR/3.5bath	30		2,300	\$200,000	\$87	60%
	SUBTOTALS/WGTED AVG.	50	5.0	2,100	\$180,000	\$86	
UNITS TOTAL/WEIGHTED AVERAGE		680	65.0	2,043	\$521,923	\$256	

NOTE: This scenario does not reflect likely sales pattern which would include sales from substantial pre-marketing, most likely a large number of sales (reservations) will occur at one time, and subsequent releases will be staged to create urgency, enhance value and ensure appropriate development/construction timing.

SOURCE: RCLCO

RCLCO RECOMMENDED PROGRAM – LOTS

RCLCO RECOMMENDED RESIDENTIAL PROGRAM

PRODUCT TYPE	LOTS/ UNITS	Est. Ann. Abs	AVERAGE			UNIT MIX	
			SIZE	PRICE	\$/ SF		
BEACHFRONT LOTS							
	0.33 - Acre Lots	30		14,375	\$750,000	\$52	60%
	0.5- Acre Lots	20		21,780	\$1,000,000	\$46	40%
	SUBTOTALSWGTED AVG.	50	8.0	17,300	\$850,000	\$49	
OCEAN VIEW LOTS							
	0.5 - Acre Lots	74		21,780	\$475,000	\$22	55%
	1.0- Acre Lots	61		43,560	\$750,000	\$17	45%
	SUBTOTALSWGTED AVG.	135	15.0	31,600	\$599,000	\$19	
GOLF ESTATE LOTS							
	0.5 - Acre Lots	24		21,780	\$225,000	\$10	50%
	1.0- Acre Lots	24		43,560	\$400,000	\$9	50%
	SUBTOTALSWGTED AVG.	48	8.0	32,700	\$313,000	\$10	
LARGE INTERIOR LOTS							
	5.0 - Acre Lots	8		217,800	\$500,000	\$2	50%
	10.0 - Acre Lots	5		435,600	\$700,000	\$2	35%
	20.0- Acre Lots	2		871,200	\$850,000	\$1	15%
	SUBTOTALSWGTED AVG.	15	2.0	392,000	\$623,000	\$2	
LOTSTOTAL/WEIGHTED AVERAGE		248	33.0	50,242	\$591,970	\$12	

NOTE: This scenario does not reflect likely sales pattern which would include sales from substantial pre-marketing, most likely a large number of sales (reservations) will occur at one time, and subsequent releases will be staged to create urgency, enhance value and ensure appropriate development/construction timing.

SOURCE: RCLCO

RCLCO RECOMMENDED PROGRAM – HOTELS

<i>BRANDED LARGE SCALE HOTEL ROOMS</i>	UNITS	UNIT SIZE (SF)	LOW SEASON	HIGH SEASON	UNIT MIX
Standard	80	450	\$300	\$400	65%
Superior	35	650	\$350	\$450	27%
1 BR Suite	6	850	\$600	\$800	5%
2 BR Suite	4	1,000	\$900	\$1,100	3%
WEIGHTED AVG	125	540	\$350	\$450	100%

<i>BRANDED BOTIQUE HOTEL ROOMS</i>	UNITS	UNIT SIZE (SF)	LOW SEASON	HIGH SEASON	UNIT MIX
Standard	28	500	\$350	\$450	55%
Superior	15	700	\$400	\$500	30%
1 BR Suite	5	900	\$750	\$950	9%
2 BR Suite	3	1,100	\$1,100	\$1,300	6%
WEIGHTED AVG	50	630	\$450	\$560	100%

<i>MARINA INN</i>	UNITS	UNIT SIZE (SF)	LOW SEASON	HIGH SEASON	UNIT MIX
Standard	20	400	\$150	\$200	67%
Superior	10	600	\$200	\$250	33%
WEIGHTED AVG	30	470	\$170	\$220	100%

RCLCO PROJECTED DELIVERY & ABSORPTION SCHEDULE

	2	2	2	2	2	2	2	2	2	2	2	2	2
	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	1	1	1	1	1	1	1	1	1	1	2
Product Type	8	9	0	1	2	3	4	5	6	7	8	9	0
<i>Large Hotel</i>	CONSTRUCTION		OPEN										
<i>Boutique Hotel</i>				CONSTRUCTION		OPEN							
<i>Marina Inn</i>					CONSTRUCTION		OPEN						
<i>Ocean View Villas</i>	0	15	20	20	15	10	10	10	10	10	10	10	10
<i>Hotel Residences</i>	0	10	10	10	10	10	10	10	10	10	0	0	0
<i>Golf Bungalow</i>	0	10	10	10	5	5	5	5	5	5	5	5	5
<i>Marina Village Condos</i>	0	5	15	15	15	15	10	10	10	10	10	10	10
<i>Ocean View Condos</i>	0	5	10	10	10	10	10	10	10	5	0	0	0
<i>Beachfront Lots</i>	0	5	5	5	5	5	5	5	3	3	3	3	3
<i>Ocean View Lots</i>	0	5	15	15	15	15	10	10	10	10	10	10	10
<i>Golf Estate Lots</i>	0	4	4	4	4	4	4	4	4	4	4	4	4
<i>Large Interior Lots</i>	0	1	2	2	2	2	2	2	1	1	0	0	0
<i>Branded Fractional</i>	0	10	10	10	10	10	10	10	10	5	5	5	5
<i>Marina Fractional</i>	0	0	0	0	10	5	5	5	5	5	5	5	5
Total Whole Ownership Units, Fractional & Lots Absorbed Per Year	0	70	101	101	101	91	81	81	78	68	52	52	52

AN ARRAY OF AMENITY OPTIONS ARE APPROPRIATE FOR PLAYA GRANDE



RECOMMENDED AMENITIES	
18-HOLE JACK NICKLAUS GOLF COURSE	RESIDENT BEACH CLUB
GOLF CLUBHOUSE	HIKING TRAILS
LUXURY SPA	RESORT POOL
FITNESS CENTER	RESIDENT POOL
FINE AND CASUAL DINING	WATER SPORTS CENTER
MARINA	CHILDREN'S ACTIVITY CENTER
MARINA VILLAGE/TOWN CENTER	COMMUNITY CONCIERGE
RESORT BEACH CLUB	BUSINESS CENTER

	9-HOLE GOLF	18-HOLE GOLF	GOLF CLUBHOUSE	OUTDOOR POOLS	LUXURY SPA	FITNESS CENTER	TENNIS COURTS	HIKING TRAILS	CASUAL DINING	FINE DINING	MARINA	TOWN CENTER	SEPARATE RESIDENT'S CLUB
VALLE ESCONDIDO	X			X	X	X	X		X	X			
RED FROG BEACH CLUB	X			X	X		X	X	X	X	X	X	
VISTA MAR		X	X	X	X	X	X	X	X	X			
BUENAVENTURA				X									
PENINSULA PAPAGAYO (Costa Rica)		X	X	X	X	X	X	X	X	X	X	X	X
RESERVA CONCHAL (Costa Rica)		X	X	X	X	X	X	X	X	X		X	X

PLAYA GRANDE CAN CAPITALIZE ON SURROUNDING RECREATIONAL POSSIBILITIES

Fishing

The Gulf of Chiriquí is a world renowned fishing destination that has gained significant international attention in recent years. In and around Chiriquí, several small fishing resorts have opened that cater to international tourists.

Species of Fish

- ▶ Amberjack
- ▶ Black Marlin
- ▶ Blue Marlin
- ▶ Dorado
- ▶ Grouper
- ▶ Roosterfish
- ▶ Sailfish
- ▶ Cubera Snapper
- ▶ Wahoo
- ▶ Yellowfin Tuna



Surfing

This area of Panama is also known for its surfing. There are several nearby surf areas, primarily point breaks and beach breaks, that would be ideal locations for day excursions from Playa Grande. Most of the surf is ideal for beginning and intermediate surfers.

Chiriquí Surf Areas

- ▶ Playa La Barqueta
- ▶ Playa Las Lajas
- ▶ Isla Cobia
- ▶ Morro Negrito
- ▶ Isla Silva de Afuera
- ▶ Isla Silva de Adentro



RCLCO ESTIMATED RECREATIONAL PROPERTY & SECOND HOME DEMAND POTENTIAL

DEMAND FROM SOURCE MARKET	TOTAL PRIMARY SOURCE MARKETS	MID-ATLANTIC 2/	NORTHEAST 2/	SOUTHEAST 2/	TEXAS 2/	CALIFORNIA 2/
HOUSEHOLDS						
2006 Households w/ incomes \$150,000 and above 1/		4,397,360	492,985	1,562,184	784,957	1,079,376
% from Outside Primary Source Markets 3/	30%	1,319,208				
TOTAL POOL OF LIKELY BUYERS		5,716,568				
LIKELIHOOD OF PURCHASE	WEIGHT	ARDA Data \$50K+ Income	RCLCo Extrapolation \$150K+ 5/			
x "100% Certain" 4/	80%	5.5%	11.0%	(2.0 times)		
x "More than 50% Chance" 4/	60%	11.4%	17.1%	(1.50 times)		
x "50%-50% Chance" 4/	40%	20.7%	23.8%	(1.15 times)		
= Total % Likely to Purchase, Weighted		19.5%	28.6%			
= 10-Year Recreational Property Demand		1,633,910				
= Recreational Property Demand, Annualized 4/	10	163,391				
% Buyers interested in tropical location 4/	11.1%	18,136				
% Might Consider Central America 7/	20.0%	3,627				
% Might Consider Panama 7/	35.0%	1,270				
PRODUCT PREFERENCE 2/		ARDA Data \$50K+ Income	RCLCo Extrapolation for \$150K+ in Panama 5/	Less Percent Buy Resale 5/:	Totals	
Timeshare/Fractional 4/		27.9%	30.0%	381 25%	286	
Resort/ Hotel Condo 4/		36.7%	40.0%	508 25%	381	
Single-Family Attached & Detached 4/		54.5%	60.0%	762 25%	571	
Residential Lot 4/		36.2%	40.0%	508 25%	381	
		<u>Timeshare/Fractional</u>	<u>Resort / Hotel Condo</u>	<u>SFA & SFD</u>	<u>Residential Lot</u>	
Total Annual Demand - Panama Resort Residential Product		286	381	571	381	
% Subject Site Capture by Product Type 8/		5%	10%	5%	5%	
Total Annual Demand - Subject Site		14	38	29	19	
Presence of Major Brand Positively Impact Purchase Decision 6/	25%	357	476	714	476	
% Subject Site Capture by Product Type 8/		5%	10%	5%	5%	
Total Annual Demand - Subject Site		18	48	36	24	

1/ Claritas, Inc. - Ages 25 to 74 with Incomes \$250,000+ .

2/ Mid-Atlantic market includes: Washington, DC, Maryland, Virginia, West Virginia and Delaware. Northeast market includes: Massachusetts, Rhode Island Connecticut, New York, New Jersey, and Pennsylvania. Southeast market includes: North Carolina, South Carolina, Georgia, Florida.

3/ Based on interviews with brokers of for-sale residential developments in Panama. Percentage includes Other US, Canada, Europe, Mexico, and Central America.

4/ 1999 ARDA American Recreational Property Survey

5/ RCLCo Extrapolation from ARDA data, not based on statistical evidence

6/ Based on anecdotal evidence from resort properties in non-U.S. tropical & Caribbean locations

7/ Based on anecdotal evidence from interviews and articles regarding homeownership in Central America & Panama.

8/ Based on RCLCO experience in residential resort market in Panama.

SOURCE Claritas, Inc.; U.S. Census Bureau; American Resort Development Association (ARDA); RCLCO

CRITICAL ASSUMPTIONS

The conclusions and recommendations presented in this report are based on our analysis of the information available to us from our own sources and from the client as of the date of this report. We assume that the information is correct, complete, and reliable.

Our conclusions and recommendations are based on certain assumptions about the future performance of the global, national, and/or local economy and real estate market, and on other factors similarly outside either our control or that of the client. We analyzed trends and the information available to us in drawing conclusions and making the appropriate recommendations. However, given the fluid and dynamic nature of the economy and real estate markets, it is critical to monitor the economy and markets continuously and to revisit the aforementioned conclusions and recommendations periodically to ensure that they stand the test of time.

We assume that, in the future, the economy and real estate markets will grow at a stable and moderate rate. However, history tells us that stable and moderate growth patterns are not sustainable over extended periods of time. Indeed, we find that the economy is cyclical and that the real estate markets are typically highly sensitive to business cycles. Our analysis does not necessarily take into account the potential impact of major economic "shocks" on the national and/or local economy and does not necessarily account for the potential benefits from a major "boom." Similarly, the analysis does not necessarily reflect the residual impact on the real estate market and the competitive environment of such a shock or boom. The future is always difficult to predict, particularly given changing consumer and market psychology. Therefore, we recommend the close monitoring of the economy and the marketplace. The project and investment economics should be "stress tested" to ensure that potential fluctuations in the economy and real estate market conditions will not cause failure.

In addition, we assume that economic, employment, and household growth will occur more or less in accordance with current expectations, along with other forecasts of trends and demographic and economic patterns. Along these lines, we are not taking into account any major shifts in the level of consumer confidence; in the cost of development and construction; in tax laws (i.e., property and income tax rates, deductibility of mortgage interest, and so forth); or in the availability and/or cost of capital and mortgage financing for real estate developers, owners, and buyers. Should any of the above change, this analysis should probably be updated, with the conclusions and recommendations summarized herein reviewed accordingly (and possibly revised).

We also assume that competitive projects will be developed as planned (active and future) and that a reasonable stream of supply offerings will satisfy real estate demand. Finally, we assume that major public works projects occur and are completed as planned.

GENERAL LIMITING CONDITIONS

Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable. This study is based on estimates, assumptions, and other information developed by RCLCO from its independent research effort, general knowledge of the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent, and representatives or in any other data source used in preparing or presenting this study. This report is based on information that to our knowledge was current as of the date of this report, and RCLCO has not undertaken any update of its research effort since such date.

Our report may contain prospective financial information, estimates, or opinions that represent our view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved, that particular events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by RCLCO that any of the projected values or results contained in this study will be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Robert Charles Lesser & Co." or "RCLCO" in any manner without first obtaining the prior written consent of RCLCO. No abstracting, excerpting, or summarization of this study may be made without first obtaining the prior written consent of RCLCO. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the client without first obtaining the prior written consent of RCLCO. This study may not be used for any purpose other than that for which it is prepared or for which prior written consent has first been obtained from RCLCO.