

## **Directors Report October 2004**

The Shareholders meeting was a tremendous success for many reasons and I was overwhelmed by the number of folks that attended. Counting spouses and some kids, we had 93 folks here and when you added our staff the number was 98. Incredible. The feedback was positive and we can thank the hard work of the GP staff here for making it a seamless program for the attendees. A big thanks to Adiak, Esmervin, Pablo, Sadis, and Wilda for their great efforts.

The following items are covered in this report:

1. The TIF Law
2. Accounting and Auditing
3. Legal and Corporate
4. Pacifica Construction
5. Condos
6. Infrastructure
7. Sales and Marketing
8. Public Relations
9. Administrative Issues

### **1. TIF Law**

The TIF law is in the Assembly right now and there is some debate as to the benefits that it brings to Nicaragua. INTUR is lobbying and has good data to show both the immediate and long term benefits to the country. Meetings have been held with the 2 commissions inside the assembly, the Economic and Tourism Committees. There seems to be general support for the law in both.

However, the budget debate and vote is coming up in November and with the municipal elections on Nov. 7<sup>th</sup>, 2004, (mid term congressional elections would be a similar event in the states) the likely hood of the law passing before the Christmas break is slim to none. This is my opinion only. I hope I am proven wrong.

There have been a few negative stories in the papers here about the law. Misinformation is at the root of it. INTUR and Dra. Herdocia are working to get the facts out there, but INTUR prefers that Dra. Herdocia takes a lower profile. Too much association between us and the Law may cause difficulties for INTUR. It's a matter of education and politics. We have a good team in place and I believe that we need to stay the course at this point. Engaging in politics is chancy at best.

### **2. Accounting and auditing**

Mel Henninger interviewed 3 accounting firms here over the week of the shareholder meetings and all 3 promised proposals by the end of the month. To date, none have been received. Mel continues to follow up and hopefully we'll see proposals shortly. Mel will be reviewing the financial paperwork that I have now compiled for the 1<sup>st</sup> three quarters of 2004. He will perform an informational audit and prepare a report for the next meeting.

### **3. Legal and corporate**

Joel, Mel, Dick, Ray and I met with the law firm of Taboada about separating the land and hotel company assets. It was a useful exercise to start a discussion between Joel and Rodrigo Taboada about how best to create a lease for the land from one entity to the other. Nicaraguan law prohibits leases longer than 10 years, but Marriott requires an obligation as long as the term of their contract with us which is 30 years. Joel and Rodrigo worked for the last 5 weeks and have a solution in place.

**Taboada proposes:** *As our legislation prohibits establishing a lease for more than ten years, we could establish a right of usufruct granted by Gran Pacifica Resort in favor of Gran Pacifica Beach. The usufruct (which is a right in re) gives the right to use the land and benefit from its products (i.e., crops of a field), but the grantor remains as the owner of the property. In this sense, Gran Pacifica Beach would have the right to use the land for an additional twenty year period, which is the maximum time allowed by our legislation for an usufruct to be constituted in favor of a juridical person.*

*In order to have right to use the land for thirty years, we may keep in place the lease agreement already executed for ten years, and then have the usufruct for twenty additional years. The agreement whereby the usufruct will be created will establish that the term will begin in ten years (after the expiration of the lease).*

*The usufruct on real property has to be created through a Public Deed and then registered in the Public Registry.*

Joel believes this will serve our needs and has probed and is satisfied with both the legal and tax ramifications of this arrangement.

The **reimbursement contract** with **Union Fenosa**, the power company, is now signed and we will begin to get repaid the cost of installation for the 24 km electric lines. The payback is calculated on the use of our project and any other person or entity that ties into the line that we constructed. We will receive 20% credit for any usage we make and 20% payback for the use of any other entity.

#### **4. Pacifica Construction**

The legal documents for the construction company are being reviewed at this moment. Dra. Herdocia is working with Joel to finish up the incorporation document and capital structure of Pacifica Construction. It is very important to complete this process because customers and investors are already asking for construction services. Ray and Ernesto are working out the details of construction standards and basis for the pricing of homes. The expected completion date for both is the end of November.

#### **Home designs**

Home plans are being added to the website as we get more architects to sign on to the system. Also, we created a new online section where you can pick a Gran Pacifica home model, download urban regulations, and get ideas for exterior and interior Spanish colonial living areas.

To view: [http://www.granpacificacom/h\\_architect.htm](http://www.granpacificacom/h_architect.htm)

The hold up is that some architects are hesitant to put up a design for fear of having someone steal it. To compensate for this, we are using some generic floor plans and have hired two people to render those floor plans for us. Our goal is to have 12-15 models for people to choose from in the next 30 days, so that when people get the sales contracts they can immediately select a house for their lot.

#### **Gran Pacifica House Models**

Gran Pacifica has created 3 home models, size ranging from 1500 sqft homes to 2500 sqft homes. These models have been designed to be flexible and give potential buyers the ability for minor redesigns to the houses. Final Blue prints for these homes will be produced as they are ordered. Additional designs with interior courtyards and small 1100 sqft homes are on their way.

## **Gran Pacifica Home Construction**

We have received e-mails from various lot owners requesting procedures for home construction. Some lot owners have decided to go with a custom made home and hire an architect; others have selected home models from GP that are posted on the Web. The cost for construction documents for GP homes (blueprints) has not been established. Ray will work with me Mid November to complete this aspect of the design work.

Mid November, we will have procedures and legal requirements from alcaldia Villa el Carmen for home construction. Both home builders and contractors are required to have permits and pay fees to the local municipality. We are working with the local engineer to streamline the procedures.

Potential construction material providers are continuing to contact us offering their products. We are compiling a file of these resources and will put each of the providers through a review and bid process at the appropriate time. Making contact with other companies that provide services such as: pool design and construction, a/c providers, and actual builders will help define cost estimates.

## **5. Condos**

The condo areas shown on the lot map are finalized and both Barry Strudwick and Larry Dewhurst are working to create plans for their condo projects. Barry Strudwick has produced some preliminary designs and will submit a draft of the more complete designs to UDA for compliance with the architectural standards. Barry expects to be moving dirt for his development by mid-February. Larry Dewhurst will be visiting a prominent architect on the Turks and Caicos Islands later this month to begin his design process.

## **6. Infrastructure**

**Wells** – We have completed 5 wells to date and are drilling a 6<sup>th</sup> and final well in search of another 150+ GPM. For the residential portion of Phase I we have more than enough water from this one well alone, however, the needs of the hotel will require us to locate additional water sources similar to the 150 GPM well that we have now. It could be one well or multiple wells. At a meeting with our drilling company yesterday, they suggest that we drill the final well #6 and put 2 or 3 of them into production to give us the required water supply. We are talking with a boring company about 100 meter core tests in other parts of the property to locate another source of water for ongoing development.

**Roads** – The boulevard median is now planted with over 500 trees (fruit, shade, flower, and precious wood species) from our nursery. Domingo created a mix of fast and slow growth trees all native to the area, so they will grow well in this climate. It is a representative set of trees from the Pacific Tropical region of Nicaragua. Exotic species will be added later to fill in and create the desired final look.

**Bridge** – Our bridge has experienced difficulty in this rainy season due to exceptionally heavy flooding that has pushed water 2 feet above the top road surface 3 times in the past 10 days. Structurally the bridge is doing well but the land on the property side is eroding both above and below the bridge. Sand bags are now placed as a temporary solution to the problem, and we have hired Huertas to provide a \$4500 permanent solution to the problem using rocks and additional cement side walls.

**Civil engineering** – Civil engineering work is nearly complete. We are down to very technical issues regarding the water, and electrical designs. Ray is working with Huertas to complete this work in the next 3 weeks so we can issue the bid documents to contractors for the work to be performed. Below is a list of the areas covered and status on them.

### **A. Lots**

All lots are surveyed and marked. This includes lots that were merged to give room to the new condo areas. The lot plan has been submitted to Catastro, the national land registry.

### **B. Streets**

Street layout is complete and we are only awaiting the cross sections for utilities placement. CAD Drawings for the cross sections will be completed over the next 10 days. Bid documents to issue to contractors that include the street sections and specified technical details will be included so we can obtain quotes for the construction.

### **C. Electricity**

We are reviewing the technical specifications and planned layouts with Ray and Huertas and making sure all electrical specified equipment is readily available in Nicaragua. Ray is analyzing the best solutions for all technical aspects of this topic. We are expecting from Huertas final plans approved by Union Fenosa to be delivered within the next 20 days together with the bid documents.

### **D. Clean Water**

Water systems are complex in that you want complete loops in all areas to prevent the stagnation of water in the system. With an unlimited budget this is not a problem, but to design a system that accomplishes this with the least amount of pipe is tricky. Ray and Huertas are sorting out the value engineering on this issue right now and will have answers back in the next 2 weeks. Additionally we will finalize specific issues like the drinking water treatment plant and a hydro pneumatic pumping system for water pressure.

### **E. Waste Water**

The design for the waste water collection system is complete and the only decision remaining is the placement of the initial treatment plant. This will be a portable treatment plant that will be converted to a pumping station once the hotel comes on line and a waste system is built for the combined need of both entities. The decision is where to best locate this plant as there are several technically feasible locations.

### **F. Rain Water**

Rain water plans are complete and under revision at this point. There is a minimum of under street piping based on the plans proposed by UDA and Ray, not only minimizing the cost of construction, but ongoing maintenance costs associated with storm water systems. Ray will sign off by mid next week.

### **G. Communications**

Phone/communications issues are maybe the simplest to implement, but the most difficult to plan. Without knowing the needs of any one home owner, scaling the design is tricky. At this point we are considering 4 twisted pair phone lines per house, expecting a saturation of 60% of the possible lines. This is roughly an average of 2 phone lines per home. Additionally, we are planning to run cable to each home making 30 lines per house a possibility, in addition to internet and TV. Ray is talking with potential providers for Internet, cable TV and telephone services to obtain complete system approaches to the challenge of what kind of wire ad how much to lay.

## **7. Sales and Marketing**

**Lot sales** – To date we have sold 42 lots (See table). Sales contracts are in their final stage and the CC&R's are in a final draft stage as well. Lot purchasers can expect to receive paperwork for their lots in the next 7-10 business days.

LOTS RESERVED and/or BOUGHT TO DATE (Oct. 30-04)					
	Lot #	List Price	Discount	Final Price	Sq. Mts
1	B-8	\$65,000.00	65%	\$22,750.00	555.10
2	B-15	\$75,000.00	65%	\$26,250.00	643.26
3	B-17	\$75,000.00	45%	\$41,250.00	549.64
4	B-25	\$65,000.00	55%	\$29,250.00	643.26
5	B-26	\$75,000.00	65%	\$26,250.00	643.26
6	B-50	\$75,000.00	65%	\$26,250.00	643.26
7	B-51	\$65,000.00	65%	\$22,750.00	549.64
8	B-52	\$65,000.00	65%	\$22,750.00	549.64
9	B-53	\$65,000.00	65%	\$22,750.00	643.26
10	B-54	\$55,000.00	65%	\$19,250.00	741.50
11	B-55	\$65,000.00	55%	\$29,250.00	866.15
12	B-56	\$55,000.00	65%	\$19,250.00	654.01
13	B-58	\$65,000.00	65%	\$22,750.00	623.47
14	B-60	\$65,000.00	65%	\$22,750.00	628.46
15	B-62	\$41,000.00	0%	\$41,000.00	632.99
16	B-72	\$65,000.00	65%	\$22,750.00	736.88
17	B-73	\$65,000.00	55%	\$29,250.00	730.84
18	B-74	\$65,000.00	65%	\$22,750.00	736.88
19	B-75	\$55,000.00	65%	\$19,250.00	606.06
20	B-76	\$55,000.00	65%	\$19,250.00	594.61
21	B-77	\$55,000.00	65%	\$19,250.00	656.29
22	B-78	\$55,000.00	65%	\$19,250.00	593.25
23	B-79	\$55,000.00	65%	\$19,250.00	602.79
24	B-80	\$55,000.00	65%	\$19,250.00	644.12
25	B-81	\$75,000.00	65%	\$26,250.00	941.69
26	B-82	\$75,000.00	65%	\$26,250.00	956.29
27	B-83	\$75,000.00	65%	\$26,250.00	643.43
28	B-84	\$85,000.00	55%	\$38,250.00	551.89
29	B-85	\$95,000.00	65%	\$33,250.00	556.50
30	B-87	\$55,000.00	65%	\$19,250.00	477.06
31	B-89	\$55,000.00	65%	\$19,250.00	436.16
32	B-91	\$55,000.00	65%	\$19,250.00	449.19
33	B-93	\$65,000.00	65%	\$22,750.00	474.47
34	B-97	\$65,000.00	65%	\$22,750.00	474.63
35	B-108	\$120,000.00	65%	\$42,000.00	602.20
36	B-110	\$120,000.00	65%	\$42,000.00	600.86
37	B-111	\$160,000.00	65%	\$56,000.00	934.62
38	B-113	\$120,000.00	65%	\$42,000.00	650.89
39	B-115	\$120,000.00	65%	\$42,000.00	801.03
40	B-117	\$120,000.00	65%	\$42,000.00	899.27
41	B-118	\$350,000.00	20%	\$280,000.00	2,540.20
42	B-127	\$260,000.00	20%	\$208,000.00	773.70
	<b>Total</b>	<b>\$3,566,000.00</b>		<b>\$1,592,250.00</b>	<b>9,232.70</b>

4.18      Manzanas      Avg. cost per Mzn      U\$ 380.9K  
7.22      Acres      Avg. cost per Acre      U\$ 220.5K

## **Financing**

Dra. Herdocia says that a foreign bank can hold a mortgage here, but may in no way advertise its services. We will provide a complete package of services including financing to the buyer without publicly advertising Caye Bank. A complete financing package is being prepared now. I will finalize after our Caye Bank management meeting November 13<sup>th</sup>.

### **80% financing package**

Gran Pacifica can offer 80% financing even though Caye Bank will only lend 50% of the total package price. An example of how a financing package might work is outlined below.

Assume a lot cost of \$75K and a house cost of \$100K. The total package is \$175K. Caye Bank will lend only 50% of the total package price which is \$87.5K. The customer puts down 20% or \$35K. Caye Bank brings \$87.5K in actual cash for a total cash into the finance package of  $\$87.5 + \$35K = \$122.5K$

Caye Bank generates to the customer a \$140K mortgage. Caye Bank takes an \$87.5K first mortgage for Caye Bank and Gran Pacifica takes a \$52.5K second mortgage. The second mortgage will be administered by Caye Bank as part of what the customer sees as one \$140K loan.

The combined \$122,500 in cash (\$35K down payment and \$87.5 CIBL loan) would be split between Pacifica Construction and Gran Pacifica along the following lines. The \$100K cost of construction would be paid out to Pacifica Construction as work progressed with the clients \$35K being used first. The balance of \$22.5K goes to G.P. and represents the difference between the purchase price and the secondary note. That amount can cover commissions, infrastructure reserve, and any other immediate hard costs with the balance paid out as a dividends. The \$52.5K second mortgage will be administered by Caye Bank in a seamless way, so that the customer doesn't feel like he has two mortgages. As the payment comes in monthly, the principal and interest accruing to the second mortgage would automatically be turned over to G.P.

In this example, we might also want to consider requiring Pacifica Construction to take back \$10 - \$20K in the form of a "Third" mortgage, since presumably PC will have a 100% mark up on its services. Reallocating a portion of its profit into a third mortgage will enable CIBL's cash to go farther and/or for GP to receive more than 30% of its selling price up front. If we move \$15K cash from PC for a third mortgage, then CIBL is financing 50% overall, GP is financing 50% of the land price, and PC is receiving all of its hard costs and 70% of its profit, half of which goes back to GP.

In short, the exposure is manageable all the way around while the customer gets 80% financing. Once everyone is happy with the general concept (especially Pacifica Construction and the third mortgage position), scenarios ranging from \$25,000 lots to \$300,000 lots and for houses ranging from \$50,000 to \$300,000 can be detailed. In some scenarios, the third mortgage will have to go up a bit, but we will keep the note to less than half of the PC profits. Offering 80% financing will set us far above the competition and draw in additional buyers who can now afford to buy and build at Gran Pacifica.

## **Marketing Materials**

John Dugue has been working with Mark Miner to complete the marketing materials. A big thanks to John for his input and guidance on this facet of the project. Marketing materials are crucial for us as we move into real estate sales full force. He has and continues to work to get this completed. The progress update for the marketing materials is below. We should have final draft versions for viewing in the next 10-15 days.

## Printed Literature – Top Priority

- *Strategy* - Developed a strategy for high quality printed pieces modeled after other leading Central American resorts, but maintaining the flexibility to make changes as the project progresses, in a “just in time” manufacturing type environment to keep costs down and potential waste to a minimum.
- *Professional Graphic Design* - Engaged the services of a talented graphic designer who has not only created outstanding design concepts but will produce them in both hardcopy and electronic formats.
- *Folder* – the cover design promotes GP’s three major selling points – Beach, Golf and Spanish Colonial Architecture.
- *One-Page Insert Templates* – the design is a color glossy template that can be used as blanks for imprinting (via laser printer) countless different text pages. We still are trying to find a photo for the bottom illustration showing golf course adjacent to surf. (The one we showed you came from a rival resort and we doubt we could get their permission to use it.) The designer is looking in online catalogues and will make a recommendation. This ball is in our court on this one.
- *Insert Texts* – have written texts for 8 inserts and received editing/approval comments from Messrs. White, Cobb and Nagel. We are in the process of writing text for a 9th insert featuring condominiums, but we do not need to hold up printing waiting for the condo text to be completed.
- *Foldout* – a color glossy piece featuring elements of the project that will not change over the long term. When unfolded it will measure 22 x 17 inches. When completely folded it will measure 8½ x 11 inches. One entire side will have a colorized site map, and the other side will be comprised of four individual panels, each measuring 8½ x 11 inches, on these themes: 1. fact sheet about Nicaragua’s turnaround; 2. new urbanism; 3. macro maps showing the Florida to Panama corridor; all of Nicaragua itself, and the Managua to GP corridor, plus directions on how to get to Gran Pacifica; and 4. the “front page” which will replicate the three color photos of GP’s three major selling points – beach, golf and Spanish colonial architecture. Items #1 and #2 have already been approved; We already have the macro map showing the Florida to Panama corridor, but my designer may need to add color to give it some sizzle.
- *Timing* – Depending on how quickly we receive the items needed to complete the artwork, and how quickly Mike can approve drafts/proofs, the design process should take from 2 to 4 weeks to complete. The actual printing will take a maximum of 3 additional weeks. Thus from today (29 Oct.), it should take 5 to 7 weeks for materials to be ready to ship to Managua.
- *Printing* – for efficiency of scale, the printer will print all three items at the same time to keep our costs low. The designer currently is seeking bids from three top printers in Pittsburgh, which we will provide to Mike soon for approval, along with our recommendation as to the best choice. Once the printing date is set, the designer and I will attend the “press check” in person to make sure that the quality of the printed sheets coming off the press meets our high expectations.

## Marketing of properties

**International Living** – I met with Ronan and Leif in Panama last week and we worked out the details of the promotion. Leif will be sending out an “electronic postcard” to his core group of readers the week of November 7th. Over the next few months, he will continue to roll out marketing pieces to various sub groups inside the Agora family. Each of these will be targeted pieces focusing on the hot buttons of the reader of each publication.

I will be an invited and featured speaker at several events over the next year to promote the sale of GP real estate. The first is the New Orleans Live Overseas Conference November 17-20. Other events coming up are a Nicaragua event January 28-31, International Real Estate Forum in February, Live Overseas Conference San Diego March 2-5, Panama Offshore Advantage Seminar May 25-28, Live and Invest in Nicaragua August 2005, Offshore opportunities Seminar October 2005 in Mexico, and Live overseas Conference November 2005.

The combination of the conferences and the print media will deliver excellent sales of GP property over the next year. We may want to build a small spec/GP house that we use for the purposes of "give-aways" and marketing at these events. People sign up for drawings and we could offer a free week vacation in our spec home to draw in names and contact information of people at the conference, but we will need a dedicated home to put them in when they come for the free week. This is something we have never discussed at a meeting but would be helpful as a marketing tool at these events. Additionally, once the person came for his week, we would have a captive audience for the sale of a home at GP. This home will need to be one of the first homes constructed by Pacifica Construction so that we have it as a resource for these purposes.

### **Other resources for real estate sales**

#### **New venue**

**Money shows** – In Panama I was fortunate to run into one of our "competitors" in Nicaragua, Nicaragua Paradise. I originally met Alex and Ken in Las Vegas 3 years ago when I was working with the Oxford Club running their chapter meetings and was attending the Money Show as part of my duties for the OC. Ken and Alex had a booth at the show and were promoting lots to the general investing consumers. (stock market investors by and large)

I would have never expected this venue to produce results but in Panama we talked and they informed me that this indeed has been a tremendous source of business for them. Although I would not have considered this venue, we may want to add this to our marketing program.

Additionally, we will develop other resources for the sale of GP real estate. The channels can be broken down into 2 categories, international and domestic (Nicaragua).

#### **International Market**

Over the next several months, we will identify the main real estate agencies in USA, Canada, Caribbean and Central America that currently promote international real estate. Some will be physical realtors, Lyle Burke and Tropical Pathways and others will be electronic, Escapeartist.com. These realtors and sites will raise exposure for the project and create a stream of leads for the purchase of real estate.

We also intend to geographically target the following key markets through realtors and associations back into the Central American market. Inside these communities are a large number of prospects that have a rational understanding of the realities of Central America, and in many cases a desire to reconnect. Gran Pacifica is positioned to capture a large part of this market, as many of these folks are accustomed to North American amenities and infrastructure and we are one of 2 or 3 properties that provide this familiarity. The areas we will want to target first are:

- USA (Miami, Southern California, Pennsylvania (Pittsburgh because of the contact base), Texas, Louisiana, and possibly NYC.)
- Central America (Costa Rica, Panama, El Salvador and Belize)

## **Sales Distribution Channels:**

- Personal Sales (Real Estate Contracts)
- Online Marketing (Search Engines, Real Estate online organizations, Newsletters, travel sites, financing sites, newspaper sites, business chambers sites, Quality targeted Emails)
- Event Marketing (Conferences, Tourism Events, Trips with journalist to Gran Pacifica)
- Magazines: Articles in Business, Real Estate, Cigars, Tourism, Hotel, Golf, Investment
- Related Industries: Retirement, Financing Organizations, Tourism, Investment Agencies

## **Domestic**

Additionally, we are planning to enlist the key realtors in Nicaragua. Gran Pacifica will sign agreements with no exclusivity rights and a fixed 5% to 8% commission depending on the sales delivery that each realtor shows through time.

This is a preliminary list of key realtors in Nicaragua:

### **MANAGUA**

[Auxiliadora Kelly Bienes Raíces Comercial y Bienes Raices S.A. \(Cobirsa\)](#)  
[Discover Real Estate \(Villa Fontana\)](#)  
[Euroamericana S.A.](#)  
[Gonzalez Pasos Bienes Raices \(Edificio Julia, Managua\)](#)  
[Grupo Sooner S.A.](#)  
[Morales Bienes Raíces Co. Ltda \(Col. Los Robles\)](#)  
[NicaraguaForSale \(Jardines de Santa Clara #214\)](#)  
[Nicaragua-Homes](#)  
[NicaPropiedades \(Km 11 1/2 Carretera Sur\)](#)  
[Nicaragua Realty](#)  
[Real Estate Center \(Colonial Los Robles, 3ra etapa, #13\)](#)  
[Remax Metro \(Carretera a Masaya\)](#)  
[Sun Realty Investments de Nicaragua, S.A. \(Bolonía\)](#)  
[Territorio Bienes Raices \(Villa Fontana\)](#)  
[Urbanizadora Internacional S.A. \(Urbanitsa\)](#)

### **RIVAS**

[Beach Front Realty \(San Juan Del Sur\)](#)  
[Nicaragua Land 2000 S.A. \(San Juan Del Sur\)](#)  
[Nicaragua Properties S.A. \(San Juan Del Sur\)](#)  
[Pacific Brisas, LLC \(San Juan Del Sur\)](#)  
[Remax Tierra Nica Realty \(San Juan Del Sur\)](#)

### **GRANADA**

[Granada Property Services](#)  
[Remax Tierra Nica Realty](#)  
[Sniders Realty](#)  
[Sundance Realty \(Central Park Granada\)](#)  
[Tropical Real Estate](#)

### **LEON**

## Nicaragua Investments (Frente Hospicio, León)

### **Additional Research**

**Dominican Republic** – Between prospective investor visits here and travels to New Orleans for the IL Live Overseas conference and the LA visits and the Supper Club meeting in early December, I will postpone a visit to the DR until the first of the year.

### **8. Public Relations**

Mark Miner, our Public Relations agent, was here for the shareholder meeting and then stayed on to interview various Nicaraguans to begin his campaign of recruiting US journalists to come to Nicaragua to get the real story with what is happening here. Here is a summary of the PR/marketing work accomplished to date

#### **Media Coverage**

- *Strategy* – On the theory that “what’s good for Nicaragua is good for Gran Pacifica,” we are embarking on a campaign to educate leading journalists in Pittsburgh and nationally about Nicaragua’s turnaround, and invite them to visit the country in person and meet the players in business and government who are driving change.
- *Post-Gazette* – Obtained written approval from the *Post-Gazette* to reprint Dick White’s guest column. Converted the article into an electronic reprint in color for email distribution to contacts around the world.
- *Fact Sheet* – We have finalized the text for a three page fact sheet to educate national media about Nicaragua, focusing on its safety, easy access, natural beauty, inexpensiveness and timeliness. Do we need Ernesto Leal or Lucia Salazar to review this and perhaps add to it before we begin using it with national media?
- *Pittsburgh Follow-Up* – In October, began contacting influential Pittsburgh media, one in each area of newspaper, TV and radio. KDKA-TV wants to interview Dick White and we will schedule this for Dick’s next Pgh visit in early to mid December. KQV-AM radio is interested but asked to hold off until after the US elections. The *Pittsburgh Business Times* was contacted, but has not yet responded. I will be following up in the next few days to gauge interest. We are focusing on Pittsburgh media because of the many connections that Pittsburgh and GP have.
- *National Media* – We have compiled a list of leading national media in the news publishing, television and radio arenas. We also have finalized the text of a cover letter that would be sent along with the media fact sheet and Dick’s article reprint to these media contacts. We have been tentatively waiting until after the US elections before rolling out this campaign.
- *Wall Street Journal* – As a test, and with Dick’s approval, I have contacted the Pittsburgh bureau of the Wall Street Journal with our materials. My contact there has not yet responded, and I will be following up soon to gauge interest.

### **9. Administrative Issues**

Next years shareholders meeting will be scheduled for early January 2006, here in Nicaragua, Jan 12-15 2006. This places it after the rainy season and we’ll make use of the swimming beach for our festivities at the property. Please note this date in your calendars and make plans to be here. It is a wonderful event both from the information shared, but also the friendships initiated and maintained between us.

It’s been a busy past 6 weeks, and as you can see a lot is going on. The pace of work is rapidly increasing and although the scope of fundraising is drawing to a close, the real business at hand of selling real estate is becoming an increasing focus. This is how we make money and having a clear focus on this objective is paramount.

We will continue to push hard to begin the physical infrastructure work in Phase 1 and get our first homes under construction in January. This is a tight but realistic goal. It means finalizing the construction company issues, getting construction documents in place for the model homes that folks wish to build, getting our documentation for sales, financing and HOA in order and having our marketing pieces delivered for use as a sales tool. Each of these items adds a "reality" to the project that will prove out the Gran Pacifica concept and give a feeling of safety and security to buyers.

I look forward to any feedback and additional ideas on how we can strengthen our transition into a real estate sales company. More formal plans for the sales strategy will be forthcoming over the next 2 months.

Until next month, I wish you all the best.

Mike