



Shareholders & Lot Owners Report – June 2005

Shareholders and property owners,

As usual, much is happening in Nicaragua and most of it is positive. We still face some political issues that cause stress here and in the international community, but by in large the mood is positive, but the upcoming elections in 16 months are a potential source of ongoing difficulty during this period. There is nothing that we can do to about the rhetoric from all sides here except be prepared for quick press releases to our shareholders and potential neighbors about events here. The "riots" that happened here last month are barely over, but are almost completely forgotten and so is the panic that the media incited surrounding the events. As Carol says, every time stuff like this happens, nothing happens. She's right.

Now about the weather. It has been raining. A lot. In fact this is the most rain Nicaragua has received at the beginning of a rainy season in 15 years. Needless to say, site work has been slow going. Below are details of the site work. Ray, who was here last week says it's a blessing in disguise since the electrical plans needed to be modified from the original design. Union Fenosa wants something slightly different that what was laid out by our engineer and this would have caused re-digging if we had been on plan. The glass is half full.

The big event that occurred over the last 6 weeks was the recent visit of Rob Robinson and his team of folks from UDA. WOW. I am overwhelmed and will spend a few minutes below talking about the week they spent here and the immediate results. Much of the work product is visual and you'll see the results of this over the next few months. They will also be preparing a report of the week and I'll forward that to you as soon as I have it.

Below are the details of each area normally covered in this report:

1. Administrative Issues
2. The TIF Law
3. Pacifica Construction
4. Sales and marketing
5. Civil Engineering and Infrastructure
6. Condos and Development Partners
7. Public relations



1. Administrative

Pasted below is the accounting statement prepared by Mel Henninger for Gran Pacifica for the close of 2004. Attached to this e-mail is the financial statement referenced in this letter.

April 28, 2005

Mr. Mike Cobb, President
Gran Pacifica

Re: Accounting Statement of Gran Pacifica for the Period April, 1999 thru December 31, 2004.

Dear Mike,

The Financial Statement for Gran Pacifica for the period of April, 1999 thru December 31, 2004 has been prepared on a "check book"/ cash basis. The Shareholder Equity represents the amount of stock purchased by investors as of December 31, 2004.

The Expenditures to Date are a combination of Operating Expenses and Capital Expenditures in the form of Infrastructure Investment.

We finished the year end 2004 with a strong cash position of \$2,378,868. Additionally the company did not incur any Long-Term Debt for the period ending December 31, 2004.

I have reviewed and performed a cursory audit on the Statement and maintain that effective internal control over financial reporting is fairly stated and in accordance with generally accepted accounting principals.

Beginning in 2005, we will start the process of dividing into two different companies. One will be the Land Company and the second will be the Hotel Company. The Land Company started to sell building lots in 2005 and the Company has issued two dividends of \$.09 and \$.047 respectively per share in accordance with the terms of the Offering Prospectus. The Company is expecting to continue with the Dividend Policy approved by the Board of issuing a dividend every quarter based on the net proceeds after certain offsets of any future building lot sales.

Sincerely,

Mel Henninger, CPA
Vice President of Accounting

The July 2005 Directors meeting will be held in Austria July 14-17 at the Sacher Hotel:

http://salzburg.sacher.com/index_en.asp

There is an English version of the website, but in general it is not an extremely friendly site and a little hard to maneuver in. People can stay wherever they find the best deal, but meetings will be at the Sacher Hotel.



There is an internet rate of 155 Euro/night but they change frequently so please hurry and make your bookings. The Sacher Hotel is in downtown Salzburg, so people can access it easily from the airport or train station, and do not have to rent a car. The Internet rate is fairly competitive when shopping other hotels in Salzburg.

The Shareholders meeting will be January 13th, 2006. 8:00am Seminole Plaza Hotel, Managua, Nicaragua. They are reserving a block of rooms for the event and we will have a rate of \$79 single and \$89 double. The rate includes, breakfast and ground transportation to the project site on the afternoon of the 13th and the welcome cocktail party on the night of the 12th.

Property Owners Association meeting will be scheduled on the morning of January 14th at 7:00am to 9:00am, Seminole Plaza Hotel, Managua, Nicaragua prior to a day of fun activities.

2. TIF Law

Dick was here for a week last month and we used the time largely for TIF lobbying. We met with Lucia for almost 3 hours and then met with the Minister of Finance, Mario Arana. Just for reference, and a better understanding of why the TIF law is moving slowly, Minister Arana left an important meeting to come and talk with us. The meeting he left was about the energy crisis caused by the raising cost of fuel.

90% of Nicaragua's electric is generated by diesel and as we know the price has more than doubled, but the regulatory agency here won't let the power company raise rates. The merits or dis-merits of that policy are an entirely different economic discussion, but it is fact here and is causing quite a problem for the electric company who can't raise rates. They were threatening blackouts as a solution, since they loose money for every kilowatt consumed.

It's hard to get people to talk about TIF when these are the issues that are on the front burner. There always seems to be a crisis to deal with, and TIF is pushed back down in the stack of importance. Our strategy will need to deal with this reality and we are making adjustments now to get the profile raised even with the other more urgent needs demanding time and attention from the people who are needed to push the law through. Broad support for the law exists and we are confident it will pass the assembly before the end of this session.

3. Pacifica Construction

Construction documents for the first 4 homes were submitted to UDA for architectural compliance while they were here. UDA scheduled a meeting for local architects to explain the pattern book and how to use it effectively in the design of compliant homes for Gran Pacifica. Additionally, they reviewed the homes most nearly ready to start construction with the architects and in this case the clients as well. The changes needed to bring the homes into standard are understood and we expect the redrawn plans in the next 2 weeks.



4. Sales and Marketing

The IL promo was put on hold pending a legal review of the draft. No specific date is set for the release. The good news is that the longer it takes for them to roll it out, the better we look at this end, making sales more likely. I'll keep you posted.

We are entering into a marketing agreement with Business Reform Magazine that will begin in a couple months. Details will be worked out this week and I'll have a final report for the meeting in July. Basically, we are trading advertising for stock and then commissions above the stock value based on performance.

The most recent live event was a Sovereign Society / International Living event in Panama. With over 250 people in attendance, it was a good show that generated several high quality leads. We've taken two reservations and are working with the other folks who expressed interest. As stated before, the repeated contact and update process, is helping to keep folks aware of developments at Gran Pacifica and we are seeing interest from folks that we've met long ago and who are just now ready to move forward.

There are 2 events in June I will be speaking for. One is the Christian Investment Club meeting outside Columbus Ohio this Saturday, and the other is an event we are co-sponsoring in Toronto next Wednesday evening that developed out of relationships made in the Bahamas in April. Over 60 people are registered for this event as of last week.

Additionally, we have been selected to participate in an event in October with an expected attendance of over 700 attendees. Gran Pacifica will have a 45 minute presentation and 4 workshops. We will be the only project from Nicaragua at the event. Costa Rica and Mexico will both be represented. Pasted below are some more details about the event.

5. Civil Engineering and Infrastructure

Although it is not Civil engineering, this is a good place to discuss land planning. 6 folks from UDA were here for a week. We took over a conference room at the Seminole hotel and they laid out a 1 to 200 scale phase 1 lot diagram over the floor and then placed houses on it. (See picture attached) This was incredibly helpful in seeing the density and layout of the community and what amazed me was the amount of green space surrounding homes and in the parks. The criticism I hear most is that it will be too crowded and tight, but the visual was quite the opposite. It will be a nice neighborhood.

We identified 2 areas where we needed to make changes to the lot plan and actually brought in 3 more lots, one of which is an ocean view lot, and 1 of which is a park front lot. These are excellent examples of the fine tuning process that will deliver even more value to the shareholders. But this was just a small part of the week's activities. The larger part was dedicated to beginning to generate the phase 2 community and how do phase 1 and phase 2 work well together in a synergistic way. UDA is preparing a report of the week and they will do a much better job that I in this aspect so look for that report in the next couple weeks.

We also identified neighborhoods within phase 1 to create micro communities and special places for owners to associate with. Attached is a drawing of phase 1 with the names of the neighborhoods. They are the garden district, the old town, and San Diego. The themes will carry the language of the area into open spaces and the styles of the parks will reflect the neighborhood, for instance the garden district parks are prominent and now we have the language to reflect this. The old town is the town center and



describing it as old town adds an element of charm. San Diego is in reference to Punta San Diego, the surf break off the point, which gives this neighborhood its special meaning by the sea.

It may not sound like much, but the significance of these names and the story behind them is a powerful sales tool. People buy stories and want to own something special. By taking this to the next level, we claim the high ground of special-ness for Gran Pacifica. The competition for customers is fierce. In Panama there were 6 projects from Nicaragua represented. We need to stand apart and we are. By better defining what makes us different and special we will appeal to a wider and wider segment of the market.

The biggest benefit for Gran Pacifica last week was exposing me and the people here to Rob and his team for 5 days of New Urbanism indoctrination. The whole benefit of laying out Gran Pacifica in this manner rests in our ability to communicate what it means to our future neighbors. Pictures are a big part of that story, and we spent a lot of time with the artist who is creating the views of the community. The drafts are excellent and we'll have the final prints shortly for you to look at.

All in all a very good week. Selling Gran Pacifica will become easier and easier as we get the streets and sidewalks in. Even easier after the first homes are there and once the first neighborhood is in place, it will almost sell itself. Phase 2 will come on line maybe sooner than we initially anticipated as an anchor for more full time residents. Again the best material is visual and you will see it as soon as I have the files from UDA.

Civil engineering progress reports

More along the lines of traditional civil engineering, pasted below are the field reports from our supervising engineer and Pablo our in house architect.

**Advancement report, by Henry Darce/ Pablo Cortés
April 29th, 2005**

LLANSA

LLANSA's work as been put to temporary pause, issues with the storm water design have force this course of action.

Their advancement in comparison to previous week as been very slow and little, their advancement is as follows:

- 30% of street conformation and terrace compacting on street and avenues on B block.
- 95% of new entry rotunda as been traced, cut and cleared.

NAP Ing.

- 98% of topography tracing and leveling for clean water installation in block A.
- 90% of topography tracing and leveling for clean water pipes in block B.

Excavation of Trenches	
Excavation of trenches for clean water	5,600 (18,368ft)
Excavation of trenches for waste water	650 (2,132ft)
Excavations of manholes	48 (each)
Installation of Clean Water Pipes	LINEAR METERS



8" PVC 32.5 pipes	234 (767.52ft)
6" PVC 32.5 pipes	390 (1,280 ft)
4" PVC 32.5 pipes	1,278 (4,191.8ft)
2" PVC 32.5 pipes	1,878 (6,160ft)
Installation of Waste Water Pipes	LINEAR METERS
6" ADS	220 (720 ft)
Construction of Manholes	UNITS
Construction of Manholes	15
Installation of concrete slabs	28

Clean Water distribution system hydrostatic test

- 3 Hydrostatic test in 2" PVC pipes, length 908.8 ml (2978.3ft)
- 1 Hydrostatic test in 8"PVC pipes, length 234 ml (767.5 ft)
- 1 Hydrostatic test in 4"PVC pipes, length 307 ml (1,006.9 ft)
- 1 Hydrostatic test in 6"PVC pipes, length 192 ml (629.76 ft)

Contractor continued to increase his work labor contracting more plumbers, brick layers and helpers.

Shipments of materials for construction such as: sand, bricks, blocks, pipes, accessories for both clean and waste water systems continue to arrive on site.

SCYOYE

Urban Development

Excavation of 590 linear meters of trenches with a 1 m depth (3ft), in block A.

Shipments of materials such as: cement, PVC pipes, electrical cables and transformers; have arrived on site on will continue to over the next months.

Provisional power line to water wells

Installation of 12 pine post for aerial power lines to both water wells.

Installation of 6000 linear meters towards water wells 1 and 2.

Installation of transformer bank on well No. 2.

3 phase underground lines along the boulevard

Date of start: April 23rd: Excavation of 1,250 linear meters of trenches for underground cable. With a depth of 1 m.

Advancement report, by Henry Darce/ Pablo

May 6th, 2005

An invitation to all contractors NAP, LLANSA and SCYOYE was extend for a field inspection by Gran Pacifica presidente, Michael Cobb and vicepresidente Ray Steeb on Saturday May 7th. To review all advances to date and discuss different aspects of the project.



1.-LLANSA

Streets / Earths Movements

It was discussed in previous field visit the filling and grade elevation of 1st Street and street connecting to it. Since grade was too low at first.

A filling of 4,100 m³ has been done (approx. 98%).

100 % Cut of the new entrance circle (rotonda).

30% Conformation, compacting, and grading of the circle (rotonda). This includes filling with select material from our borrow material bank.

Store Water

To date

362.50 linear meters of 18" pipes

531.9 linear meters of 24" pipes

Construction of 18 rain water manholes. Have been constructed

Materials such as: plastic RIB LOC rain water pipes, sand, gravel, cement, continue to arrive on site.

Storm water system has been put on a temporarily pause, design and cost issues are still being discussed.

2.- NAP

Excavation of trenches	Amount of Work	% of Advancement
For Clean and Waste Water	6,659.00 M3	57.83
Filling and compacting of trenches	5,718.00 M3	51.35
Installation of Clean Water Pipes		
8" PVC 32,5	234,00 LM	93.68
6" PVC 32,5	680.00 LM	46.74
4" PVC 32,5	1,257.00 LM	80.27
2" PVC 32,5	1,863,00 LM	80.31
Home Connections	15 HC	7.46
Installation of Waste Water Pipes		
6" ADS Pipes	960.00 ML	24.85
Construction of Manholes		
Construction of Manholes	39,00 units	49.37
Installation of Concrete Slabs	45,00 units	56.96
Home connection	35 HC	17.41

Clean Water HydroStatic TEST (HT)

6 HT on 2" PVC Pipes, length of 1,610 lm

1 HT on 8" PVC Pipes, length of 234.00lm

4 HT on 4" PVC Pipes, length of 714.00lm

1 HT on 6" PVC Pipes, length of 409.00lm



3. SCOYDE

A.- LINEA AEREA ELECTRICA PROVISIONAL

Installation of 12 pine poles, for aerial line to water wells 1 and 2. Installation of 6000 lm of aerial power lines (3 phase)

Installation of transformers for water wells 1 and 2.

B.- 3 PHASE UNDERGROUND POWER LINES (2Km)

1,500 lm of trench excavation 1 meter deep.

C.- PHASE 1. Electrical Distribution System.

600 lm of trench excavation in A lot Area.

Materials such as: PVC pipes, sand, gravel, cement, continue to arrive on site.

Field Report May 13th, 2005
By Henry Darce / Pablo Cortes

This is a delayed weekly field report.

LLANSA

Grade elevation of 1st street as finished as well as grading and compacting of terrace of the new rotonda (circle).

Storm Water:

Excavations of trenches, installations of 18" RIB-LOC tubes. 361 linear meters.

Excavations of trenches, installations of 24" RIB-LOC tubes. 827 linear meters.

Rain manholes: 21

LLANSA has focused their attention to EXTRA activities and have started work on construction of the realignment of the new boulevard, It is a stretch of about 350mts and are expected to finish work over next 10 days.

They are also quoting additional task like:

Hill cut and earth movement on B-118 lot area.

Storm Water system, Finished and Revised storm water system.

Access road improvement of 10Km.

NAP

NAP as been asked to review quantities according to the last plans provided by Huertas.

Their progress to date is as follows:

Potable Water (progress = %)



Installation of:

- Excavation for pipes: 5,850 m3 of 11,514.72m3 (50.8%)
- 8" PVC pipes: 234lm of 249.8lm (93.7 %)
- 6" PVC pipes: 930lm of 1,454.8 (63.9%)
- 4" PVC pipes: 1,257lm of 1565.88 (80.27%)
- 2" PVC pipes: 1,863lm of 2,319.86 (80.31%)
- 2" Valves: 18 of 33 (54.5%)
- Home connections: 35 of 201 (17.41%)

Waste Water

- 6" ADS pipe: 1,113 lm of 3,863 lm (28.8%)
- Construction of Manholes depth less than 11' : 39 of 75 (52%)
- Construction of Manholes depth greater than 11': 2 of 4 (50%)
- Filling and compacting: 3500 m3 of 11,134.73 m3 (31.4%)
- Home connections: 71 of 201 (35.3%).

Hydrostatic Test (HT) for Potable Water

- 6 HT on 2" PVC pipes; length 1,610m
- 1 HT on 8" PVC pipes; length 234m
- 4 HT on 4" PVC pipes; length 714m
- 1 HT on 6" PVC pipes; length 409m

SCOYDE

Provisional line to Water Wells

Installation of 12 pine post
Installation of 6000 linear meters (3 phase)
Installation of transformer bank to wells 1 and 2.
Completed!!!

2km, 3 Phase underground power.

Excavation of 1,650 linear meters of trenches for underground cable.
Installation of 1100 lm of 4" PVC pipes
Installation of 450 lm of concrete slab for pipe protection.

Urban Development

Excavation of 600 linear meters of trenches, depth of 1m. In Block A.

HUERTAS

Delivered the report which determines the "recipe" for the sub-base and Base. For Sub-Base a 15% of sand should be mixed with select material for obtaining a compaction level of 95% (Optimum)
For the Base a 20% of sand, 2 bags of cement should be mixed with select material for an optimum compaction of 95%
LLANSA did a preliminary test of this recipe to the sub base of the Rotonda (circle) and the compaction level was of 98%.



**Update Report by Pablo Cortés
May 20th Thru June 10th, 2005**

May 20th

There has been heavy rain and thunder storms. Raining Season has started. An unusual Storm developed in the Pacific Ocean, Hurricane Adrian, It is expected to hit Central America on May 20th.

On site all construction work has been put to a full stop. Since soil conditions do not allow work of any kind. For any work to be done on site, 36 - 48 hours of clear weather is required for the water to drain out of the soil and dry up.

Access road to borrow material bank on the north-east hills is soaked and it is very difficult for trucks to extract material for roads.

Below is a link to a local newspaper "LA PRENSA" on its May 20th edition. It covers the path of the Hurricane.

<http://www-ni.laprensa.com.ni/archivo/2005/mayo/20/nacionales/nacionales-20050520-14.html>

May 27th

A green light has been giving to our road contractor LLANSA so they can upgrade and improve the 10 km main access road to Gran Pacifica from main highway. They will use select material for road surface that will be compacted and leveled so it can last thru the raining season.

June 3rd and June 10th.

Little work as been done on site. Contractors NAP and LLANSA have not fully integrated to the construction program again. What ever little good weather they see, is seized for doing repairs to what ever damage rain water currents may have caused.

About 40% of 10km main road improvement have been accomplished by LLANSA.

It is amazing the amount of unusual rain that has fallen. Which is great for the farming industry. Below is a link to the Historic rain falls in this region. It is a link to Nicaragua's Geology and Meteorology Institute "INETER". Basically the links shows May's rain fall and it compares it to the historic rain fall levels during the same period.

<http://www.ineter.gob.ni/Direcciones/meteorologia/Boletines/Boletines%20del%20periodo%20lluvioso/2005/boletines1.htm>

UDA -Gran Pacifica Master Planners- arrived to Nicaragua on June 6th and where in town until June 10th. They meet with Gran Pacifica team to discuss details of phase 1, details like landscaping, beach access, green space design, modifications to small portions of the urban layout to enhance the overall character of the development and home design regulations.

According to weather forecast, it is expected that weather will improve over the next days. If so we expect to have progress next week.



6. Condos and Development Partners

Larry Dewhurst and his group, Bridgewater Limited are moving ahead with the first set of condos on Gran Pacifica property. This project sits in the condo parcel at the end of the San Diego next to the surf break. Bridgewater has hired spectacular architect Ed Lewis, out of Miami and initial floor plans and elevations are complete. They have already taken 3 reservations in the first building of 22 units without pricing data. As soon as I have pricing data, you and the other shareholders will be informed. Attached you will see initial floor plan and front elevation.

7. Public relations

Mark Miner our PR guy worked hard to and through multiple channels to get a phone meeting with Geri Smith Latin American desk chief for Businessweek Magazine last week. Mark Miner, Dick White and I attended the call which we expected to run about 15 – 20 minutes. Almost an hour later Mark and I were wrapping up the call since Dick had to run to his gate to catch a flight to Alaska.

The gist of the story that we presented is that Nicaragua is a safe and secure destination for business and that folks from other countries are getting in on the action while the North Americans are missing the boat. Mark Cullinane from the Embassy here, helped with data that shows just how badly US businesses are missing out. In 2004, \$266.2 million was invested directly as foreign investment in Nicaragua. US businesses accounted for only \$42.5 million or 16%. This is shameful and the reason is largely that there is a misperception. Businessweek could get a scoop and deliver to their readers this important information.

Additionally, Mark has been able to use Joel's Fast Tracker award (Congratulations Joel) to elicit more exposure for Gran Pacifica.

JOEL NAGEL NAMED "2005 FAST TRACKER" BY THE PITTSBURGH BUSINESS TIMES

Congratulations to Joel Nagel who has been named a "2005 Fast Tracker" by the Pittsburgh Business Times. Joel was featured in the May 27, 2005 edition of the newspaper, which bestows this prestigious annual award to "business professionals under the age of 45 who are making a difference in their business life and community."

Joel was recognized for his work with Gran Pacifica as well as his role as founding partner of the Nagel & Associates law firm; as founding director of Exotic Caye Resort, Ltd. in Belize; and as a longtime leader with Rotary International humanitarian efforts in Nicaragua and Pittsburgh. In the article, Joel said his proudest professional moment was the "opening of the Rotary 'Roberto Clemente' Health Clinic in Jinotega, Nicaragua."