



May 2005

SHAREHOLDERS AND LOT OWNERS UPDATE

Shareholders and Lot Owners,

The past 4 months have been a stretch for our team. To go from land planning to civil engineering and now having construction under way is an incredibly time consuming and detail oriented process. It has been a great deal of work for the entire GP staff. An overload really, but we seem to be through the thick of it.

For now, Pablo, Ray and Adiak are still bogged down working through the challenges that arise from the complexity of work undertaken. The rest of the staff can get back to their respective functions in sales and sales support. Kudos to everyone in the office here and Ray for working tirelessly through the difficulties and getting the physical work started. It's been a bear.

Just a heads up, you may or may not hear about the demonstrations going on in Nicaragua right now. The opposition to Bolaños is using the demonstrations originally caused by higher fuel prices (resulting in higher bus fares) to create pressure on him politically. There are incidents of very limited vandalism in the streets near the university. An agreement was reached last night about fuel subsidies and this should end the protests. They did similar protests last year to keep the university budgets from being cut. Not great for PR, but otherwise OK.

The April dividend check is in the mail. You'll see a breakdown of the sales with the check and package, but the bottom line is that the dividend is \$.0476255 per share. Sales have already been logged for the next dividend in July and the promotion from IL is slated to start in the next few weeks. Joel, Dick and I have reviewed the 2 nd rough draft of the promo and it is compelling.

One thing that was hard to see while we were in the midst of it, was the time and effort spent in the planning process. As I attend seminars and conferences, (more about that below) the importance of spending the time and money to achieve a high level of planning is quickly showing itself. Customers who understand the development and construction business are quite impressed with the level of detail we have as an asset of the project. The team we built is world class and it shows.

My immediate goal is to better communicate this important, and maybe single biggest factor of "Why Gran Pacifica" to the vast majority of people who don't know the development business. The presentations at conferences are now beginning to take shape as I transition from the sale of shares of the company to home sites and the emphasis is on the quality of the product.

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
6. Public relations



1. Administrative

The July 2005 Directors meeting will be held in Austria July 14-17 at the Sacher Hotel http://salzburg.sacher.com/index_en.asp

People are free to stay wherever they find the best deal. The meetings will be at the Sacher Hotel. Shareholders are welcome to attend as usual for our traditional summer directors meetings.

The Shareholders meeting will be January 13 th, 2006, 8:00am – 10:30am, Seminole Plaza Hotel, Managua Nicaragua. A light lunch will be served afterwards and transportation to the property will be arranged for an afternoon of swimming and an evening BBQ.

Property Owners Meeting will meet to elect officers for a Property Owners Association the morning of January 14th at 7:00am to 9:00am, Seminole Plaza Hotel, Managua Nicaragua. Immediately following will be a scheduled day of fun activities.

2. TIF Law

On March 31st, Dra. Herdocia went with Lucia (Intur), and Pronicaragua (Juan Carlos) to a meeting to the executive branch – cabinet members. Intur and Pronicaragua used TIF and multiplier effect data prepared by us to explain the benefits of the new law. In attendance were: Mario Arana, New Minister of Hacienda (Finance), Mario Alonso, President Central Bank, and other economic staff.

Overall, the lobbying efforts continue and we expect a vote on the law in the near future. I hesitate to place time frames on this any longer since we don't have control over the process, but there continues to be broad support for the law. More pressing issues like the protests and fuel prices and the political wrangling seem to overshadow the benefits of a long term benefit for the country in the form of a financing mechanism for tourism projects. Patience and perseverance are the key.

3. Pacifica Construction

Construction documents for the first 3 homes are almost finished. The fourth home originally scheduled to start in May is a 5000 sq.ft masterpiece on an ocean front lot, and plans for it are taking a bit longer than anticipated. As soon as plans are completed and approved by UDA, work will begin on it as well. The next 4 homes for the July start are filling up. I have placed my home as one of these four as has Ray and Joel. That leaves one opening for a home start in July. The next openings will be at the end of August and folks interested need to have home plans started shortly. Contact Pablo to get your home on the schedule and if you have decided to use Pacifica Construction, please work with Pablo to get your home plans under way.

4. Sales and Marketing

The IL promo is finally in motion and a second draft is now finished. Please keep an eye out for the e-mails as they go out over the next 4-6 weeks.

In March, I was in San Diego for an IL event. In April I presented at both in the DC area for an IL real estate conference and also in the Bahamas for a New Shore symposium. All three events went very well and we have folks who are seriously interested in Gran Pacifica. One thing that I've come to realize is that we will probably have few onsite sales at a conference.



For example, recently a person from the New Orleans conference decided to get involved, and that conference was in November. Repeated contact and follow ups will produce sales over the long run.

The better educated the future client, the more likely we are to have them as a neighbor one day. Information is our best friend and we will continue to educate through newsletters and updates.

One of the areas of concern that people continue to share with me is that the lots are too small compared to what they can buy elsewhere for similar money. It took me a while to find the right words to put around what I know to be the false logic implied in that objection. Diamonds and designer jewelry are a great metaphor for the GP project. A small D color VVS1 is worth much more than a larger J color I2 diamond. Additionally, a Tiffany's necklace carries with it exquisite design and is far more valuable than a Wal-Mart look alike.

People are willing to pay for quality and design, but they need to understand the nature of the differences, and these analogies are helpful in sharing that meaning. Additionally, people can readily see the ability of a designer asset to hold its value and appreciate, in contrast to a commodity product.

The conference presentation is evolving and getting better with each event as we address the areas of concern most commonly heard. By the end of the year we should have a succinct presentation that captures the hearts of people looking to own a property and homes in Nicaragua. Streets, sidewalks, streetlights, and homes going up won't hurt either.

Upcoming events are the Sovereign Society meeting in Panama May 18-21 and another New Shore event June 15-17 in Costa Rica. New Shore is adding an optional pre-Costa Rica add-on of 3 days in Nicaragua and some of the folks at the Bahamas event expressed a strong interest in coming here first.

In talking with Peter Zipper, who many of you know, I have determined that repeated exposure is the key to success in this and probably any business. He shows up conference after conference, year after year and has probably delivered hundreds of millions of dollars into his bank. (He won't say).

This direct form of marketing and long term relationship building is the best approach we can take given the nature of the product we are selling. It was also apparent that being the only real estate project at a conference is a very good thing, and being the only Nicaraguan project is pretty good as a second alternative. Peter gave me the names of several other shows and conferences he attends and I will explore the merits and costs of attending some of these.

5. Civil engineering

Pasted below are the field reports from our supervising engineer and Pablo our in house architect. There is very little I can contribute to these and therefore won't. A set of photos of work at the site is attached as well.



Waste water system



Machinery working at future avenue



Trench for potable water system

Regulatory issues include:

1. Requesting letter from Huertas certifying that GP will not steal electricity from Union Fenosa
2. Asking Huertas to coordinate MIFIC, MARENA and ENICAL approval of the usage of water for the lots.
3. Villa del Carmen – Coordinating with Huertas changed plans approval (ongoing as plans change)

Advancement report, by Pablo Cortes/ Henry Darce. April 8 th, 2005

Let me start by describing what work has been done by each contractor. Task and activities that are being done simultaneously and work that is pending to keep ongoing construction.

Today was the 1st on site meeting with all 3 contractors, our supervisor Henry, Huertas and myself. The main issue that was discussed where the latest changes made by UDA. We are waiting for Huertas to give us these plans. He is still working on them and this is his top priority. Regarding the 1st. Street - Change of level. Huertas is working on this as well.

GRAN PACIFICA - OFFICE

All contracts for contractors have been made. NAP and SCOYDE have already signed. LLANSA will sign next week. I will send Mr. Steeb and Mr. Cobb translations highlights of the contract clauses. Henry found them to be very good.

All contractors have received 1st payment about 30% of contracted value.

LLANSA'S Advancement.

Start Date: March 7, 2005

Earth movements related to the excavation, cutting and conformations of roads. In Block A-95%. In Block B-90%.



Storm water

Excavations of trenches, installations of 18" RIB-LOC tubes. 260 linear meters.

Excavations of trenches, installations of 24" RIB-LOC tubes. 300 linear meters.

Infiltration wells on 3rd street 3

HUERTAS

Huertas as started the backup service to Henry and GP. Since April 5th they are backing up Henry with topography. Next week Huertas will have a mobile lab sent to the site for all necessary lab tests.

NAP

Start Date: March 29, 2005

Topography and site marking of trench excavations and location of manholes. Block A-100%.

Excavation of 3 manholes on 1st. Street and 3 on 2nd Street for a total of 6 in Block A.

Other simultaneous activities are:

Explorations by LLANSA and lab testing by HUERTAS of the new borrow material pits which are schedule to start today. Huertas will experiment mixing this new material with other material found and available on the new property, with the objective of obtaining a more stable mix and reducing the use of cement by LLANSA. It will take about 10 days to get the lab results.

SCOYDE

They have installed the above ground provisional lines to the water wells. Next week they will take a UF inspector to approve the work and have power delivered to the well pumps.

They are relocating the 3phase underground power lines. I will get from them a street section next week in which we will be able to see where in this typical cross section the underground lines will be placed.

Construction, digging and installation of power lines in the urban development will start early next week, with the excavation of trenches in road intersections (before LLANSA add their sub-base).

Pending.

Huertas is pending in delivering the following information, hopefully if delivered on schedules we will have the following plans by next week.

Changes made by UDA in marked areas.

Level elevation of 1st Street and rotunda level design. Includes the design of a storm water pipe.

Rain water mixed design of infiltration pits and storm pipes.



Pablo- I will highlight and translate the most important aspects of the Clean and Waste water treatment and quote offered by Napoleón Lopez

Street Plastic Issue:

Today it was agreed between Huertas and LLANSA to install the plastic underneath the sub-base not above the base. The reason Huertas is giving -which he did not point out last Tuesday- one of the main reasons for having the plastic below is to avoid soil contamination of the sub-base and plastic soil. Henry found this to be a great idea. NOT sure if Benjamin will agree, but both Huertas and Henry agree this is very common and necessary.

Henry asked me to send this report since he has no way of sending it from the site or Villa el Carmen plus he needs help with English. He also asked if I could be available and present on each weekly meeting on Friday mornings.

Adiak will be sending you updated pictures of the project taken today. Mostly infiltration wells for storm water. Wells for Manholes and excavation of trenches for installations of storm water pipes.

Please let me know if there is any other additional information or questions you might have or want.

Advancement Report, by Pablo Cortes / Henry Darce. April 15 th, 2005

Since our meeting last week, lot of work as been done by our designer and our contractors out on site. Took pictures for you to see. Adiak will sent them out to you.

I will start this time wit Huertas advances followed by the contractors.

HUERTAS

We now have an on site lab, provided by Huertas which is backing up Henry our Supervisor on all quality control test of materials used and installed by our contractors.

Lab tests are being done to new material which was extracted from our new borrow bank. Out of 5 sites explored on the new property, two look promising. On the remaining sites a high content of plasticity has been found and is not considered appropriate for the base or sub-base of the streets. We expect to have result of the quality and composition of this material by Tuesday (19th) of next week.

Huertas as delivered most of the plans with the changes made to the development, design of the 1st. street levels and rain water system which combines pipes with infiltration wells (I will send Mr. Steeb these plans next week).We are still waiting for the final electrical distribution plans, which I hope he will deliver next week.

LLANSA

Earth movements related to the excavation, cutting and conformation of roads. In both blocks A and B are 100% done.

They have begun with the compacting of the terrace of the roads and have advance 20% of block B. Proctor studies show a compaction level of 85% and will rework to obtain a higher compaction level of 90%.



Storm Water:

Excavations of trenches, installations of 18" RIB-LOC tubes. 266 linear meters.

Excavations of trenches, installations of 24" RIB-LOC tubes. 313 linear meters.

Infiltration wells 3

Rain manholes 6

Most of the storm water works are being done on 3rd. Street.

The new plans of storm water design by Huertas, includes work, pipes and infiltration wells that are much more than what LLANSA had originally quoted. They will send us a quote for these additional works.

Same goes for: 1st Street (grade increase), rotunda.

NAP

They have started the excavation and installation of 2,000 linear meters of clean water pipes in block A. On Monday 18th they will commence the installation of clean water pipes in block B. They have an expected time frame to be done with the installation of pipes within 15-20 days.

80% of the materials they will use are on site in their quarters.

LLANSA and NAP have construction cycles of 14 days. They work straight 14 days (and from what I see day and night). Then they take 4 days of straight. This weekend LLANSA is off, NAP will stay to gain a head start on piping installation so LLANSA can start next week adding the sub-base of the streets.

SCOYDE

They did not enter the urban development as planned this week. They are waiting on a final distribution from Huertas. Today or Monday I will receive this information from Huertas, so they can start serious work on Monday.

3 phase power lines: They have started the excavation of 400 linear meters of trenches for the 3 phase lines and will start installation of PVC pipes on Monday.

Aerial power lines to the wells: Out of a total of 6,000 linear meters of power lines they have installed a total of 3,000. Installation of transformers on wood post will start next Tuesday (19th). Inspection of UF of these power lines is programmed for next week (no specific date). The completion of all these tasks is programmed for next week as well.

Pending Issues:

I am still waiting on UDA to send us a street section or design of 6th avenue, the last street down in the peninsula. Huertas and LLANSA are waiting for this information.



Advancement Report, by Pablo Cortes / Henry Darce. April 22 nd, 2005

The lab results from our new borrow material shows a high level of plasticity. Out of 12% which is permissible the content of plasticity here is 15% -17%. Huertas is still working in getting an acceptable mixture from different soils and cement. An option is adding beach sand to the mix. This task that requires mixture or transport of other additional materials/soils will be considered as additional work and will be charge by LLANSA.

I will send the complete report on Monday once I get Henry's input. Basically the meeting of today (April 22nd) at first was aggressive between NAP and LLANSA. NAP committed to have streets ready for LLANSA to work on by Tuesday of next week (26th), LLANSA is skeptic but agreed to give NAP the chance -there is not much of a choice anyway - and Benjamin knows he has other additional work he can work on. The pressure is now on NAP to have streets ready and on Henry to make sure it is done. At the end they all calmed down and hoped for the best on Tuesday. I will keep you posted.

We also need answers on the following issues:

- On the 2km entrance boulevard, Salinas is installing the 3 phase lines. He is asking if outlets will be added for future street lights on the boulevard.
- We also need to know and verify if the PVC for the TELCOM to be installed in the development will be of 2" and if it will follow the same trench as the electrical layout.
- Is there a decision on the Water Treatment System Designs? I think the most important at this moment is the Clean Water Treatment System (CWTS). The Waste Water Treatment System (WWTS) can wait until after winter, I consulted with Huertas if the last pumping station - located near the rotunda entrance - could be used as a skeptic tank for the moment since we are not going to have more than 10 homes by the end of the year.

6. Public Relations

Money magazine published a report about 4 countries that are making a comeback. Nicaragua was one of the four. A scanned copy of the article will be placed on the GP website in the next week or two.

See the latest construction progress:

http://www.granpacifica.com/construction_progress.htm

www.granpacifica.com