

Shareholders,

The last 60 days have been non-stop hard charging days to get us to the point to be able to break ground. We did just on Monday. I am tied up in Managua all week and its killing me, but I'm headed out to the site next Monday or Tuesday and will take some more pictures to e-mail. One photo below. We are under way.



1. Administrative Issues
2. The TIF Law
3. Pacifica Construction
4. Sales and marketing
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Administrative Issues

I was recently elected to the Board of Directors of AMCHAM, The American Nicaraguan Chamber of Commerce. Lorena Zamora was instrumental in getting me nominated and although I was unsure of whether I wanted the position, I have very quickly realized the importance of being tied in to this business community in a significant way. Members of AMCHAM include US businesses here in Nicaragua, staff from the US Embassy and Nicaraguan companies that do business with US people or firms.

Last month we placed an option on a piece of land bordering the northern edge of our property. The owner wishes to sell us 50-100 manzanas (approx 70-130 acres) and we have a need for road base material. This past Saturday, we met our civil engineer at the property for an early morning 3 hour horse back ride around that property do determine whether or not the site would provide a good source of materials. It will and I will exercise our option sometime in March to secure this material for the phase one build out. The supply according to the engineer,

will last for well over half of our needs if we continue to build at a density and design that we have in phase one.

Joel, Ray and I had dinner with Rob Robinson February 13th in Pittsburgh and released him to produce the final master planning for phase one. He will also finish the pattern book so our architectural guidelines can be nailed down empirically and objectively for outside architects to design from. This will become critical as more and more folks want to build homes. As long as the design process is a subjective one, there will be debates, hurt feelings, and maybe even lawsuits. Getting it in print will eliminate to a large degree the design issues that could pose challenges to our field and sales staff.

The other item that was discussed and worked into our existing price proposal was to design a casita village just across the golf course from Phase one. Rob says that these small condo type single family units are selling like hotcakes in California and would expect them to do as well here. Basically, the homes are designed around a nice common garden, and all exterior maintenance is included, in the same way a condo is treated. The hassle factor for upkeep is relieved, and the owner gets a single family home. Rob is working this into our master plan in place of the work he was anticipating for the balance of phase one south of our A & B lots. This area is now of the board until such a time that the real value for beach/golf real estate can be established and legitimized by the presence of the Marriott and the golf course.

We have some sad news to report. We experienced our first robbery at the property. A car drove up to the security gate and 2 men attacked our guard. They made off with the base station radio. Our guard is as fine as can be expected. He was hit with the blunt side of a machete which still left a mark across his chest.

I've suggested that we begin to utilize some of the POF monies to hire a professional company to guard the front gate. Arming our guards would probably be a mistake, but the need for an armed guard is real. It goes to the ounce of prevention seen so much here in Nicaragua at every store and bank. We would still utilize some of our existing staff for property patrols. With construction beginning in 2 weeks, we can arrange for one of the contractors to pick up the 2 guards being let go.

Additionally, we now have power connected at the property and a street light functioning at the gate house. (2 days too late, but there now) I plan to ask Benjamin to move a little extra dirt around the front gate to pretty up the entrance and then have Domingo get it planted and landscaped. This will be our entrance for at least 3 more years and we should have it look as nice as possible. First impressions are everything.

I know we have repeatedly stated that all utilities are below ground, and eventually these will be, but the master planning for the areas that the lines need to run are not done yet, and at \$50 meter for underground vs. \$12 per meter for above ground, I'd hate to dig up lines and move them in 3-4 years. We will run above ground lines to the wells and sewer treatment plant. It's a temporary solution and once we have the master planning done in these areas, we will move the lines underground.

We have been approached by TechnoServe to sponsor their business plan competition this year. The reason we'd want to do it is that we'd get access to 60+ entrepreneurs who submit

business plans. It's a good reason because we will get access to start up companies in all areas of business. Last Years competition included food producers, furniture manufacturers, and at least one telecom company. Already Gran Pacifica is expanding its scope to include home construction and concierge services. Having a first line on these producers will become a major corporate asset.

The organization does some wonderful things. They helped build the clinic in La Reforma 10 years ago and work within the philosophy of teach a man to fish, which I personally like. Our contribution is really equal parts self interest and altruism.

I have been requested to post a calendar of the meetings for the upcoming year. I have included events that I know to be occurring and have included Caye Bank meetings since there is considerable overlap on the boards.

PLEASE NOTE THAT AT LEAST ONE DIRECTOR HAS STATED THAT HE WILL NOT ATTEND DUE TO COST AND DISTANCE FACTORS. THE REASON TO CHANGE THE VENUE WAS TO MAKE IT FUN. I'M HAPPY WITH A STATESIDE MEETING SIMILAR TO CHARLOTTE LAST YEAR. PITTSBURGH IS A GREAT CENTRAL LOCATION FOR MANY OF OUR DIRECTORS AND OFFICERS AND I'D SUGGEST THAT WE CHANGE THE SUMMER MEETING TO AN ALTERNATE LOCATION.

March 16-20, 2005 Presidents Week Event ECBR, Ambergris Caye, Belize

March 20-25, 2005 Shareholders Week for Caye Bank.

Caye Bank Shareholders March 21st

Gran Pacifica Board meeting March 22nd morning Caye Bank conf room

July 10-17, 2005 Summer directors meeting (SEE NOTE ABOVE)

Caye Bank Directors meeting July 15th morning

Gran Pacifica Directors meeting July 15th afternoon

October 13-16, 2005 Fall directors meetings Managua Nicaragua

Caye Bank Directors meeting October 14th morning

Gran Pacifica Directors meeting October 14th afternoon

January 12-15, 2006 Gran Pacifica Shareholders Event. Managua Nicaragua

Gran Pacifica Board meeting January 13th morning.

Gran Pacifica Shareholder meeting January 14th morning.

TIF Law

The TIF law is in the assembly awaiting a second vote. Based on conversations with the folks at INTUR and ProNicaragua, it now appears that the expected passage date for the law will be no earlier than April and maybe as late as May. There continues to be broad support for the law, but there are other laws that have taken priority over the TIF law and having the TIF law reach the floor will take some time.

What this will do to the timelines of hotel construction is yet to be determined. Bottom line is that once the law passes, we can assess the structuring and funding timelines, and get a projected groundbreaking date.

Pacifica Concierge Services

Kurt and Peggy Long, whom many of you have met, will be moving to Nicaragua this summer to run the newest company created in cooperation between the Longs and Gran Pacifica. Gran Pacifica will own 51% of the new company which will provide a variety of services to home owners. Below is a brief outline of the services. As more details are developed, you will be informed.

Home inspection services during the construction process

- Weekly inspections with progress reports and pictures, e-mailed to owners
- Trouble shooting any non-compliance by builders
- Code enforcement for local municipality
- Bank draw inspections and reports
- GP standards and compliance inspection

Property Management Services

As the homes are completed we will plan on starting the property management portion, both interior upkeep and exterior maintenance. This would include yard service and house cleaning twice a month. We will work out a price schedule for home owners who want the service more or less frequently.

Additionally, for the short term, rental management will be lumped under this company, as will concierge services such as airport pickup, refrigerator stocking and other homeowner and guest services.

Pacifica Construction

New home designs are on the website at the following link.

<http://granpacificacom/homedesigns.htm>

We will be ready to start the first 4 homes at the end of April. Additionally, we have also received several requests from people on the A lots asking about building information and schedules. All of this precedes the official formation of the building packages. Lot owners will receive a formal package in the next 4-6 weeks with the following information:

- Procedures for constructing

- Payments and financing

- Design & Construction contract (Contractors and owners responsibilities)

Time frames and schedules

Create a catalog of fixtures and finishes with 3 standard options included in the \$55 per sq.ft. construction and an additional list of upgrades to the basic packages.

Sales and Marketing

The International Living Latin American Investment Conference in Managua was difficult. As expected, projects that had existing infrastructure sold well, while we only took soft deposits on 2 lots. When the conference is outside Nicaragua, people are limited to belief of the presenter and when we are on a level playing field we do well.

I'm off to San Diego as I write this to present at the IL Live Overseas conference there. They have 100+ registrants at this point so it should be a good event. Additionally, we are gearing up for 2 more events, one New Shore event in the Bahamas in April and possibly another IL event in DC in April. More details as I get them on those events.

The formal sales literature is in and each of you will receive a full copy with your next dividend check in April. Both Mark Miner and John Dugue are to be commended for producing a sharp piece that will enhance our image, especially when coupled with actual infrastructure on the ground. Nothing will help us sell better than physical reality.

Infrastructure

We broke ground on the infrastructure this morning. The award was made to 3 firms, Llansa, NAP and SCOYDE. Llansa will perform a majority of the earth work, storm sewers and street construction. NAP will install the sewer and freshwater piping system and SCOYDE will install the electrical system.

Included in the initial roll out are:

- Storm Sewers for rain runoff
- Sewage piping for black water
- Freshwater piping system
- Electrical connections to each lot
- Internet, Telephone and TV connections to each lot
- Streets paved with paving stones
- Sidewalks and fire hydrants

The process is:

- LLANSA – Fist Dig out
- NAP- Follows with their trenches and pipe installation
- SCOYDE - Installs the electrical distribution system.
- NAP- Does the filling and compacting of the trenches

LLANSA – Lays out the road.

The total cost for this build out is \$2,260,235.66

The timeline for completion is 160 days

I'd like to give a great big over the top helping of praise to Ray Steeb who through this process was able to shave off almost \$900,000 from the original pricing, without compromising the integrity of the product we are to receive. That is quite an accomplishment and he and Pablo in office here are to be commended for their efforts and results. Below is a chart with shows the progression of bids. The final selectees are highlighted in blue.

We still have some work product to complete. They are:

Head end for the telecom system

Freshwater treatment system and pumping and piping to phase 1 connection point.

Sewage treatment plant and pumping and piping from collection point in phase 1

Underground 3-phase line from bridge to phase 1 connection point

Public Relations

Nicaragua continues to receive both good and bad press. Conde Naste has a wonderful article about Nicaragua in its latest issue. I have not read the text yet, but have a couple copies coming my way as we speak. On the flip side, the Washington Post ran an editorial by Novak which was negative. Dick White Joel Nagel and I were interviewed by the Pittsburgh Business paper and a balanced article was produced that highlighted what Gran Pacifica has accomplished in Nicaragua, while explaining that the road for Nicaragua will be difficult. I agree. Nothing significant is ever easy.