



THE UNITED STATES VIRGIN ISLANDS

OFFICE OF THE GOVERNOR
GOVERNMENT HOUSE

Charlotte Amalie, V.I. 00802
340-774-0001

November 19, 2014

U.S. Mail

The Honorable Sally Jewel
Secretary of the Interior
U.S. Department of the Interior
Washington, DC 20240

Re: Sale of Properties to Water Island Development Company, LLC

Dear Secretary Jewel:

On November 19, 2014, the Government of the Virgin Islands ("Government") approved a lease agreement to the Water Island Development Company, LLC ("WIDC") for the redevelopment of the former Water Island Hotel property as a boutique resort. WIDC was selected through an Expression of Interest (EOI) issued by the Government on September 19, 2013. (See Attached EOI) Our interest in attracting a developer of a boutique resort was to achieve an economic activity on Water Island that would be consistent with the current community. It would supplement the product diversification and re-branding that we are executing to broaden our tourism offerings while providing permanent jobs and creating business opportunities. The previous hotel on the island, Sea Cliff Hotel, was first built in 1953 as the Water Isle Hotel and destroyed in 1989 as a consequence of Hurricane Hugo. Since that time there has been no meaningful and contributing economic activity on Water Island.

The Government engaged REVPAR International, Inc. ("REVPAR") a hospitality advisor and asset management firm in September 2012 to assess the viability of lodging development on Water Island. On November 29, 2012, after conducting a market study and financial analysis on the feasibility of the redevelopment of a hotel and marina on Water Island, REVAR issued an assessment indicating that such a project was in fact feasible. (See Attached Assessment)

The EOI resulted in proposals from three developers: LAURENS GmbH, WIDC and RED Legacy, LLC. After reviewing the proposed submissions, the Evaluation Committee, which was comprised of key stakeholders including: the Office of the Governor, Department of Tourism, Department of Property and Procurement, Virgin Islands Economic Development Authority, and the U.S.V.I. Hotel and Tourism Association along with REVPAR in an advisory

role conducted two (2) rounds of Oral Presentations to select the developer, in this instance WIDC.

In addition to the boutique resort, WIDC has proposed constructing residential dwellings and villas in conjunction with a community center and commissary to make the overall development more attractive to creating economic redevelopment on the island. While the Government agrees that this will foster economic growth, the Government as a general policy only leases land for business and commercial activity and not for private residential development. Therefore, we were and are willing to offer certain parcels and lots of land for the residential development only to fortify the economic sustainability of the hotel and marina development. The 1996 Contract of Sale for the transfer of Water Island obligates the Government to:

2A. The Buyer agrees to use all property for public purposes only, and to promote the economic development of Water Island for the benefit of the U.S. Virgin Islands, including the residents of Water Island. For purposes of this provision, the operation of a hotel or tourist resort on the property operation established.

We believe that the selection of WIDC meets the requirement of the above stipulation; however, to succeed in the current economic environment and secure a funding source and generate the financial returns to support the operations and financing vehicles, additional property on Water Island has been requested by WIDC. The additional acreage will to supplement the former hotel footprint and provide an opportunity for specific residential development as a component of the hotel project. In light of these objectives, the Government is prepared to offer for sale specific undeveloped properties listed in Addendum I.

As stipulated in the Contract of Sale, the Government must have the approval of the Department of Interior to divest any property that was the subject of the 1996 transfer. Specifically, the 1996 Contract of Sale states:

2C. The Buyer agrees that if the transferred property or any portion thereof is sold, the proceeds shall be paid to the United States unless there is a written agreement between the Governor of the Virgin Islands and the Secretary in effect prior to the sale providing for a different disposition.

Since the expiration of the former master lease in 1992 and transfer in 1996, we have achieved the transfer and clear title of all public and private properties, constructed a public ferry dock, constructed a deep water industrial dock, undertaken significant road resurfacing, established a basic level of fire service, developed a process for public safety response, and provided regular trash removal.


In the multiple studies performed by the U.S. Government and non-profit agencies since 1980, the best course forward to remedy the undeveloped economic potential on Water Island

and the clearly defined recommendation in the best interest of the residents and the Territory is for resort development. In the Water Island Use Plan Study completed by the University of the Virgin Islands in 2006, properties for potential residential locations were earmarked for moderate income residential housing under the Virgin Islands Housing Finance Authority. In addition to DOI's approval to offer for sale the specific properties set forth in Addendum I (attached hereto), the Government has started the process of identifying properties for the purpose of constructing such moderate income housing units in partnership with the Virgin Islands Housing Finance Authority.

The Government has started the process of resurveying and recording the identified properties (set forth in Addendum I) through the Department of Property & Procurement. As part of the underlying due diligence and pricing, three (3) independent appraisers will be engaged and commissioned to perform valuations on the properties to determine the value for purposes of negotiating a sale.

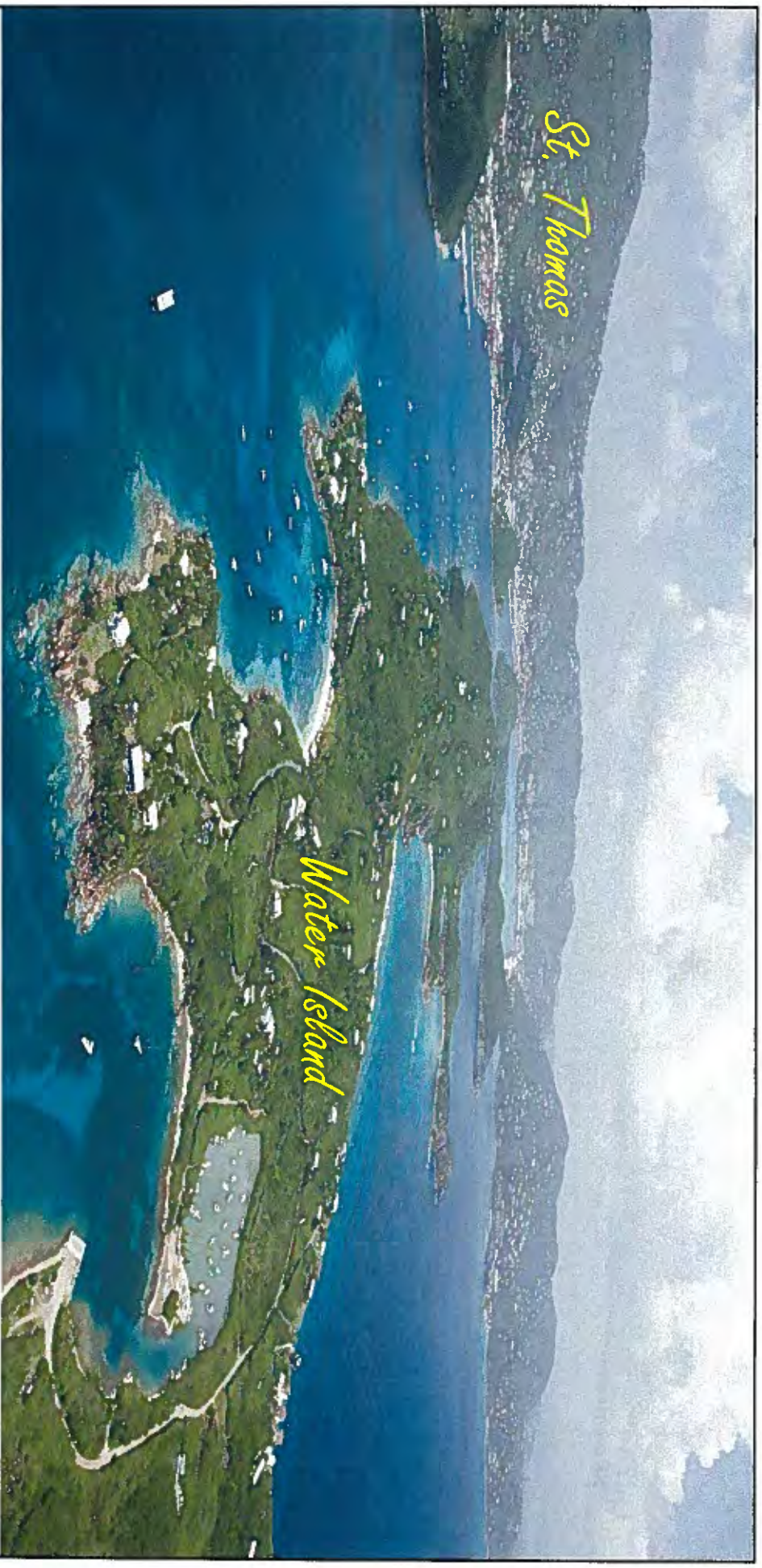
With the approval by the U.S Department of the Interior, we will offer the listed properties to WIDC and to achieve sustainable economic activity on Water Island and create high quality jobs for our workforce, in an effort to strengthen this valuable economic asset for the benefit of the entire Virgin Islands.

Sincerely,



John P. de Jongh, Jr.
Governor

Enclosures



Expression of Interest Resort Development Water Island, USVI

Issue Date: September 19, 2013

Closing Date: November 15, 2013: 5:00 pm EST



The Opportunity

The Government of the United States Virgin Islands (USVI) is inviting suitably qualified firms to submit an expression of interest (EOI) in developing and subsequently operating a world-class resort, with the availability of two designated sites on Water Island in the USVI, as well as additional adjacent land for residential development. The addition of a resort along with appropriate support services, facilities and amenities, as well as possible residential development on the 490-acre Water Island is a priority project for the Government. The primary objective is to increase and enhance USVI tourism through the development of a new upscale resort that generates high quality jobs for the local workforce and creates opportunities for residents of the territory to participate in the project development and operation, all of which collectively contributes to the country's long-term economic growth.

The intent of this EOI is to initially gauge the level of interest from the hospitality investment community to undertake the venture and identify an appropriate development partner for the project under a long term lease agreement with the Government of the USVI. Moreover, the EOI will allow for the Government to better understand and more clearly define any infrastructure support services and/or requirements, if any, that a potential developer and/or operator may require in order to ultimately commit funds to the project and deliver an economically-viable world-class resort project to Water Island and the USVI.

History of Water Island and

The former Water Island Hotel and Beach Club

Water Island is roughly 490 acres and the youngest of the USVI. It was purchased by the U.S. Government from the Danish East India Company in 1944 as a means to protect the submarine base on neighboring St. Thomas. The U.S. Department of Defense relinquished and transferred control of the island in 1950 to the U.S. Department of the Interior, which then leased it to Water Island Inc., a partnership of two private developers. The lease was for 20 years during which time, Water Island Inc. constructed a hotel and residences. In 1996, the Department of the Interior formally transferred control of Water Island to the USVI Government, making it the 4th island in the territory. During the transfer, the existing residents with subleasehold agreements were allowed to acquire their property on a fee simple basis.

In its current state, Water Island functions as a residential or bedroom community for a population of less than 200 people, concentrated in three primary areas. In addition, there are a variety of rental homes, cottages, and one campground available to overnight visitors. There is little evidence of commercialization, and the USVI Government with assistance from the residents, provides limited services to the island. Emergency first response is provided by the volunteer Water Island Search and Rescue Squad.

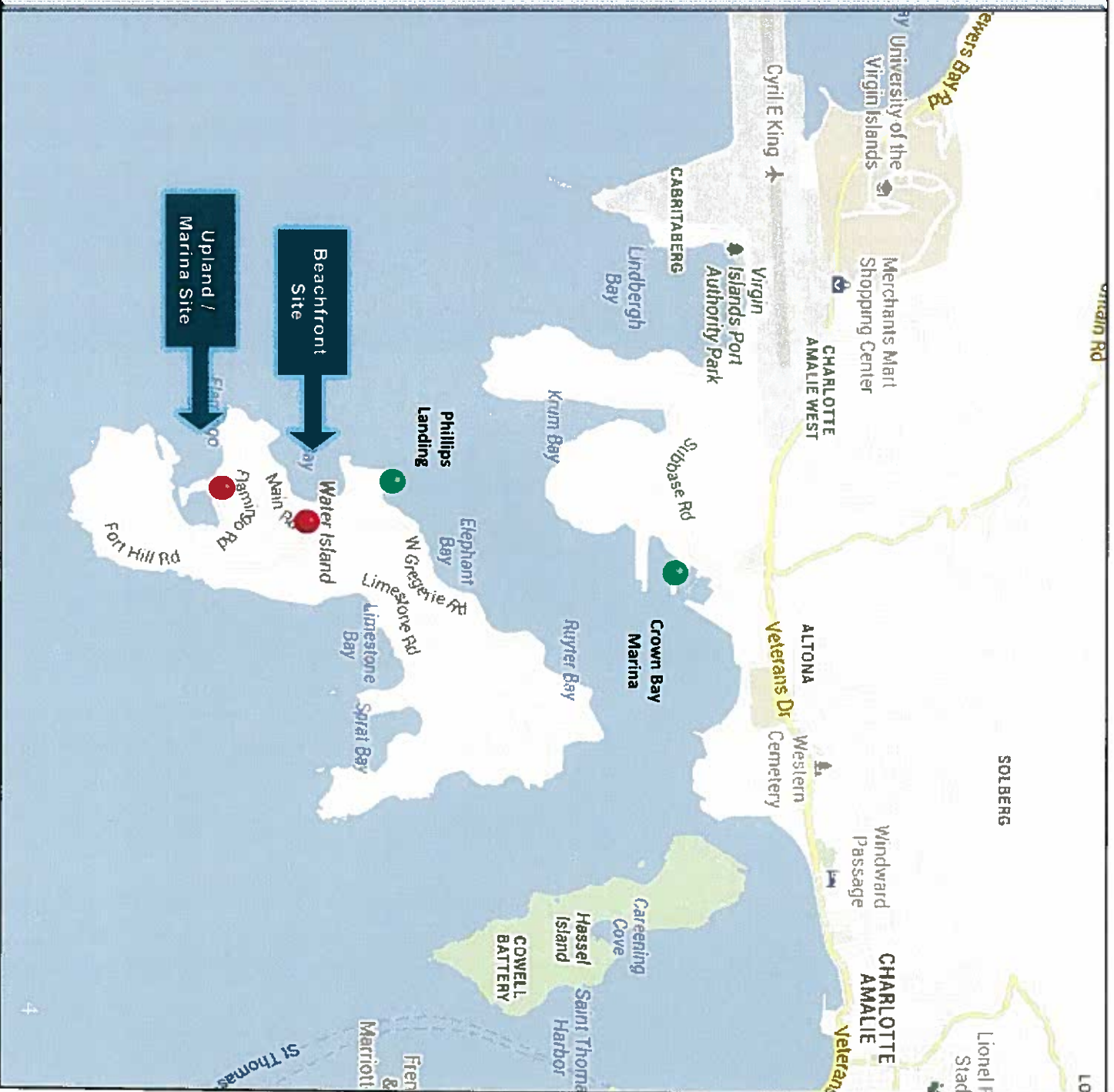
The original hotel on Water Island was 50 rooms and commenced operations on January 1, 1954. In 1963, dredging occurred to create a new marina area, replete with the construction of a dining room and bar. In December 1965, Water Island Inc. sold the master lease for Water Island to Water Isle Hotel & Beach Club under the ownership of Edward McArdle. McArdle commenced an ambitious new hotel expansion program called 'The Colony Club', increasing the number of rooms to 110 by 1970 and providing additional recreational amenities including tennis courts and a dock. Moreover, the hotel became a favored destination spot for many USVI-bound guests who wanted to experience a resort in a more secluded environment. The lease was renewed in 1972 for another 20 years. In 1977, the Colony Club shut down and reopened as the Sugar Bird Hotel under the management of the Beach Management Corporation. In 1989, Hurricane Hugo severely damaged the hotel and it subsequently closed. The lease ran out three years later and was not renewed. The remnants of the hotel and club remain.



The Sites

Today, the Government of the USVI controls the vast majority of land comprising Water Island. The focus of this offering includes two non-contiguous parcels located on the southwest coast of the island. These are referred to as 1) the Beach Site and 2) the Upland/Marina Site. The majority of land surrounding the two sites is vacant or sparsely developed with single family homes.

Access to Water Island is relatively easy and quick via either the use of a 10-minute ferry ride from Crown Bay Marina on St. Thomas to Phillips Landing on Water Island, or by private boat. Crown Bay Marina is easily accessible as it is located midpoint (approximately 1.5 miles in either direction) between Cyril E. King Airport to the west and downtown Charlotte Amalie, the capital of the USVI and one of the busiest ports in the Caribbean, to the east. Alternatively, the resort could offer its own boat launch service directly to the resort site or Phillips Landing, similar to that used by resorts on St. John. Once on Water Island, access to the sites from Phillips Landing is simple and direct via golf cart, the primary mode of transportation once on Water Island.



The two designated sites can be described as unique: a significant advantage in light of the (Honeymoon) Beachfront site's direct location on the sea, and the original Water Island Hotel and Beach Club site's spectacular views of Drufi and Flamingo Bays. Collectively, these attributes make these two of the most picturesque destinations in the Caribbean. These two specific sites as outlined below are under deed restriction and specifically designated for resort development, either alone or in combination. Furthermore, the Government of the USVI is open to residential development within the additional parcels of land surrounding the Upland/Marina Site as discussed below.

- (Honeymoon) Beachfront Site - an ± 11 -acre tract between the waterline of Honeymoon Beach and the Main Road overlooking Drufi Bay, and suitable for a primary beachfront resort location.

- Upland/Marina Site - the site of the original Water Island Hotel and Beach Club. This site is situated on the peninsula between Drufi Bay and Flamingo Bay, suitable for redevelopment as a resort location or ancillary benefits to a more primary location. Land surrounding Flamingo Bay could be used for a small marina for the resort's boat launch. Moreover, supplementary plots of land surrounding the site can potentially be used for residential uses as part of the overall development project.

Although not contiguous, the two designated parcels are separated by a few residential plots. In total, the two land parcels constitute ± 40 acres. Overall, the secluded nature of the sites exude exclusivity and privacy atypical of the USVI both of which help make their location the perfect playground for a multitude of activities typical of a world-class resort, including the ability to simply relax on the white sand of Honeymoon Beach and swim in the famous Caribbean turquoise waters.

The Designated Sites



- Beachfront Site
- Upland/Marina Site

** Highlighted areas are not to scale and are approximate.





Beachfront Site

Upland/Marina Site

** Highlighted areas are not to scale and are approximate.



Honeymoon Beach

Tourism in the USVI

The USVI are a popular destination by travelers throughout the world; a large contingent of whom originate from the United States, in part aided by United States citizens not having to carry a U.S. passport to gain entry to the destination. This is a unique selling proposition as many U.S. travelers do not want to have to experience the burden of customs and immigration procedures, and increasingly seek safe destinations to vacation given the current state of affairs throughout the world. U.S. visitation is most significant from the affluent cities of New York City, Miami, Washington, D.C., Chicago, and Boston. Consistent with that, there is non-stop air service to St. Thomas by the major airlines from 10 U.S. metropolitan areas.

The USVI accommodates roughly 2.6 million visitors annually, who spend in excess of one billion dollars annually throughout the territory. When divided across the total hotel guestrooms in the country, this annual spend equates to more than \$700 per available room night. The country's many attractions, much of which is centered on maritime pursuits, have made the area a strong leisure destination and corporate incentive group venue. Several world-class, upscale resorts can be found on the neighboring islands of St. Thomas and St. John, which are supported by a robust transportation infrastructure and Cyril E. King Airport, which serves over 500,000 passengers annually.

Water Island



West Indian Company Dock in Havensight

USVI Lodging Market

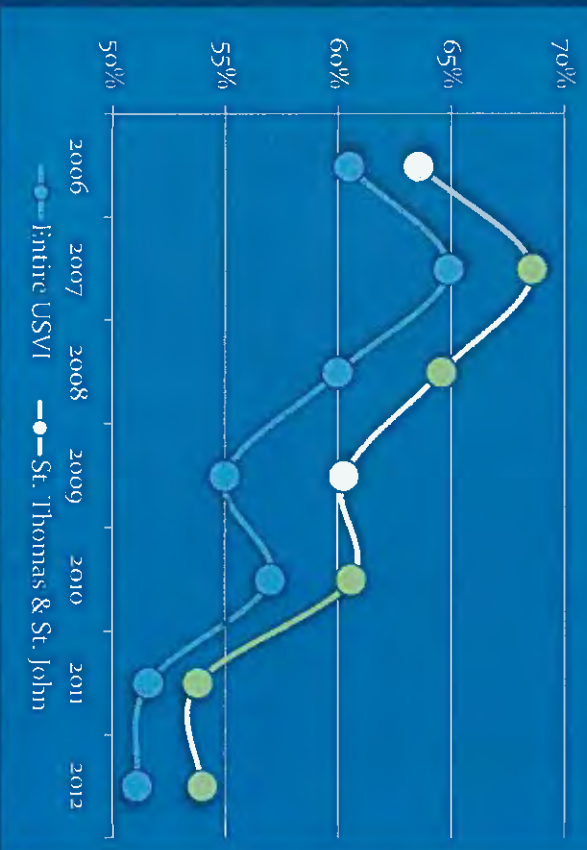
As of year-end 2011, there were 47 hotels with 3,759 rooms in the USVI based on the latest figures available from the USVI Bureau of Economic Research. This includes large resorts like the Marriott Frenchman's Reef, small inns, and even the Maho Bay Tent Camp. Separately, the USVI had a total of 1,130 condominium, guesthouse and timeshare units (rooms) as of year-end 2011 that were rented on a daily or weekly basis. The total lodging inventory for the territory is 4,889 units; however, this number includes only those units registered with the government and excludes those used by owners and/or rented out on a casual or indirect basis.

USVI Lodging Market

As the following graph illustrates, the occupancy for the entire USVI has fluctuated over the last six years, with performance in 2011 slightly down in part due to Marriott Frenchman's Reef renovation during this time. At less than 150 square miles, the USVI is relatively small in size in comparison to other Caribbean destinations and does not possess a high degree of undeveloped land deemed suitable for development. Real estate, especially prime beachfront property such as the sites for offer on Water Island, is very limited and therefore carries a premium. The scarcity of a critical mass of land that would enable a world-class resort to be developed results in high barriers to entry, preventing an oversupply in the market. As such, the USVI is a stable market with significant upside potential.

As illustrated on the next page, branded supply is now in full recovery in the St. Thomas and St. John markets, which bodes well for any new development located in the vicinity.

Occupancy USVI vs. St. Thomas & St. John



Honeymoon Beach



Flamingo Bay

USVI Lodging Market

According to Smith Travel Research (STR), as of April 2013, there are 78 lodging facilities with 4,884 rooms in the USVI market, with 30.9 percent of the room supply contributing data to STR. The vast majority of this supply consists of upscale and luxury properties which would be deemed competitive to varying degrees to any new resort on Water Island. These competitors include the Ritz-Carlton St. Thomas, Marriott Frenchman's Reef & Morning Star Beach Resort, Bolongo Bay Beach Resort, Westin St. John Resort, Rosewood Caneel Bay Resort, Renaissance St. Croix, and Carambola Beach Resort & Spa, to name a few.

As evident in the adjacent table, the reporting supply of hotels has outperformed the overall market considerably over the reporting period, with overall increases in occupancy and average daily rate resulting in RevPAR levels exceeding \$200 in 2012. As of year-to-date 2013 through April, lodging demand and average daily rates continue to increase at roughly equate rates, allowing RevPAR growth to reach 6.4 percent over the same period in the prior year.

Historical Operating Performance the USVI Lodging Supply					
Year	Occ.	ADR	% Chg	RevPAR	% Chg
Year-End					
2009	65.7%	\$258.06	--	\$169.48	--
2010	67.0%	\$269.25	4.3%	\$180.36	6.4%
2011	61.2%	\$291.25	8.2%	\$178.13	(1.2%)
2012	68.4%	\$301.62	3.6%	\$206.40	15.9%
Year-to-Date through April					
2012	76.6%	\$373.17	--	\$285.74	--
2013	79.4%	\$383.19	2.7%	\$304.13	6.4%

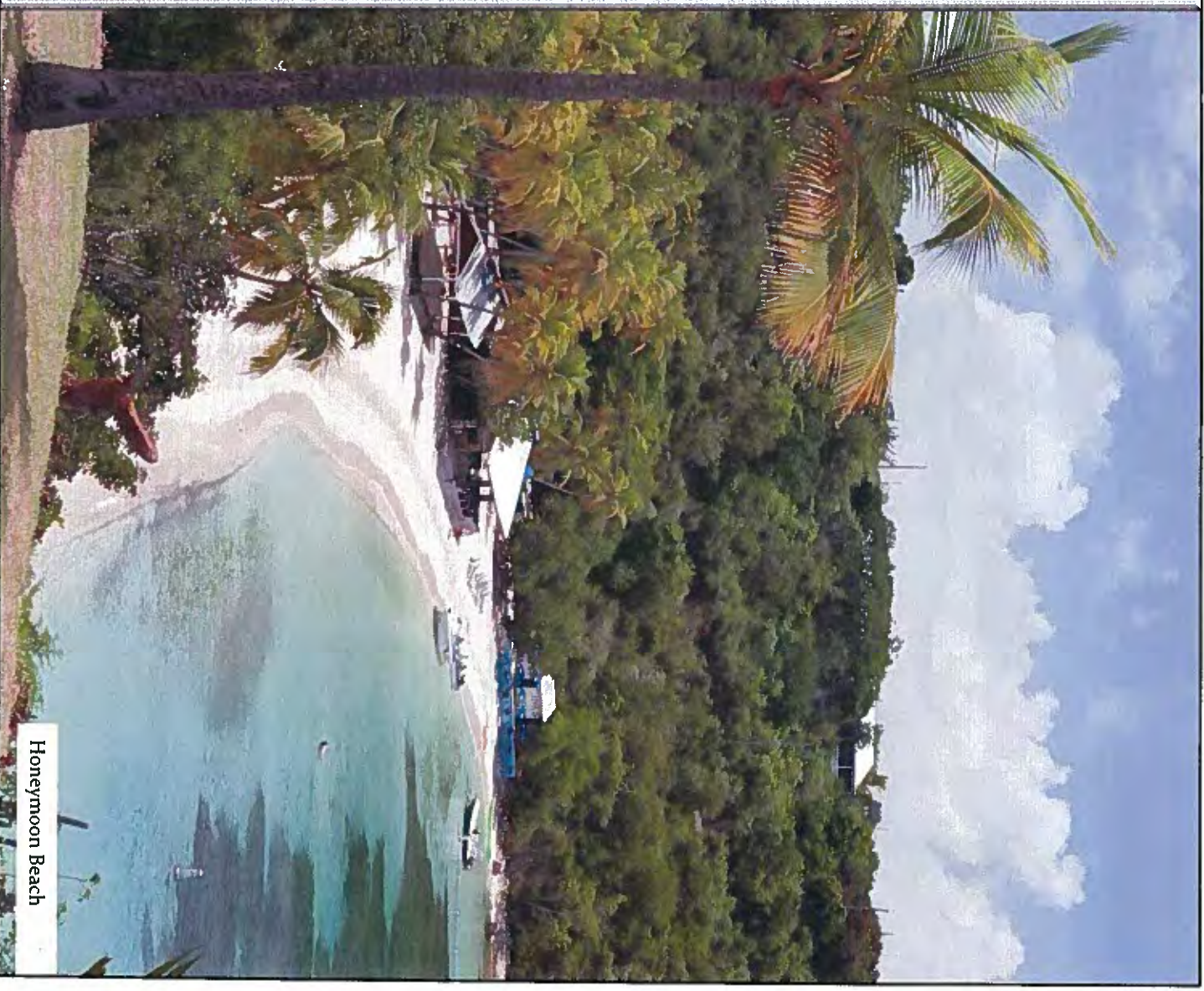
Source: Smith Travel Research; compiled by RIVVPAR International

Project Information

The two resort sites are owned by the Government of the USVI. As such, they intend to lease them to the successful bidder under a development and long term lease agreement. The intent is for the successful developer/operator to design, develop, construct, operate and maintain the upscale resort for the duration of the lease term. The Government of the USVI is open to extending a lease up to 99 years. The bidder may mortgage its leasehold interest subject to the requirements and limitations set forth in the lease agreement (provided the land remains unencumbered), to be negotiated between the Government and the successful bidder. The specific terms of the development and ground lease agreements will be negotiated with the successful bidder. For the land lease, it is anticipated that the Government will seek to establish a minimum base rent with a percentage above a certain revenue threshold.

Utilities

Utilities are in place and available on Water Island including electricity and telephone service via Virgin Islands Water and Power Authority and Innovative Communication, respectively. Meanwhile, there is currently no potable water or public sewage system on the island, with the only fresh water source consisting of rainwater collected in cisterns. As such, it is likely that a reverse osmosis desalination water plant, as well as a wastewater treatment plant, would need to be installed, or direct water and sewer lines connecting to St. Thomas be established for the resort. Along with the rest of the USVI, Water Island will soon be able to boast a world class, open access, high speed, fiber optic broadband network which will connect it to the rest of the world; the infrastructure for which is being installed now.



Honeymoon Beach

Project Scope

The Government is encouraging bidders to be innovative and creative in their approach to developing the Water Island sites into a unique world-class resort. At a minimum, the resort should be self-sufficient and of an upper upscale nature, providing a full range of facilities and amenities commensurate with industry standards for this level of self-sufficient operation. Specific amenities and features set forth in the bidder's EOI will be incorporated into the final development/lease agreement. Any ancillary facilities that are required should be set forth clearly in the EOI, as well.

The EOI should consider that the Government of the USVI is desirous of the following in relation to the resort project:

- 1) A turnkey approach (developing, financing and operating the resort).
- 2) World-class upper upscale resort, with recognizable and consistently high standards in services and amenities which will enhance the USVI's reputation as a pre-eminent leisure tourism destination.
- 3) Environmentally friendly/LEED Certification is preferred.
- 4) Current or proposed affiliation with a successful internationally known brand.
- 5) Target guests comprising both leisure transient and group travelers.
- 6) The proposed development should complement the attributes of the surrounding area and the uniqueness of the USVI.



Phillips Landing



View of Crown Bay Marina from Water Island

Concessions

The Government of the USVI will:

- 1) grant a term lease to the developer on mutually agreeable terms, on the land(s) which would comprise the resort site(s); the renewal of which will not be unreasonably withheld.
- 2) expeditiously facilitate, subject to the laws of the USVI, the requisite permissions required to proceed with this investment including USVI Coastal Zone Management (CZM) permitting. A CZM permit is required for any development activity in the first tier of the coastal zone.
- 3) consider the grant of additional incentives available under the laws of the USVI, subject to appropriate qualification or conditions.
- 4) consider the lease of additional parcels owned by the Government of the USVI under the deed restrictions implemented by the Department of the Interior.

EDC Program

The USVI offers very unique tax incentive programs for qualified businesses relocating to their shores through the Economic Development Commission. Benefits for businesses in the EDC program can include up to 90% reduction in corporate income tax, 90% reduction in personal income tax, and 100% exemption on business property tax. Additionally, the EDC Hotel Development Program under 29 VIC 1301 provides additional tax incentives for a limited time period for specific Hotel Development initiatives.



Flamingo Bay

Proposal Process

It is our intent to use a two-step process in the solicitation, evaluation and award of the project. The first step will be for the bidder to submit a proposal for evaluation by both REVPAR International and the Government of the USVI. After evaluation of all proposals, a short list of up to 3 firms will be made. These firms will be required to make a formal presentation to REVPAR International and the Government of the USVI at a mutually agreeable place and time. Based on the presentation, along with any additional information or clarification requested, we will begin negotiations with the bidder that best fulfills the stated requirements and objectives of the Government of the USVI. Pending the outcome of those negotiations, we will either consummate an agreement with that bidder or commence negotiations with the next bidder.

Pre-Proposal

Briefing & Tour

In order to facilitate your understanding of the objectives of the Government of the USVI, the sites, the desired facilities to be developed, as well as provide you any other information pertinent to providing us with the most complete and competitive FOI submission, we have arranged two site visits and briefings as follows:

1. October, 29, 2013 at 10:00 am
2. October 30, 2013 at 10:00 am

The site visit will include a briefing from REVPAR International and the Government of the USVI representatives, a tour of the subject site and an outbrief to answer any questions that arise during the course of the day. We estimate each site visit will take three to four hours.

Please RSVP for the site visit no later than October 11, 2013 at 5:00 pm EST by emailing Mr. Cylke at c.cylke@revpainl.com.

Additional Photography of Water Island

[Please click here to view additional photographs of Water Island.](#)



Honeymoon Beach

Required EOI Content

The following should be submitted by interested parties:

- 1) Letter of Interest.
- 2) Full contact details and corporate profile of the developer.
- 3) Where the investor will not be the developer or operator of the resort, details of the key entities that will be involved in the proposed development (developer, managers and operators).
- 4) Summary and evidence of a proven track record, solid reputation, success, and qualifications and experience in the hotel industry.
- 5) Schematic design and/or conceptual rendering illustrating the proposed development; as well as key elements of the resort project including services and amenities.
- 6) Preliminary Business plan that includes:
 - a) Narrative description of the proposed development, which takes into account the matters outlined in the project scope above.
 - b) Estimate of the project development budget, and evidence of the developer's financial ability to undertake such a project.
 - c) Details of the proposed developmental time line.
 - d) Any additional information that the person(s) considers appropriate to assist the Government of the USVI with a better understanding of its proposal.
- 7) Any additional consideration either in the form of incentives or in the form of additional land development rights.

Please note that, if the EOI is from a consortia or joint venture, information on all entities comprising the consortia must be provided. It must clearly indicate which person is the lead entity of the consortia. The nature of the consortia should be specified, and evidenced by letter or agreement signed by all participating entities.

Evaluation Criteria

At this juncture, there is no specific evaluation criteria, though only formalized responses adhering to the Required EOI Content as outlined above will be considered.

Submittal Details

Please submit three (3) hard copies and one (1) electronic copy **no later than November 15, 2013 at 5:00 pm EST** to the following address:

REVPAR International, Inc.

Attention: Mr. Christopher Cylke

1020 N. Fairfax Street, Suite 320, Alexandria, VA 22314

Telephone: 954-376-4754

Email: c.cylke@revparintl.com

- Any submittal received after the deadline will be returned to the sender.
- EOI must be in a sealed envelope, which is clearly marked "EOI for Resort Development, Water Island."
- No faxed proposals are permitted.
- The Government of the USVI and REVPAR International shall not be responsible for the loss or non-receipt or delay in the receipt of any EOI sent by post or courier to REVPAR International, Inc.
- Any and all costs associated with your company's submission of the EOI including any costs associated with any requested or independent site visits will be borne by you. Nothing in this letter or solicitation should be construed as obligating the Government of the USVI or REVPAR International, Inc. to reimburse you for any costs associated with your submission(s) for this endeavor.
- It is the responsibility of each company to clearly mark any part of the submission considered to be of a proprietary or confidential nature.

Correspondence

All questions, inquiries, and correspondence associated with this solicitation should be emailed to Mr. Cylke at c.cylke@revparintl.com. Please provide "EOI Water Island Resort" in the subject line. Any information given to a prospective firm concerning this EOI will be furnished to all known prospective firms as an amendment to this EOI, if, in the opinion of REVPAR International, such information is necessary in submitting responses to this EOI. Oral instructions given prior to award are not binding.

Under no circumstances should you contact the Government of the USVI during the course of this process. Nothing in this letter or solicitation obligates the Government of the USVI to enter into a development or management agreement with any party. This solicitation may be cancelled at any time without notice.

VIA EMAIL

November 29, 2012

Ms. Lynn Millin Maduro
Commissioner
Department of Property and Procurement
Government of the United States Virgin Islands
Building No. 1, Subbase
Charlotte Amalie
St. Thomas, USVI 00802

Email: lynn.millinmaduro@dpp.vi.gov



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1930 Harrison Street
Suite 305
Hollywood, FL 33020
Phone: (954) 376-4754

Re: Assessment of the Viability of Lodging Development on Water Island

Dear Ms. Millin Maduro:

In accordance with Components 1 and 2 of our proposal, the following letter summarizes our findings relative to the proposed development of a hotel/resort on Water Island in the United States Virgin Islands (USVI). The designated site on Honeymoon Beach is currently controlled by the *Government of the United States Virgin Islands*.

The reason for preparing the study is to establish the market and financial feasibility of developing a new hotel/resort on the island in anticipation of the Government issuing a Request for Proposal to solicit private sector interest in developing the project over the next few years.

Our conclusions and recommendations are based upon our present knowledge and information with respect to economic and demographic data, room night demand sources, and the status of the competitive hotel market at the completion of our fieldwork in October 2012.

PRELIMINARY CONCLUSION

Based on our analysis of the market area, as well as current and prospective supply and demand trends in the USVI and various regional resort destinations within the Caribbean, we are of the opinion that there is sufficient market support for development of an upper-upscale resort product on Water Island.

The existing hotel market supply on nearby St. Thomas experienced significant declines during the recent economic recession but has since returned to stability relative to room rates and occupancy. Meanwhile, there has been virtually no new hotel supply developed in the USVI over the past 15 years, mostly due to the high cost of construction, energy, and insurance in the USVI. Nonetheless, demand for accommodations has continued to grow, with the noted exception of 2011 when the 478-unit *Marriott Frenchman's Reef* closed a large portion of its inventory for renovation and displaced a significant amount of room night demand.

Specific to Honeymoon Beach, we are of the opinion that it is an excellent site for resort development and comparable to other competitive resort properties on nearby St. Thomas and St. John, including *Marriott Frenchman's Reef* and the *Westin St. John*. Indeed, the site's prime attributes include a relatively secluded location, sweeping views of Caribbean Sea, and direct access/proximity to a white sand beach.

While economic conditions indicate market support for new hotel supply, the operating costs within the USVI remain extremely high, particularly for energy and insurance. In addition, development costs are higher than many competitive destinations because of its location. Together, these two factors have

hindered the financial viability of many prior projects, which has resulted in a dearth of new hotel development within the USVI for some time now. In an effort to change that and encourage the development of new hotel product in the USVI, the government has put into place the *Hotel Development Act of 2011*, which allows for new hotel projects within the USVI to retain the occupancy tax it generates as long as it has a mortgage. This tax amounts to 10 percent of a hotel's rooms revenue minus a (maximum) contribution of \$500,000 to the *Department of Tourism's Tourism Revolving Fund* and \$2,500 to the *Department of Labor's Virgin Islanders Living Abroad* database fund. These funds can be used to offset or subsidize the above-average operating costs as identified above. Inclusion of this tax revenue stream in the income statement of the hotel raises the financial feasibility of the project.

Separately, being sensitive to potential concerns by local residents of Water Island to new commercial development, as well as the sheer dollar amounts an expansive resort development would require, we prepared two sets of projections for a new resort on Water Island. First, a 74-room resort (*Scenario 1*) centered on Honeymoon Beach, while the 2nd scenario represents a larger 125-room resort (*Scenario 2*) split between Honeymoon Beach and a non-waterfront site that was previously home to the former *Water Island Hotel*.

Based on the foregoing, we estimate that the proposed *Scenario 1* - 74-room resort hotel can achieve \$11 million in total revenues and an NOI of \$2.3 million in a stabilized year (in current value 2012 dollars). This assumes that the subject hotel can achieve a stabilized occupancy level of 63 percent at an average room rate of \$415.00 (expressed in 2012 dollars) in a representative year, assumed to be the 3rd year after opening. We estimate that the *Scenario 2* - 125-room resort hotel can achieve \$19.4 million in total revenues and an NOI of \$4.5 million in a stabilized year (in current value 2012 dollars). This assumes that the subject hotel can achieve a stabilized occupancy level of 68 percent at an average room rate of \$370.00 (expressed in 2012 dollars) in a representative year, assumed to be the 3rd year after opening. A six-year projection of the hotel's operating performance under both scenarios is provided in the *Projected Operating Levels* section of this letter, with supporting cash flows contained in the *Addenda*.

The balance of this letter outlines our findings and property projections.

AREA REVIEW

The USVI consists of three main islands of St. Thomas, St. Croix, and St. John, as well as the considerably smaller yet distinct Water Island, along with several other nearby minor islands. The islands are situated roughly 40 miles east of Puerto Rico. St. Croix is the largest and most populated of the three islands, with St. Thomas, St. John and Water Island following, respectively. The capital of the USVI is Charlotte Amalie located on St. Thomas which is also the center of the tourism market that dominates commerce on the islands. A majority of the hotels and the busiest cruise ship port in the USVI are located on St. Thomas. St. John is located roughly four miles to the east of St. Thomas and is easily accessible by ferry. St. Croix is approximately 40 miles to the south of St. Thomas and St. John and is generally its own distinct destination, while Water Island is roughly one-half mile south of St. Thomas' Charlotte Amalie Harbor and accessible by boat only. The map to the right illustrates the location of the USVI within the Caribbean.



Discovered by Columbus in 1493, the Virgin Islands (St. Thomas and St. John) were settled by the *Danish East India Company* in 1672 and 1694, respectively; the islands officially became royal Danish colonies in 1754. The Danish government twice tried to sell the unprofitable colonies to the U.S. before finally unloading them for \$25 million in 1917. Since 1927, all the inhabitants of the USVI have been citizens of the U.S., but they are officially an unincorporated territory of the U.S. This territorial status has been an issue of contention for some residents as it has been in nearby Puerto Rico but the benefits seem to outweigh the negatives. As such, there is no strong desire for a change in status (statehood or independence) and the political climate is stable.

The closest main island to Water Island is St. Thomas which is the most popular of the USVIs and has the highest resident and visitor population counts. St. Thomas has much to offer the visitor including a favorable climate, friendly people, and a number of unique attractions. St. Thomas is characterized by a beautiful rugged coast line dotted with white sandy beaches that border clear blue waters and offers a full range of water sports. The climate in St. Thomas is mild (71 to 89 degrees Fahrenheit on average), tempered by trade winds. In addition to being home to the territory's capital, Charlotte Amalie, St. Thomas is also home to two large cruise ports. This has provided St. Thomas with the enviable position of being the epicenter for both government and tourism spending. The area that has experienced the most intense development on St. Thomas is along the South Coast surrounding Charlotte Amalie. In contrast, the West End and North Coast have remained largely undeveloped, with the exception of private homes. The East End/Red Hook area has been growing as a result of its hotels, timeshares, and vacation condominiums and is home to the primary inter-island ferry dock, which offers ferry service between St. Thomas and St. John.

Meanwhile, Water Island is roughly 490-acres and the youngest of the USVIs, having been purchased by the *Federal Government* from *Danish East India Company* in 1944 as a means to protect the submarine base on neighboring St. Thomas, and to test chemical warfare agents. The *Department of Defense* (DOD) relinquished control of it in 1950 to the *Department of the Interior*, who then leased it to a private developer. The initial development of Water Island included the original *Water Island Hotel*, as well as residential homes. In 1965, the master lease of Water Island was sold to another developer, who expanded the hotel and renamed it the *Water Isle Hotel & Beach Club*, and the sub-leased additional private home lots. Sadly, in 1989, the hotel was damaged by Hurricane Hugo, never to be repaired, and the lease was left to expire some three years later. It was not until 1996 that the *Department of the Interior* formally transferred control of Water Island to the *USVI Government*, making it the 4th USVI. During the transfer, the existing residential sublease leaseholds were allowed to acquire their property on a fee simple basis. In its current state, the island functions as a residential community for a population of less than 200 people concentrated in Carolina Point, Flamingo Point, and Sprat Bay, though visitors are able to stay on island in a variety of rental homes and campgrounds. There is little evidence of commercialization and the *Water Island Civic Association*, in conjunction with the *USVI Government*, maintains and provides services to the island and its residents.

Service industries constitute the foundation of the USVI's economy. The major sources of employment are tourism-related businesses, which includes everything from hotels and resorts to independent taxi operators serving cruise ship passengers. Overall, the USVI economy has experienced moderate economic growth since 2002, largely due to the influx in visitors both by plane and cruise ship. It should be noted that much of the local economy is tied to the health of its primary feeder market, the U.S. With that in mind, the USVI economy was profoundly impacted by the world-wide credit crisis, and national recession that began in 2008. This is evidenced by the 7+ percent decline in visitors between 2007 and 2009. At year-end 2011, in line with the improvement of the U.S. economy, the number of visitors to the USVI rebounded by 9.4 percent compounded annually since the low of 2009 to roughly 2.68 million, the highest number of visitors to the USVI over the reporting period. As of June 2012, the total number of visitors to the territory had fallen slightly from 1,547,883 in 2012, representative of a decrease of 16,823 visitors or roughly one percent. According to representatives from the *Virgin Islands Hotel and*

Tourism Association, this is in part due to the unusually warm weather experienced in the northeastern U.S., a major area of origin of USVI tourists, as well as a reduction in cruise ship visitors by roughly 25 percent year-over-year.

Part of the demand for lodging is related to the economic and demographic growth of the market area. Factors affecting trends into the future include the following:

- The population of the entire USVI has decreased from 114,743 in 2007 to 106,405 in 2010 (latest data available), representing a 2.5 percent negative compound annual growth. Estimates for the population as of July 2012 stood at 105,275.
- The population of St. Thomas decreased at a compound annual rate of 1.5 percent or from 54,070 to 51,634 during this same time frame. The slower negative growth rate in St. Thomas compared to St. Croix and St. John is due to the fact that the majority of the territory's employment opportunities are on St. Thomas.
- The territory, as a whole, has experienced moderate economic growth over the past decade, although the economy did decline in both 2008 and 2009 before rebounding in 2010 (latest data available). Real Gross Domestic Product (GDP) – GDP adjusted to remove price changes – increased from \$4.2 billion in 2002 to \$4.6 billion in 2010, representing a compound annual growth rate of 1.3 percent. The overall growth has been largely spurred by the private sector, particularly from increased activity within the tourism sector, as well as activity at the *Hovensa Oil Refinery* on St. Croix. Specific to the rebound in 2010, the primary source of overall GDP growth was due to the services-producing industries, including healthcare. Furthermore, the trade balance contributed significantly to economic growth with the importation of goods declining more rapidly than the exporting of goods, as did net foreign travel, increases in private fixed spending (most notably construction), and increased government spending. However, neither the *USVI Bureau of Economic Research* nor the *U.S. Department of Commerce's Bureau of Economic Analysis* has published statistics for 2011. We assume that the GDP increased, largely due to the increase in visitors. Into 2012, we believe that GDP will decline, due to both the decrease in the number of tourists on a year-to-date basis so far, and the *Hovensa Oil Refinery* ceasing operation in February 2012 and laying-off roughly 1,200 employees and 950 subcontractors. This eliminated them as the largest private employer in the territory and impacted the overall value of exports. According to Government, the shutdown of the oil refinery may represent a \$580 million reduction in direct gross economic output - approximately 13 percent of the total gross territorial product. It is also expected to result in a loss of more than \$92 million in tax receipts. At the current time, the future of the facility is undetermined, although government officials have stated that they would like to see it re-opened or sold to another operator.
- The civilian labor force in the USVI increased modestly between 1990 and 2011 from 48,260 to 50,729, or by 0.2 percent annually. Employment during that same period decreased slightly by 0.1 percent annually from 46,930 to 46,121. The annual unemployment rate reached its highest level in 2003 at 9.4 percent. Since then, the rate declined five years in a row to a low of 5.8 percent in 2008. In 2009, territory-wide unemployment rate spiked to 7.6 percent following layoffs at various tourism-related employers, and has continued to increase to 9.1 percent as of year-end 2011. According to the *USVI Department of Labor*, as of September 2012, the unemployment rate stood at 13.6 percent, up 4.1 percentage points over the same period in 2011. The increase is reflective of a contraction of private sector employment, including the loss of employees from the *Hovensa Oil Refinery*, as well as related to seasonality in the leisure and hospitality sectors. Moreover, this has been compounded by the *USVI Government's* termination of government workers beginning in 1st quarter 2012 in a bid to better control spending and reduce budget deficit, which have contributed to an 8 percent loss of public sector workers in the 1st six months of FY 2012 compared to same period one year earlier. Major employers on St. Thomas include the *Federal Government*, *Ritz Carlton*, *Marriott Frenchman's Reef Resort*, *Wyndham Sugar Bay*, *WICO*, and *Innovative Telephone Corporation*, to name a few. It should be noted that the territorial government remains the largest employer in the USVI.

- In 1994, the territory's industrial development program was created for the purpose of promoting growth, development and diversification of the USVI. The *Economic Development Commission* (EDC) administers the industrial development program under Title 29 Virgin Islands Code, Chapter 12 and Section 934 of the U.S. Internal Revenue Code. Companies eligible for the tax benefits from the EDC represent a broad range of industries including hotels, guesthouses, manufacturing and assembly, major tourist attractions, transportation-related, and export service businesses. The potential tax benefits for member companies include: 90 percent exemption on local income taxes, 90 percent exemption on dividends, 100 percent exemption on gross receipts taxes, 100 percent exemption on property taxes, 100 percent exemption on excise taxes, and one percent custom duties. While the *USVI Government* has publicly stated that these incentives are vital to the local economy, the *Federal Government* has tightened eligibility requirements and increased the number of audits, responding to cases of abuse.
- Two successful examples of these incentives creating investment in the USVI come from the rum industry's *Cruzan* and *Captain Morgan* brands. In 2009, the USVI government signed a 30-year agreement with *Beum Inc.*'s subsidiary *Cruzan VIRIL, Ltd*, the owner of *Cruzan Rum*, to expand their St. Croix rum distillery. The project opened in 2012 and is expected to substantially increase production capacity by 50 percent. The company projects rum production to jump to 16.1 million gallons annually by 2013. So as to continue to promote achievement of threshold level of U.S. rum sales and maximize cover-over revenues for the USVI, the agreement was recently amended in April 2012 via the *USVI Legislature* whereby the level of support from the *USVI Government* to *Cruzan VIRIL, Ltd* pursuant to aggregate rum sale targets, decreased from 31.5 percent to 25 percent rather than the original 18 percent, and will remain in effect through 2018. The amendments were brought about because of the significant changes in the United States bulk rum market, inclusive of competition from new producers, volatility in sugar markets, as well as new incentives that the *Government of Puerto Rico* recently provided its own rum producers. Another 30-year agreement was signed in 2008 for London-based *Diageo PLC*'s *Captain Morgan* to be moved from Puerto Rico to the new expanded distillery on a 26-acre site at *St. Croix Renaissance Park*. Production of the rum also began in 2012, with the distillery supplying all rum used to make *Captain Morgan* branded products of the U.S.-based *Diageo* has the capacity to produce 20 million proof gallons of rum annually, and is projected to return a gross of \$100 million annually. Roughly 8.4 million proof gallons of rum were shipped in the first half of fiscal year 2012, representative of a 87 percent increase over the same period in 2011. However, rum excise taxes are currently roughly \$2 million under 2011 figures as the cover over rate reverted back in March 2012 to \$10.50 from the \$13.25 price per proof gallon imposed by the *Federal Government*. However, the *United States Congress* normally reverts the cover rate back to \$13.25 every two years, which should see a marked increase in rum excise taxes in 2014.
- Similar to the United States in recent years, St. Thomas had enjoyed significant growth in the development of new residences, fueled by a number of factors including its status as United States Territory, income tax advantages, and non-passport requirements to United States citizens. The aging of the baby boom generation and their quest for second homes in water-based locations also played a significant role. Collectively, these factors have helped drive real estate prices higher through the first part of the last decade. Based on a review of statistics, the local real estate market peaked in 2007 with the average home in St. Thomas selling for \$783,000. Subsequent to 2007, St. Thomas experienced a steep decline in residential development activity, transactions and pricing in the wake of the financial crisis that hit the U.S., along with the subsequent worldwide recession. As a result, the average sales price for an existing home on St. Thomas declined to \$684,000 in 2011, representing a 3.3 percent decrease over 2007 price levels. The total number of homes sold also decreased from 174 in 2007 to 138 in 2011. These declines put a halt to a number of residential, fractional and timeshare projects that were proposed for USVI; including *Cabrita Point*, *Wyndham Vacation Resorts*' redevelopment of the former *Renaissance Resort*, and *Botany Bay*, to name a few. We understand that the residential market is improving, but will require a few years for pricing to recover and new projects to recommence. There are no specific statistics available for Water Island

regarding its residential market. A review of a number of multiple listing services (MLS) reveal that pricing for homes for sale currently range from \$275,000 to \$2.5 million.

- Construction has remained flat with only the public sector engaged in infrastructure projects. These projects include the \$10 million *University of the Virgin Islands St. Thomas Residence Halls*, the \$20 million *Whispering Hills* housing development, the \$5 million *Main Street Enhancement Project*, the \$5.4 million *Rothschild Francis Square Revitalization*, the \$13 million *UVI Research & Technology Park Campus Building* and the 1st phase of the \$20 million *Louis Brown Villas* housing development on St. Croix. With regards to new commercial development, St. Thomas has seen little since the opening of *East End Plaza* in late 2008 and the *Yacht Haven Grande* in late 2006. Both projects have struggled to attract and/or maintain tenants. In addition, both projects have proposed hotel components in their 2nd phase of development, although timelines are unknown at this time.
- Cyril E. King Airport* is located on the West End of St. Thomas and is the primary entry point for visitors to St. Thomas and St. John. Eight major airline carriers serve *Cyril E. King Airport*, with direct flights to 11 major gateway cities in the U.S. *American Airlines'* hub in San Juan currently offers direct connections to six destinations in the U.S. It should be noted that *American Airlines* and *American Eagle* have drastically reduced the number of flights into and out of San Juan, effectively moving its Caribbean hub to Miami. The wind-down of the flights began in September 2008 when *American* cut daily departures from San Juan from 93 to 51, representative of a decrease of roughly 45 percent. In the early 2000's, *American* and *American Eagle* operated more than 100 daily flights from San Juan. Plans are now for a phase-out of the *American Eagle* San Juan base by March 2013 as part of *American's* Chapter 11 restructuring. As a result, intra-Caribbean flights, inclusive of those to *Cyril E. King Airport*, served by *American Eagle*, would be phased out commencing this year and continuing through 2013. *American Eagle* currently serves approximately 12 locations within the Caribbean, inclusive of St. Thomas and St. Croix. *Jet Blue* is attempting to make up for the loss in *American Eagle* flights by adding flights, but their aircrafts offer less seats than *American Eagle* flights offer. The table on the following page details historical passenger movements and the average number of available seats per week at St. Thomas' *Cyril E. King Airport*.
- Total passenger arrivals increased by 0.9 percent compounded annually between 2000 and 2011 or from 482,441 in 2000 to 531,907 in 2011. Despite the fact that airlift to the island decreased an average of 1.6 percent compounded annually, the number of total passengers increased – an indication that planes in the shoulder and off-peak season are arriving with greater load factors. It should also be noted that many of the passenger arriving in St. Thomas head directly to St. John or the British Virgin Islands (BVI), since neither offer direct air service to the United States. The peak year for air travel was 2007 with passenger counts reaching 561,321. Both 2008 and 2009 saw declines in

Historical Passenger Movements & Average Available Seats Cyril E. King Airport				
Year	Total Passengers		Available Seats per Week ⁽¹⁾	
	Number	% Change	Number	% Change
Year-End				
2000	482,441	--	12,938	--
2001	469,423	(2.7%)	11,081	(14.4%)
2002	471,233	0.04%	12,147	9.6%
2003	504,322	7.0%	11,740	(3.4%)
2004	526,400	4.4%	11,550	(1.6%)
2005	543,442	3.2%	11,458	(0.8%)
2006	533,419	(1.8%)	11,898	3.8%
2007	561,321	5.2%	11,073	(6.9%)
2008	558,412	(0.5%)	10,503	(11.4%)
2009	533,310	(4.7%)	10,982	4.4%
2010	543,002	1.8%	11,042	0.5%
2011	531,907	(2.0%)	11,084	0.4%
CAG ⁽²⁾	0.9%	--	(1.4%)	--
Year-to-Date through August				
2011	387,454	--	12,291	--
2012	431,406	11.3%	13,147	7.0%
Notes: ⁽¹⁾ Based on scheduled flights arriving from outside the Caribbean, excludes <i>American Eagle</i> and other regional carriers.				
⁽²⁾ Compound Annual Growth.				
Source: USVI Bureau of Economic Research; compiled by REVPAR International, Inc.				

passenger counts, attributed to the recession in the U.S. as well as a slight decline in airlift capacity. Air arrivals bottomed out in 2009, as indicated by the modest 1.8 percent increase in passengers in 2010. This coincides with the beginning of a rebound in travel and room night demand in the U.S. and the end of the recession. However, 2011 saw a reversal in the positive trend by roughly two percent, likely the result of the temporary closure of 300+ rooms at the *Marriott Frenchman's Reef*, as the hotel underwent renovation. Year-to-date August 2012, there has been a significant increase in both total passengers and available seats per week, with an increase of 11.3 percent and 7 percent over the same period in 2011, respectively. This has been, in part, fueled by the addition of flights from Toronto by *Air Canada* as well *JetBlue* from Boston.

- The number of annual cruise visitors to St. Thomas is more than three times the number of air visitors; as such, the cruise ship industry is a central part of the economy in the USVI. The primary cruise ship ports in the region are *Havensight*, *Crown Bay*, and the *Waterfront*, all of which are located in Charlotte Amalie, St. Thomas. The table to the right details the historical cruise ship calls on St. Thomas. Cruise ship calls into St. Thomas have decreased at a compound annual rate of 3.5 percent from 2000 to 2011, or from 949 to 643; however, due to the increased capacity of newer ships, actual passenger arrivals have increased at a compound annual growth rate of 0.8 percent or from 1,719,827 to 1,887,096. Similar to air passenger counts, cruise passenger counts peaked in 2007, underwent heavy losses in 2008 and 2009, and have rebounded into 2010. For 2012 year-to-date through

Historical Cruise Ship Calls on St. Thomas				
Year	Calls		Passenger Arrivals	
	Number	% Change	Number	% Change
Year-End				
2000	949	--	1,719,827	--
2001	909	(4.2%)	1,790,452	4.1%
2002	812	(10.7%)	1,671,318	(6.7%)
2003	878	8.1%	1,751,930	4.8%
2004	922	5.0%	1,960,913	11.9%
2005	814	(11.7%)	1,909,984	(2.6%)
2006	776	(4.7%)	1,901,275	(0.5%)
2007	750	(3.3%)	1,917,371	0.8%
2008	685	(9.4%)	1,754,557	(9.2%)
2009	693	(15%)	1,507,623	(16.3%)
2010	631	6.0%	1,751,328	13.9%
2011	643	1.9%	1,887,096	7.8%
CAG ⁽¹⁾	(3.5%)	--	0.8%	--
Year-to-Date through August				
2011	464	--	1,368,214	--
2012	440	(5.2%)	1,300,079	(5.0%)

Note: ⁽¹⁾ Compound Annual Growth
Source: USVI Bureau of Economic Research; compiled by REVPAR International, Inc.

August, both the number of cruise ship calls and total passenger arrivals were down 5.2 and 5 percent over the same period in 2011, attributable, if only in part, to hesitancy from prospective cruise passengers following the *Costa Concordia* disaster. Both *Carnival Cruise Lines* and *Royal Caribbean*, two of the major cruise companies to visit St. Thomas, saw worldwide bookings decrease by in their mid-teens following the sinking in mid-January. Moreover, with the disaster occurring in "wave season", which is the time of year when roughly one-third of all cruises are reserved, the focus went from advertising campaigns to the reassuring cruisers of the safety of the industry, hurting sales dramatically. Into the future, St. Thomas is expected to remain a primary cruise destination within the Caribbean, given its proximity to the port of San Juan and its convenient location along routes from Florida to the Eastern Caribbean. *Royal Caribbean* has announced plans to include two additional ships to regularly call upon the USVI for the 2013-2014 season, including a total of eight summer calls to St. Thomas alone. That being said, the recent decline in the economy of the United States led many cruise lines to temporarily redeploy some of their ships to other global destinations including the Mediterranean and the South China Sea. These alternative destinations could threaten the Caribbean Basin's dominance of the cruise industry over the longer term.

- The trend in overall visitor expenditures in the USVI has been negative in recent years, decreasing at an annual rate of 1.7 percent between 2000 and 2010. As the table on the right indicates, total visitor expenditures peaked at a record \$1.51 billion in 2007. The 23.5 percent decrease in visitor expenditures between 2008 and 2009 has been attributed to a decline in the number of both air and cruise ship visitors to the island, as well as a decrease in overall spending by both groups during the recession. The *USVI Bureau of Economic Research* has yet to release statistics for 2011. Into the future, we anticipate visitor expenditures will continue to mirror both air and cruise passenger arrivals, both of which are expected to grow modestly.
- There are currently 47 hotels with 3,759 rooms in the USVI; this includes large resorts like the *Marriott Frenchman's Reef*, small inns, and even the *Maho Bay Tent Camp*. Separately, the USVI had a total of 1,130 condominium, guesthouse and timeshare unit (rooms) as of year-end 2011 that were rented out on a daily or weekly basis. It should be noted that this number reflects only those units registered with the government and excludes those used by the owners, and rented out on a casual or indirect basis. These units typically operate at even lower occupancy levels due to the lack of a cohesive market plan and owner usage; although the addition of professional management companies like *Antilles Resorts* have made the condominiums at *Point Pleasant* and *Sapphire Beach Resort* more competitive in recent years. The following table details the lodging performance (hotels and condominiums) for the entire USVI, as well as St. Thomas and St. John.

Historical Visitor Expenditures in USVI		
Year	Total Expenditures	Percent Change
2000	\$1,205,900,000	--
2001	\$1,234,100,000	2.3%
2002	\$1,195,400,000	(3.1%)
2003	\$1,256,500,000	5.1%
2004	\$1,356,000,000	7.9%
2005	\$1,431,600,000	5.6%
2006	\$1,467,600,000	2.5%
2007	\$1,512,600,000	3.1%
2008	\$1,157,100,000	(23.5%)
2009	\$1,021,300,000	(11.7%)
2010	\$1,012,500,000	(0.9%)
CAG ⁽¹⁾	(1.7%)	--

Note: ⁽¹⁾ Compound Annual Growth
Source: USVI Bureau of Economic Research; compiled by: REVPAR International, Inc.

Trends in Historical Lodging Performance (Hotels and Condominiums)						
Year	Entire USVI			St. John and St. Thomas		
	ARN ⁽¹⁾	ORN ⁽²⁾	Occ %	ARN ⁽¹⁾	ORN ⁽²⁾	Occ %
Year-End						
2006	1,718,800	1,040,800	60.5%	1,294,600	823,600	63.6%
2007	1,695,200	1,101,000	64.9%	1,265,400	867,800	68.6%
2008	1,789,600	1,036,200	60.0%	1,340,000	828,200	64.6%
2009	1,815,500	998,400	55.0%	1,368,600	825,300	60.3%
2010	1,828,100	1,042,200	57.0%	1,386,700	839,800	60.6%
2011	1,781,900	928,500	52.1%	1,336,000	727,300	54.4%
CAG ⁽³⁾	0.7%	(2.3%)	--	0.6%	(2.5%)	--
Year-to-Date through June						
2011	891,600	443,400	49.7%	670,300	356,100	53.1%
2012	898,900	415,800	46.2%	680,600	326,100	47.9%
% Change	0.8%	(6.2%)	--	1.5%	(8.4%)	--

Notes: ⁽¹⁾ Available Room Nights
⁽²⁾ Occupied Room Nights
⁽³⁾ Compound Annual Growth.

Source: USVI Bureau of Economic Research; compiled by REVPAR International, Inc.

- The lodging accommodation occupancy rate for the entire territory decreased from 60.5 percent in 2006 to 52.1 percent in 2011, with declines in occupancy driven by a combination of increases in supply and a decline in demand, which decreased by roughly 112,300 over the same period. The overall market realized an increase of roughly 77 new lodging units between 2006 and 2011, a result

of the opening of *Marriott Vacation Club's* 220-unit *Frenchman's Cove Resort*, and the addition of some residential condominiums to various rental programs. It must be noted that *Marriott Frenchman's Reef* was under renovation during 2011, and thus the available room nights since completion have increased 0.8 percent as of June 2012. In regards to St. Thomas and St. John's lodging occupancy (as St. Croix only represents roughly 25 percent of the territory's lodging supply), occupancy rates mimicked the territory-wide performance, decreasing from 63.6 percent in 2006 to 54.4 percent in 2011, with room night demand or occupied room nights for the St. Thomas and St. John lodging facilities decreasing 2.5 percent compounded annually from 2006 to 2011, reflecting a decrease of roughly 96,300 room nights. As expected, room night demand and lodging occupancies peaked in 2007, prior to the global credit crisis and subsequent worldwide recession. This peak also coincided with a peak in air passenger counts. Declines in demand, coupled with increases in supply in 2008 and 2009, lead to a four point decline in occupancy in both years. As of year-to-date June 2012, the increase of supply and the decrease in the total number of visitors to the USVI have led to a decrease in occupancy levels in St. Thomas and St. John.

Based on the foregoing and discussions with people familiar with the local economy, it is estimated that the local economy is being impacted by the loss of the *Hovensa* refinery and, assuming it remains closed, the economy is likely to contract in 2012. Additionally, a decline in the hospitality and construction sectors, as well as the lay-off of government workers, is expected to further negatively impact the Territory's economy over the short term. On a more positive note, these decreases will be lessened by the aforementioned increases in rum exports due to the presence of both the *Cruzan Rum* and *Captain Morgan* distilleries, the projected reversal and positive increase in cruise passengers, and the continued increase in air travelers. Results for 2012 thus far are mixed, as small increases in air visitors, decreases in cruise visitors, and decreases in occupied room nights offer little clarity; however, most hoteliers we spoke with were bullish on the future tourism prospects for the USVI. The only concern that was consistently noted for the tourism sector was the extremely high cost of energy, equal to roughly five times that paid in the United States, which has led many hotels to switch to self-generation in hopes of keeping costs down, with modest success. Finally, it should be noted that growth in the tourism sector is somewhat tied to supply growth or, in some cases, supply reductions. Since the market is highly seasonal, it is difficult for it to grow without the addition of new supply to accommodate additional demand during the peak and certain shoulder periods. This includes both traditional hotels, timeshare/fractional, and resort condominium units.

SITE REVIEW

REVPAR International was presented with two sites for the proposed hotel development: the site on which the original 50-room *Water Island Hotel and Beach Club* occupied until 1989 when Hurricane Hugo damaged the hotel beyond repair, as well as a site located seafront at Honeymoon Beach. REVPAR International requested the acreage of the available parcels of land from the *Department of Property and Procurement*, but this has yet to be furnished.

The first site is located on a peninsula between Flamingo Bay and Druif Bay, overlooking Honeymoon Beach. The second site is triangular in nature and situated on Honeymoon Beach between the waterline and the Main Road. The island's main entry point, *Phillips Landing* is located at the southwestern end of Elephant Bay roughly one-half mile south of Crown Bay in Charlotte Amalie West, St. Thomas. The aerial photographs below identify the location of both sites relative to Charlotte Amalie.



We are of the opinion that the second site at Honeymoon Beach presents the most viable option for resort development in light of its direct beachfront access. The original *Water Island Hotel* site offers sweeping views of the sea but has no direct access to the beach, thus making it secondary in our opinion. That being said, it could certainly be developed in conjunction with the Honeymoon Beach site and serve as the central public area for the hotel and even some guest rooms, similar to the split hillside/beachfront layout of the *Marriott Frenchman's Reef and Morning Star Resort*. However, we would not develop any resort on Water Island without the inclusion of Honeymoon Beach as the primary location for most of the guest room inventory.

The majority of land surrounding the subject sites is vacant or sparsely developed with single family homes; the exception being two food service vendors which have concession operations on Honeymoon Beach. The primary reason for the limited development of Water Island is the fact that it was not until 1996 that the local residents gained control of their land leases. Moreover, the only fresh water source on

the island is rainwater collected in cisterns and the lack of any type of sewage system, which has eliminated most forms of commercial development. However, electricity and telephone service is available via *Virgin Islands Water and Power Authority* and *Innovative Communication*, respectively.

The following bullets evaluate the subject site's access, visibility and proximity to demand generators and area amenities.

- In order to access to Water Island, the majority of visitors must either initially fly into *Cyril E. King International Airport* (STT), roughly three miles west of *Crown Bay Marina* via Route 302 (Airport Drive) and Route 304 on St. Thomas, or arrive via one of the several ferries or seaplanes that service Charlotte Amalie Harbor. Visitors then would continue to Water Island either by private boat or through the use of the paid *Water Island Ferry* service that operates daily between *Crown Bay Marina* and *Phillips Landing* on Water Island. The majority of visitors and residents choose to use the ferry, with the half-mile journey taking approximately 10 minutes to complete. As such, although not directly accessible via land, access to the island is relatively quick and easy and more proximate to the airport when compared to potential competitors both on St. John or St. Thomas in the case of *Sugar Bay* and the *Ritz Carlton*, which are each a 30+ minute drive from the airport. Once on the island at *Phillips Landing*, the sites are less than three quarters of a mile via Main Road to Druid Road. At the present time, the island does not offer taxi or public transportation services. Thus, we assumed that the resort would offer its own shuttle service to and from Water Island, as well all on island transportation.
- The subject site's visibility from Main Road, the main thoroughfare providing access to the southern portion of the island from *Phillips Landing*, is excellent. That being said, direct visibility of a hotel is not crucial to its success, given that virtually all of a hotel's guests are anticipated to make reservations prior to their arrival on the island. Alternatively, visibility of any resort is more typically achieved through marketing efforts via other channels of distribution.
- Proximity to demand generators is considered excellent largely due to the subject's sea-front location which includes direct access to a white sand beach. Moreover, since the primary generator for leisure travel to Water Island would be Honeymoon Beach, its proximity and direct access is crucial to the resort's success and deemed a necessity when competing against all other hotels located on the islands, all of which have direct oceanfront access and views. With that said, commercial-oriented transient demand would not be a viable source of business given the site's location off St. Thomas and outside of Charlotte Amalie where the local office market is situated. Moreover, the perceived inconvenience of having to take a ferry to gain access to Charlotte Amalie, although many times quicker than moving through town, would eliminate much of this potential demand as a consistent source of business. The other room night demand segment is group-related business, which is generated by a number of sources including large and small government meetings, small corporate meetings, incentive meetings, and social groups with an emphasis on destination weddings and, to smaller degree, regional association meetings. Similar to the local corporate transient segment, it may prove difficult to persuade some of the corporate-related groups from nearby Charlotte Amalie, where majority of this commercial demand originates, to choose the subject given the availability of more proximate options on St. Thomas. Fortunately, much of the executive-level groups and social groups that visit the USVI are generated by groups from the U.S., who could potentially choose Water Island as the location of their event because of its secluded nature and direct access to Honeymoon Beach. Nonetheless, the USVI remains largely a leisure destination with more than 80 percent of hotel demand coming from leisure transient travelers for which the subject site would be highly competitive.
- The subject site's access to area amenities would be considered excellent if the site is developed with the mix of uses as proposed, including several full-service food and beverage outlets. Water Island does not currently possess any form of retail or food and beverage outlets with the exception of a few quick service establishments at Honeymoon Beach, including *Heidi's Honeymoon Grill*, *Joe's Water Island Beach Bar*, and floating stand *Da Pizza Boat*. The subject is expected to offer a full

complement of resort amenities and services, which would give guests little reason to leave the resort. Moreover, the crystal clear water of Caribbean Sea enables guests to partake in numerous leisure-related activities, including deep sea fishing, scuba diving, snorkeling, kayaking, and pleasure boating.

Overall, we rate the subject site an excellent location for an upper-upscale full-service resort, as it offers the key attribute of excellent proximity to Honeymoon Beach that will attract both leisure transient and group business. Despite its “island off an island” location, the subject sites’ proximity to *Cyril E. King Airport* actually provides it with easier access than many of its likely competitors. And, although Water Island currently offers a very limited amount of area amenities, this will be altered with the introduction of the proposed hotel. Furthermore, the proposed hotel will be one of the most proximate hotels to the numerous shopping and dining options in Charlotte Amalie, separated only by a 10 minute ferry ride.

COMPETITIVE LODGING MARKET

In order to establish a benchmark for the lodging component of the project, we reviewed the existing hotel and resort market of the USVI. For purposes of our analysis, we identified six hotels offering a total of 1,444 rooms that would define the competitive set for a hotel located on Water Island. A summary of the competitive set is provided in the following table.

Competitive Set			
Hotel	Location	Number of Rooms	Estimated 2011 RevPAR
Marriott Frenchman's Reef	St. Thomas	478	\$130.00
Sugar Bay Resort	St. Thomas	294	\$130.00
Ritz-Carlton	St. Thomas	180	\$330.00
Westin St. John	St. John	175	\$360.00
Caneel Bay Resort	St. John	166	\$330.00
Renaissance Carambola Beach	St. Croix	151	\$90.00
Total/Average		1,444	\$201.82

Source: Various hotels; compiled by REVPAR International, Inc.

These hotels are considered competitive to varying degrees based on location, facilities, room rate structure, market orientation, and/or national chain affiliation. Other traditional lodging facilities in the USVI were considered but ultimately not included in the competitive supply due to their size, location, room rate structure, and sources of room night demand and/or market segmentation. The excluded hotels include the *Windward Passage*, *Best Western Emerald Beach* and *Bolongo Beach*, to name a few. The St. John and St. Croix properties were included due to their similar attributes to the competitive set on St. Thomas and brand affiliation; however, their off-island location does limit their competitiveness with hotels on St. Thomas or, in the subject's case, Water Island. Additionally, it should be noted that there are a number of condominium, timeshare and fractional units that are rented out on a nightly or weekly basis that are loosely competitive with the aforementioned traditional hotels. This can include units that are attached to or affiliated with some of the traditional hotels. Their performance is typically lower than the traditional hotels as they lack a proper sales and marketing department or reservations systems.

A summary of the historical performance of the defined competitive set is provided in the following table.

Trends in Historical Performance – Competitive Supply							
Year	Annual Available Rooms	Occupied Room Nights			Occupancy	Average Daily Rate	RevPAR
		Total	Change	% Change			
2008	527,060	377,807	---	---	71.7%	\$286.90	\$205.66
2009	527,060	357,275	(20,532)	(5.4%)	67.8%	\$260.12	\$176.33
2010	527,060	369,428	12,153	3.4%	70.1%	\$274.82	\$192.63
2011	527,060	341,859	(27,569)	(7.5%)	64.9%	\$285.80	\$185.37
Proj. 2012	527,060	371,234	29,375	8.6%	70.4%	\$297.41	\$209.48
CAG ⁽¹⁾	--	(0.4%)	--	--	--	0.9%	0.5%

Note: ⁽¹⁾ Compound Annual Growth.
Source: REVPAR International, Inc.

Between 2008 and 2012, the number of rooms within the competitive set remained unchanged; however, the *Sugar Bay Resort* dropped its *Wyndham* affiliation in late 2011 and *Carambola* became associated with *Marriott's Renaissance* brand in September 2010. The stable supply and decreasing demand lead to a four point decrease in occupancy between 2008 and 2009. Beginning in 2010, demand rebounded by 3.4 percent or 12,200 room nights, which allowed the market occupancy to rebound by 2.3 points, back above 70 percent. In 2011, the rebound in demand and occupancy came to a halt, with the market losing 28,000 room nights and 5.2 points of occupancy. According to area hoteliers, this was a result of the *Marriott* closing a portion of its rooms for renovation, which caused its annual occupancy to decline by 20+ points year over year. The majority of the remaining competitors realized occupancy increases in 2011. Therefore, as evidenced in the estimated year-end 2012 statistics, this decline was temporary as occupancy increased to 70 percent for the competitive set. Through year-end 2012, room night demand for the defined competitive set is projected to decrease by 0.4 percent annually.

Between 2008 and year-end 2012, the competitive set is projected to experience a 0.9 percent increase in average daily rate (ADR), increasing from \$286.90 to \$297.41. As room night demand softened in the wake of the worldwide recession in 2008 and 2009, numerous hoteliers began to discount heavily in an attempt to protect market share and/or spur room night demand, which led to a 9.3 percent decline between 2008 and 2009. It is also worth noting that, during this period, *Sugar Bay* converted a large portion of its room night demand to all-inclusive pricing. Thus, its average room rate could be manipulated by the allocation given to the rooms portion and food and beverage portion of the total package price. Similar to room night demand, 2010 also saw an increase in ADR of roughly \$14.00, or 5.7 percent over the prior year and spiked again in 2011 by over \$10.00 or 4 percent, and is projected to again increase by over \$10 or 4.1 percent by year-end 2012.

RevPAR (revenue per available room), a statistic that measures the performance of all available rooms, decreased by roughly 3 percent between 2008 and 2011 due to declines in occupancy, which was tempered by growth in ADR. However, the rebound in occupancy and continued growth in ADR projected for year-end 2012 is estimated to yield a 13 percent increase in RevPAR for the market.

HISTORICAL MARKET SEGMENTATION AND SEASONALITY

The market segmentation for the competitive set has shifted within the last five years. In 2008, the market segmentation was approximately 24 percent group and 58 percent leisure transient (wholesale and free independent travelers, FIT – leisure and commercial) demand and 18 percent redemption demand (i.e., complimentary room nights from the brand guest loyalty programs). In 2012, the market segmentation is projected to be 18 percent group, 63 percent leisure transient, and 19 percent brand-redemption. The shift in demand was a result of declines in group which, following the *AIG* scandal and the global recession, has been slow to rebound fully. Additionally, *Marriott's* renovation played a factor in the reduced size of this segment in 2011. A summary of the historical market segmentation is provided in the following table.

Historical Market Mix – Competitive Supply					
Market Segment	2008		Projected 2012		Compound Annual Growth
	Total Occupied Rooms	% of Total	Total Occupied Rooms	% of Total	
Group	90,165	24%	66,642	18%	(7.3%)
Transient	220,593	58%	234,943	63%	1.6%
Redemption	67,048	18%	69,649	19%	1.0%
Total	377,807	100%	371,234	100%	(0.4%)

Source: REVPAR International, Inc.

Room night demand for the competitive set is seasonal, with the high season beginning in December and ending after Easter (late April). Occupancies typically peak during the Christmas holidays and then again during the months of February and March, with most properties achieving occupancies in the high 80s to low 90s as tourists flock to the Caribbean to escape the colder weather in the north. May, June, July, and August are considered the shoulder-season with more price-conscious leisure demand (transient and wholesale). September, October, and November represent the off-peak or low season, typically experiencing a slump in leisure travel. Group demand follows an almost identical pattern to the leisure segment, with the exception of the summer months, when group demand declines significantly. Alternatively, the local commercial demand follows a typical corporate/government pattern, with strong demand occurring September through the middle of November and again from January through June. The commercial demand also declines during holiday periods. Room rates in the market fluctuate depending on the season, with heavy discounting occurring during the off-peak months.

FUTURE SUPPLY

At the time of our fieldwork, we became aware of several proposed hotel projects, as well as a handful of major renovations, conversions, and redevelopments of lodging facilities anticipated to come about in the future years. A summary of these projects is presented in the following table:

Hotel Development Activity in the United States Virgin Islands			
Proposed Hotel or Project	Developer	# Rooms	Location
aLoft by Starwood at East End Plaza	Ricardo Charaf	100+/-	St. Thomas
Yacht Haven Grande	Island Global Yachting	100+/-	St. Thomas
Botany Bay	Timbers Resorts	84 +/-	St. Thomas
Golden Gaming (Former Wyndham Project)	Paul Golden	400	St. Croix
Robin Bay (Seven Hills Beach Resort and Casino)	C&R Development	300	St. Croix
Amalago Bay	Williams & Punch	322	St. Croix
Embassy Suites	Down Island View Developers	200	St. Thomas
Westin St. John (Long term redevelopment plan)	Starwood Hotels	TBD	St. John
Sugar Bay (Renovation and conversion to a brand)	Fortuna Realty Group	294	St. Thomas

Source: Developers, Franchise representatives and local officials;
Compiled by: REVPAR International, Inc.

East End Plaza, a retail center in Red Hook, began investigating the possibility of developing a select-service hotel on a site adjacent to it when the Plaza opened in 2009. According to representatives of *Ambridge Hospitality*, the joint venture partner with local developer, Ricardo Charaf, the site was to be developed with a 100-unit *aLoft by Starwood*, a select-service brand aimed at a younger demographic. However, the project does not have construction financing and, after following up during our fieldwork, this project has been delayed indefinitely. The owners of the *Yacht Haven Grande*, a mixed-use development adjacent to the *Havensight Cruise Terminal* in Charlotte Amalie, have been considering a hotel component to the existing retail and marina operations. An upscale or luxury hotel component was evaluated as part of the initial development, but the project never came to fruition due to weak market support for a hotel there. However, it has resurfaced as part of Phase 2. According to representatives with

Island Global Yachting, they are considering a limited or select-service hotel of 80 to 120 rooms for the site. However, at the time of our site visit, plans have been delayed indefinitely. The *Botany Bay* hotel project still surfaces as a potential addition to supply but remains without financing and, thus, highly speculative. According to representatives of *Timbers Resorts*, *Jumerirah* is no longer involved in the project. Lastly, *Down Island View Developers* are considering the development of a 200-unit *Embassy Suites* on a site adjacent to *Sugar Bay Resort* on St. Thomas. According to representatives, they are currently pursuing financing through the *Government Employee Retirement System (GERS)*.

There have been three major hotel development projects proposed on St. Croix for some time now; *Golden Gaming*, *Robin Bay*, and *Amalago Bay*. The *Golden Gaming* project has been on the books for more than a decade. At different times, this 400-room resort and casino project has been associated with the *Westin* and *Wyndham* brands, but the lack of financing has prevented it from ever breaking ground. The developer, Paul Golden, announced that construction would begin six months following the passage of the *Hotel Development Act*. However, to date there has been not movement on the project. *Seven Hills Beach Resort & Casino* in the Robin Bay area was proposed to be developed in two phases with *C & R Development*. The project was slated for 300 rooms, 100 condominium units, casino, golf course, a water park and 10,000 square feet of meeting space in the initial phase. Similar to *Golden Gaming*, this project has been proposed for nearly a decade. *Amalago Bay* plans for the development of a 322-room resort, a casino, a marina, and a golf course. After the *Hotel Act* was passed, developers, *William & Punch*, commented that they planned to break ground in 2012; however, they lack financing and permits.

Separately, according to representatives of *Starwood*, the *Westin* on St. John is investigating a number of options including conversion of more guestrooms to timeshare or residential, but nothing has been decided due to the recent downturn in the economy and capital expenditures for maintaining the pool area due to recent local floods. Separately, it is rumored that *Sugar Bay* has been conversing with major brands, including *Renaissance*, about rebranding the property in the future.

The *Hotel Development Act* could spur some of these stalled projects to fruition over the next 3 to 5 years. However, at this time, only the *Embassy Suites* appears to be actively pursuing financing. As such, we only included the 200-room *Embassy Suites* in our future supply estimates between 2012 and 2017. Should more rooms be developed, it could potentially impact the subject hotel's estimated performance.

FUTURE DEMAND ANALYSIS

Future growth in room night demand for the USVI is based on historical trends, coupled with future growth prospects of the local and economy of the U.S., its primary feeder market. We have also taken into account latent demand associated with the opening of the new branded hotel units (subject). Nearby St. Thomas, from which the vast majority of guests to the subject would have to travel from, has grown beyond being only a leisure destination. Today, it is a group meeting and special event destination as well, albeit a smaller one. Additionally, it is the center for local commercial and government activity within the USVI. Despite this diversification, at its core, the local economy remains highly reliant on leisure transient travelers (both traditional transient customers and brand loyal redemption customers) from the U.S. The rebound in room night demand in 2010 bodes well for the return to a period of modest growth. The projected rebound in 2012 following the renovation at the *Marriott Frenahman's Reef* in 2011 underscores the importance of branding and the high latent factor associated with opening and closing rooms on St. Thomas.

With the foregoing in mind, our overall estimate of future demand growth for the defined set during the period of our analysis, 2012 through 2018, are summarized in the following table.

Summary of Future Supply and Demand Growth					
Year	Supply		Demand		Market Occupancy
	Room Nights	% Change	Room Nights	% Change	
2012	527,100	--	371,200	--	70%
2013	527,100	--	377,300	1.6%	72%
2014	527,100	--	383,400	1.6%	73%
2015	600,100	13.8%	418,500	9.2%	70%
2016	627,100	4.5%	430,700	2.9%	69%
2017	627,100	--	434,200	0.8%	69%
2018	627,100	--	437,700	0.8%	70%
CAG ⁽¹⁾	2.9%	--	2.8%	--	--

Note: ⁽¹⁾ Compound Annual Growth.
Source: REVPAR International, Inc.

As the preceding table details, we estimate that supply will increase at a compound annual growth rate of 2.9 percent, or 100,000 annual room nights, while room night demand within the defined competitive set will grow at a slower pace of roughly 2.8 percent compounded annually, or 66,500 room nights between 2012 and 2018. In response, occupancies are estimated to stabilize at 70 percent in 2018. The growth estimates include approximately 38,824 room nights of latent demand associated with the opening of the 74-room subject and the *Embassy Suites* on St. Thomas.

FACILITY ASSUMPTIONS/RECOMMENDATIONS

Based on the above noted characteristics of the market area, the nature of the competitive supply and with the locational aspects of the subject site, we believe that any hotel developed at the subject site should be an upper upscale, full-service hotel, slotting between the *Ritz Carlton* and *Marriott*. The hotel would be well positioned to compete primarily for leisure transient demand, coupled with modest amounts of group-related demand.

In our experience, most upper upscale full-service hotels need a minimum of 150 to 200 guest rooms to make the hotel both operationally efficient and financially viable due to the high fixed operating component of running a hotel, along with the high initial development costs associated with such a hotel/resort. However, the seasonal nature of the Caribbean hotel market makes the lower end of this range more attractive as it reduces the carrying cost of unoccupied rooms during the off-peak season. Further supporting the reduced room count is the fact that both the *Ritz Carlton* and the *Westin* reduced their room counts from 220-rooms+ to less than 180 rooms each. Based on this, we would recommend that a resort of a minimum of 125 rooms be developed on Water Island.

As we mentioned earlier, in light of potential concerns of over development by local residents of Water Island, as well as the sheer dollar amounts an expansive resort development would require, we prepared two sets of projections for a new resort on Water Island.

Scenario 1 reflects 74-room resort (*Scenario 1*) centered on Honeymoon Beach and Scenario 2 assumes a larger 125-room resort (*Scenario 2*), split between Honeymoon Beach and the non-waterfront site that was home to the former *Water Island Hotel*. In the case of *Scenario 1*, given its relatively small inventory of guest rooms, we have assumed it would be operated as an independent resort. An affiliation with one of the marketing representative groups like *Leading Hotels of the World*, *World Hotels*, *Small Luxury Hotels*, *Preferred Hotels*, etc. may be an option. In the case of *Scenario 2*, with 125-rooms, we assumed the larger hotel could be operated under a boutique brand name such as *Kimpton* or *Marriott's Autograph Collection*.

Scenario 1: 74-room Upper Upscale Independent Hotel

The following outlines the facilities as they are currently proposed along with a handful of recommendations to ensure a successful resort operation:

- 37 villas, all with direct ocean views and each containing two guestrooms for a total key count of 74, comprised of the following:
 - 52 hillside standard guest rooms (70 percent of room inventory);
 - 11 oceanfront standard guest rooms (15 percent of room inventory), and
 - 11 oceanfront suites (15 percent of room inventory).
- Standard guestrooms would average approximately 500 square feet, while suites would average approximately 850 square feet;
- Each of the guestrooms should offer connecting doors to the adjoining guestrooms in order to create two-bedroom units for larger families. Furthermore, we suggest that approximately 60 percent of the inventory be king-bedded guestrooms and 40 percent be double queen-bedded guestrooms, reflecting the needs of the family-related room night demand in the resort destination. We have assumed all king-bedded rooms will contain a pull-out sofa;
- Roughly 1,500 square feet of indoor meeting space. This equates to 20 square feet of meeting space per guestroom which is below (by 15 square feet per room) the average of the existing competitive hotels;
- One 3-meal restaurant and lounge (indoor/outdoor) with the ability for guests to receive poolside and in-room dining;
- Resort-style pool and spa with swim up bar, opening out onto the beach with a splash zone for children;
- Spa with 5 treatment room and attached fitness center and associated retail;
- A small water sports operation;
- Dedicated beach service operation that offers chair and umbrella set-up;
- Other resort amenities to include a sundry shop, wireless internet;
- A dedicated lounge room for early arriving or late departing guests; the lounge should feature lockers for guests to secure personal items and at least two private bathrooms with a shower;
- Guest transportation around the island via golf cart; and
- Dedicated ferry service for hotel guests from St. Thomas.

Scenario 2: 125-unit Upper Upscale Affiliated Hotel

Based on the limited size of developable land available at the preferred Honeymoon Beach site for a larger complement of rooms, we have assumed that the additional 51 rooms would be located at the original hotel site within the vicinity of Flamingo Bay. Moreover, given the increased size and the necessity to fill the additional rooms, we have assumed that the subject would be affiliated with an upper upscale brand, such as a *Kimpton* or even *Marriott's Autograph Collection*. All the other components of the project have remained the same aside from the addition of 750 square feet of meeting space, an outdoor pool and a dinner-oriented restaurant located adjacent to the additional room inventory, the spa to increase to eight treatment rooms, and golf cart guest transportation between the two hotel sites.

We believe that the foregoing will position the proposed resort to effectively penetrate the competitive market. Please note our facility recommendations are market based, not based on land planning or architectural design, as such the ultimate design and layout the facility may differ from our recommendations.

ESTIMATED OPERATING PERFORMANCE AND FINANCIAL PRO FORMAS

Scenario 1: 74-room Upper Upscale Independent Hotel

REVPAR International prepared projected operating results for a proposed 74-unit upper upscale independent hotel as summarized in the following table. For the purpose of this analysis, we assumed that

the hotel would open in the 1st quarter of 2016. Although we did not assume branding in preparing the projections, we did assume that it would be of 4-star/diamond quality.

All projections and calculations are based on the financial operating data for comparable hotels and industry statistics for similar properties. Data for the comparable properties is presented in the *Addenda*. Please note these comparable hotels include hotels in the U.S., Grand Cayman, St. Croix and St. Thomas. This allows us to account for local factors such as energy, insurance and labor. In order to provide a common basis of comparison, the comparable properties' statements have been adjusted by the Consumer Price Index to reflect current value dollars (2012). Operating expenses have been grouped to facilitate comparison with other properties, and are reported according to the *Uniform System of Accounts for the Lodging Industry*.

Proposed 74-Unit Upper Upscale Independent Hotel, Water Island, USVI							
Projected Operating Results 2016 – 2021							
Year	Occupancy	Average Daily Rate ⁽¹⁾	RevPAR	Market Occupancy	Total Revenue	NOI	
						\$ Amount	%
Stabilized Year ⁽⁴⁾	63%	\$415.00	\$261.45	--	\$10,897,000	\$2,569,000	23.6%
2016	52%	\$444.00	\$230.88	69%	\$9,826,000	\$1,386,000	14.1%
2017	59%	\$481.00	\$283.79	69%	\$11,839,000	\$2,581,000	21.8%
2018	63%	\$496.00	\$312.48	70%	\$13,019,000	\$3,058,000	23.5%
2019	63%	\$511.00	\$321.93	70%	\$13,411,000	\$3,151,000	23.5%
2020	63%	\$526.00	\$331.38	70%	\$13,806,000	\$3,241,000	23.5%
2021	63%	\$542.00	\$341.46	70%	\$14,225,000	\$3,342,000	23.5%
CAG ⁽³⁾	4.0% ⁽⁴⁾	4.1%	8.1%	--	7.7%	19.2%	--

Notes:

⁽¹⁾ Average daily rate has been rounded to the nearest dollar.

⁽²⁾ Presented in 2012 dollars.

⁽³⁾ Compound Annual Growth.

⁽⁴⁾ Compound Annual Growth for occupancy based on occupied room nights.

Source: REVPAR International, Inc.

In preparing the financial pro formas, please note the following assumptions:

- The hotel will be operated in a competent and efficient manner, commensurate with industry standards.
- The hotel would commence a sales and marketing program at least six months prior to opening.
- We have included a resort fee of \$35.00 per occupied room based on a review of its most direct competitors. The *Ritz-Carlton* charges a resort fee of \$58.00 per room per night; the *Marriott Frenchman's Reef* charges \$35.00 per room per night; and the *Westin* charges \$40.00 per room per night. The resort fee would include the following: access to the fitness center, use of non-motorized water sports, access to the Kid's Club, beach chairs, towels and service, unlimited domestic calls, and complimentary internet. (Please note the resort fee is not part of the ADR but included as other operated departments revenue.) We have deducted the expenses associated with the operation of the resort fee services as part of the other operated departments expense.
- Other miscellaneous revenue sources included in our projections include the following: international telephone charges, sundry shop, and meeting room rental.
- We have included a 4 percent management fee.
- The *USVI EDC Program* allows for the waiver of all real estate or property taxes; therefore, this expense has been excluded.
- Energy and insurance estimates are based on historical expenses at the *Sugar Bay Resort*, *Carambola Beach Resort*, and the *Ritz-Carlton St. Thomas*.
- We have assumed that the project will qualify for the Hotel Development Act. This allows for the hotel to retain/recoup its lodging occupancy tax (10 percent of rooms revenue) for the purposes of paying its debt service minus a required payment (up to a maximum of \$500,000) back to the

Department of Tourism's Revolving Fund and \$2,500 to the Department of Labor's Virgin Islanders Living Abroad database fund. We have assumed that the Tourism Revolving Fund's portion of the occupancy tax is paid on a pari passu basis with the hotel up to the maximum amount of \$500,000. Thereafter, the hotel receives all of the tax revenue. We have included the hotel's portion of the tax rebate under Fixed Charges as "Hotel Development Act Income" net of the payout to the Tourism Revolving Fund.

- Finally, we have included a 4 percent reserve for replacement.

A summary of our market penetration analysis and projected financial pro formas for the subject is located in the Addenda. The resulting "going concern" value of the hotel, as estimated using the Discounted Cash Flow (DCF) technique, is significantly affected by the *Hotel Development Act* income: in fact, this adds roughly \$4.6 million to the "going concern" value of the hotel. Thus, if the *Hotel Development Act* income were not available to a developer, it is unlikely that this project would be attractive.

Scenario 2: 125-unit Upper Upscale Affiliated Hotel

In light of the above considerations, we have also prepared an alternative set of projections for the subject hotel with a larger key count of 125 rooms as summarized in the following table.

Proposed 125-Unit Upscale Hotel, Water Island, USVI Projected Operating Results 2016 – 2021							
Year	Occupancy	Average Daily Rate ⁽¹⁾	RevPAR	Market Occupancy	Total Revenue	NOI	
						\$ Amount	%
Stabilized Year ⁽²⁾	67%	\$370.00	\$247.90	--	\$19,162,000	\$5,223,000	27.3%
2016	56%	\$396.00	\$221.76	68%	\$17,547,000	\$3,212,000	18.3%
2017	64%	\$429.00	\$274.56	68%	\$21,234,000	\$5,498,000	25.9%
2018	67%	\$442.00	\$296.14	69%	\$22,887,000	\$6,183,000	27.0%
2019	67%	\$455.00	\$304.85	69%	\$23,566,000	\$6,376,000	27.1%
2020	67%	\$469.00	\$314.23	69%	\$24,283,000	\$6,594,000	27.2%
2021	67%	\$483.00	\$323.61	69%	\$25,009,000	\$6,803,000	27.2%
CAG ⁽³⁾	3.6% ⁽⁴⁾	4.1%	7.9%	--	7.3%	16.2%	--
Notes: ⁽¹⁾ Average daily rate has been rounded to the nearest dollar. ⁽²⁾ Presented in 2012 dollars. ⁽³⁾ Compound Annual Growth. ⁽⁴⁾ Compound Annual Growth for occupancy based on occupied room nights.							
Source: REVPAR International, Inc.							

Appropriate adjustments were made to pertinent line items on both revenue and expenses. Using the Discounted Cash Flow (DCF) technique, the larger hotel yields a higher overall per room value due to the increased efficiency of the larger operation.

In consideration of the generally high development costs associated with a Caribbean island location, where it is not uncommon to see construction costs as high as \$1 million per room, as well as the development requirements specific to Water Island including the installment of water and sewage at the subject site, as well as the extremely high operating costs prevalent within the USVI, the relatively small size of the resort and the expected operating performance may make it challenging for a developer to achieve the necessary return on investment to invest in a Water Island resort development. However, given the availability of additional acreage on Water Island, controlled by the *USVI Government*, there is the possibility of including this land in the overall development plan, with an eye towards the sale of residential real estate. The inclusion of the for sale real estate option in the development plan would likely allow the developer a greater return on investment as well as a way to defer some of the resort's infrastructure cost. Furthermore, it may also offer the developer a way of raising capital/equity upfront with the sale of lots or residential units, again making the overall project more attractive. Based on our

analysis of the regional market and interviews with other successful resorts, we are of the opinion that this affords the developer the most versatility and the best chance for success. The greatest risk in this model is the cyclical nature of the residential real estate market. As part of the residential component offering, and to allay some of the anticipated resistance from current residents, it may be prudent for the operation to offer outside memberships, providing residents access to the resort's amenities for a nominal fee. In addition to placating the residential base, incremental revenue, albeit minor, would be obtained.

Finally, it may be possible for the hotel to partner with an existing operation in St. Thomas, with one of the more obvious choices being *Marriott Frenchman's Reef* given its location and brand equity. The subject would enjoy synergistic benefits including reduced operation expense burdens, as well as garnering overflow demand from sister properties or from guest loyalty programs.

We are prepared to speak with you concerning the above and answer any questions. Please note that the projections provided in this letter are preliminary in nature and subject to change based on additional or new information. As such, this letter is for *internal use only* and may not be distributed to any outside third parties, including any potential sources of financing. We will wait to proceed with the full market study until we hear from you; as such, please let us know when you are ready to proceed.

This concludes Components 1 and 2 of the assignment.

Sincerely,
REVPAR International, Inc.

Addenda

Summary Operating Statement (in a Stabilized Year) Proposed 74-Unit Water Island Resort, Water Island, USVI

For a Representative Year in Current Value Dollars

Number of Rooms:	74
Annual # of Available Rooms:	27,010
Annual occupancy rate:	63%
Annual # of Occupied Rooms	17,016
Average Daily Rate	\$415.00
RevPAR	\$261.45

	Amount	Ratio	Amount per Avail. Rms.	Amount per Occ. Rms.
DEPARTMENTAL REVENUES				
Rooms	\$7,062,000	64.8%	\$95,432	\$415.01
Food & Beverage	\$2,266,000	20.8%	\$30,622	\$133.17
Other Operated Departments	\$1,519,000	13.9%	\$20,527	\$89.27
Rentals & Other Income	\$50,000	0.5%	\$676	\$2.94
TOTAL REVENUE	\$10,897,000	100.0%	\$147,257	\$640.39
DEPARTMENTAL EXPENSES ⁽¹⁾				
Rooms	\$1,624,000	23.0%	\$21,946	\$95.44
Food and Beverage	\$1,983,000	87.5%	\$26,797	\$116.54
Other Operated Departments	\$1,038,000	68.3%	\$14,027	\$61.00
TOTAL DEPARTMENTAL EXPENSES	\$4,645,000	42.6%	\$62,770	\$272.97
TOTAL DEPARTMENTAL INCOME	\$6,252,000	57.4%	\$84,487	\$367.41
UNDISTRIBUTED OPERATING EXPENSES				
Administrative and General	\$1,003,000	9.2%	\$13,554	\$58.94
Sales and Marketing	\$653,000	6.0%	\$8,824	\$38.37
Property Operations and Maintenance	\$445,000	4.1%	\$6,014	\$26.15
Utilities	\$740,000	6.8%	\$10,000	\$43.49
TOTAL UNDISTRIBUTED EXPENSES	\$2,841,000	26.1%	\$38,392	\$166.96
GROSS OPERATING PROFIT	\$3,411,000	31.3%	\$46,095	\$200.45
MANAGEMENT FEES	\$327,000	3.0%	\$4,419	\$19.22
INCOME BEFORE FIXED CHARGES	\$3,084,000	28.3%	\$41,676	\$181.24
FIXED CHARGES				
Hotel Development Act Income	(\$365,000)	-3.3%	-\$4,932	-\$21.45
Property and Other Taxes	\$0	0.0%	\$0	\$0.00
Insurance	\$444,000	4.1%	\$6,000	\$26.09
TOTAL FIXED CHARGED	\$79,000	0.7%	\$1,068	\$4.64
NET OPERATING INCOME	\$3,005,000	27.6%	\$40,608	\$176.60
LESS: REPLACEMENT RESERVES	\$436,000	4.0%	\$5,892	\$25.62
ADJUSTED NET OPERATING INCOME	\$2,569,000	23.6%	\$34,716	\$150.97

Notes:

(1) Departmental ratios reflect a percentage of department expenses to department revenues and will not add to total department expenses.

(2) Net Operating Income defined as income before debt, taxes, depreciation and amortization.

Please note that columns may not add due to rounding.

Source: REVPAR International, Inc.

Summary Operating Statement Proposed 74-Unit Water Island Resort, Water Island, USVI

Year
Number of Rooms
Annual # of Available Rooms
Annual occupancy rate
Annual # of Occupied Rooms
Average Daily Rate
RevPAR

Year 1
2016
74
27,010
52%
14,045
\$444.00
\$230.88

Year 2
2017
74
27,010
59%
15,936
\$481.00
\$283.79

Year 3
2018
74
27,010
63%
17,016
\$496.00
\$312.48

	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms
DEPARTMENTAL REVENUES				
Rooms	\$8,236,000	63.5%	\$84,270	\$444.00
Food & Beverage	\$1,129,000	21.7%	\$28,770	\$151.58
Other Operated Departments	\$1,410,000	14.3%	\$19,054	\$100.39
Rentals & Other Income	\$51,000	0.5%	\$689	\$3.63
TOTAL REVENUE	\$9,826,000	100.0%	\$132,783	\$699.60
DEPARTMENTAL EXPENSES (1)				
Rooms	\$1,551,000	24.9%	\$20,959	\$110.43
Food and Beverage	\$2,021,000	94.9%	\$27,311	\$143.89
Other Operated Departments	\$1,057,000	75.0%	\$14,284	\$75.26
TOTAL DEPARTMENTAL EXPENSES	\$4,629,000	47.1%	\$62,554	\$329.58
TOTAL DEPARTMENTAL INCOME	\$5,197,000	52.9%	\$70,229	\$370.02
UNDISTRIBUTED OPERATING EXPENSES				
Administrative and General	\$1,163,000	11.8%	\$15,716	\$82.80
Sales and Marketing	\$772,000	7.9%	\$10,432	\$54.97
Property Operations and Maintenance	\$310,000	3.2%	\$4,189	\$22.07
Utilities	\$687,000	7.0%	\$9,284	\$48.91
TOTAL UNDISTIBUTED EXPENSES	\$2,932,000	29.8%	\$39,621	\$208.75
GROSS OPERATING PROFIT	\$2,265,000	23.1%	\$30,608	\$161.27
MANAGEMENT FEES	\$295,000	3.0%	\$3,986	\$21.00
INCOME BEFORE FIXED CHARGES	\$1,970,000	20.0%	\$26,622	\$140.26
FIXED CHARGES				
Hotel Development Act Income	(\$309,000)	(3.1%)	(\$4,176)	(\$22.00)
Property and Other Taxes	\$0	0.0%	\$0	\$0.00
Insurance	\$500,000	5.1%	\$6,757	\$35.60
TOTAL FIXED CHARGED	\$191,000	1.9%	\$2,581	\$13.60
NET OPERATING INCOME	\$1,779,000	18.1%	\$24,041	\$126.66
LESS REPLACEMENT RESERVES	\$393,000	4.0%	\$5,311	\$27.98
ADJUSTED NET OPERATING INCOME (2)	\$1,386,000	14.1%	\$18,730	\$98.68
Notes	(1) Departmental ratios reflect a percentage of department expenses to department revenues and will not add to total department expenses. (2) Net Operating Income defined as income before debt, taxes, depreciation and amortization. Please note that columns may not add due to rounding.			
Source	REV/PAR International, Inc.			

	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms
Rooms	\$8,440,000	64.8%	\$114,054	\$496.00
Food & Beverage	\$2,706,000	20.8%	\$36,568	\$159.02
Other Operated Departments	\$1,813,000	13.9%	\$24,500	\$106.54
Rentals & Other Income	\$60,000	0.5%	\$811	\$3.53
TOTAL REVENUE	\$13,019,000	100.0%	\$175,933	\$765.09
DEPARTMENTAL EXPENSES (1)				
Rooms	\$1,939,000	23.0%	\$26,203	\$113.95
Food and Beverage	\$2,368,000	87.5%	\$32,000	\$139.16
Other Operated Departments	\$1,239,000	68.3%	\$16,743	\$72.81
TOTAL DEPARTMENTAL EXPENSES	\$5,546,000	42.6%	\$74,946	\$325.92
TOTAL DEPARTMENTAL INCOME	\$7,473,000	57.4%	\$100,987	\$439.17
UNDISTRIBUTED OPERATING EXPENSES				
Administrative and General	\$1,198,000	9.2%	\$16,189	\$70.40
Sales and Marketing	\$780,000	6.0%	\$10,541	\$45.84
Property Operations and Maintenance	\$531,000	4.1%	\$7,176	\$31.21
Utilities	\$884,000	6.8%	\$11,946	\$51.95
TOTAL UNDISTIBUTED EXPENSES	\$3,393,000	26.1%	\$45,852	\$199.40
GROSS OPERATING PROFIT	\$4,080,000	31.3%	\$55,135	\$239.77
MANAGEMENT FEES	\$391,000	3.0%	\$5,284	\$22.98
INCOME BEFORE FIXED CHARGES	\$3,689,000	28.3%	\$49,851	\$216.79
FIXED CHARGES				
Hotel Development Act Income	(\$420,000)	(3.2%)	(\$5,676)	(\$24.88)
Property and Other Taxes	\$0	0.0%	\$0	\$0.00
Insurance	\$530,000	4.1%	\$7,162	\$31.15
TOTAL FIXED CHARGED	\$110,000	0.8%	\$1,486	\$6.46
NET OPERATING INCOME	\$3,579,000	27.5%	\$48,365	\$210.33
LESS REPLACEMENT RESERVES	\$521,000	4.0%	\$7,041	\$30.62
ADJUSTED NET OPERATING INCOME (2)	\$3,058,000	23.5%	\$41,324	\$179.71

Summary Operating Statement

	Year 4				Year 5				Year 6			
Number of Rooms	2019				2020				2021			
Annual # of Available Rooms	74				74				74			
Annual occupancy rate	27.010				27.010				27.010			
Annual # of Occupied Rooms	63%				63%				63%			
Average Daily Rate	17.016				17.016				17.016			
RevPAR	\$511.00				\$526.00				\$542.00			
	\$321.93				\$331.38				\$341.46			
	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms
DEPARTMENTAL REVENUES												
Rooms	\$8,695,000	64.8%	\$117,500	\$510.98	\$8,951,000	64.8%	\$120,959	\$526.03	\$9,223,000	64.8%	\$124,635	\$542.01
Food & Beverage	\$2,788,000	20.8%	\$37,676	\$163.84	\$2,870,000	20.8%	\$38,784	\$168.66	\$2,957,000	20.8%	\$39,959	\$173.77
Other Operated Departments	\$1,867,000	13.9%	\$25,230	\$109.72	\$1,922,000	13.9%	\$25,973	\$112.95	\$1,980,000	13.9%	\$26,757	\$116.46
Rentals & Other Income	\$61,000	0.5%	\$824	\$3.58	\$63,000	0.5%	\$851	\$3.70	\$65,000	0.5%	\$878	\$3.82
TOTAL REVENUE	\$13,411,000	100.0%	\$181,230	\$788.13	\$13,806,000	100.0%	\$186,567	\$811.34	\$14,225,000	100.0%	\$192,229	\$835.96
DEPARTMENTAL EXPENSES (1)												
Rooms	\$1,998,000	23.0%	\$27,000	\$117.42	\$2,058,000	23.0%	\$27,811	\$120.94	\$2,119,000	23.0%	\$28,635	\$124.53
Food and Beverage	\$2,439,000	87.5%	\$32,959	\$143.33	\$2,511,000	87.5%	\$33,932	\$147.56	\$2,587,000	87.5%	\$34,959	\$152.03
Other Operated Departments	\$1,277,000	88.4%	\$17,257	\$75.05	\$1,314,000	88.4%	\$17,757	\$77.22	\$1,353,000	88.3%	\$18,284	\$79.51
TOTAL DEPARTMENTAL EXPENSES	\$5,714,000	42.6%	\$77,216	\$335.80	\$5,883,000	42.6%	\$79,500	\$345.73	\$6,059,000	42.6%	\$81,878	\$356.07
TOTAL DEPARTMENTAL INCOME	\$7,697,000	57.4%	\$104,014	\$452.33	\$7,923,000	57.4%	\$107,067	\$465.61	\$8,166,000	57.4%	\$110,351	\$479.89
UNDISTRIBUTED OPERATING EXPENSES												
Administrative and General	\$1,234,000	9.2%	\$16,676	\$72.52	\$1,271,000	9.2%	\$17,176	\$74.69	\$1,309,000	9.2%	\$17,689	\$76.93
Sales and Marketing	\$803,000	6.0%	\$10,851	\$47.19	\$827,000	6.0%	\$11,176	\$48.60	\$852,000	6.0%	\$11,514	\$50.07
Property Operations and Maintenance	\$347,000	4.1%	\$7,392	\$32.15	\$354,000	4.1%	\$7,622	\$33.14	\$361,000	4.1%	\$7,851	\$34.14
Utilities	\$910,000	6.8%	\$12,297	\$53.48	\$937,000	6.8%	\$12,662	\$55.06	\$966,000	6.8%	\$13,054	\$56.77
TOTAL UNDISTRIBUTED EXPENSES	\$3,494,000	26.1%	\$47,216	\$205.33	\$3,599,000	26.1%	\$48,636	\$211.50	\$3,708,000	26.1%	\$50,108	\$217.91
GROSS OPERATING PROFIT	\$4,203,000	31.3%	\$56,798	\$247.00	\$4,324,000	31.3%	\$58,431	\$254.11	\$4,458,000	31.3%	\$60,243	\$261.98
MANAGEMENT FEES	\$402,000	3.0%	\$5,432	\$23.62	\$414,000	3.0%	\$5,595	\$24.33	\$427,000	3.0%	\$5,770	\$25.09
INCOME BEFORE FIXED CHARGES	\$3,801,000	28.3%	\$51,366	\$223.37	\$3,910,000	28.3%	\$52,836	\$229.78	\$4,031,000	28.3%	\$54,473	\$236.89
FIXED CHARGES												
Hotel Development Act Income	(\$432,000)	(3.2%)	(\$5,838)	(\$25.39)	(\$445,000)	(3.2%)	(\$6,014)	(\$26.15)	(\$459,000)	(3.2%)	(\$6,203)	(\$26.97)
Property and Other Taxes	\$0	0.0%	\$0	\$0.00	\$0	0.0%	\$0	\$0.00	\$0	0.0%	\$0	\$0.00
Insurance	\$546,000	4.1%	\$7,378	\$32.09	\$562,000	4.1%	\$7,595	\$33.03	\$579,000	4.1%	\$7,824	\$34.03
TOTAL FIXED CHARGED	\$114,000	0.9%	\$1,540	\$6.70	\$117,000	0.8%	\$1,561	\$6.88	\$120,000	0.8%	\$1,621	\$7.05
NET OPERATING INCOME	\$3,687,000	27.5%	\$49,826	\$216.67	\$3,793,000	27.5%	\$51,255	\$222.90	\$3,911,000	27.5%	\$52,852	\$229.84
LESS REPLACEMENT RESERVES	\$536,000	4.0%	\$7,243	\$31.50	\$552,000	4.0%	\$7,459	\$32.44	\$569,000	4.0%	\$7,689	\$33.44
ADJUSTED NET OPERATING INCOME (2)	\$3,151,000	23.5%	\$42,583	\$185.18	\$3,241,000	23.5%	\$43,796	\$190.46	\$3,342,000	23.5%	\$45,163	\$196.40

Notes

(1) Departmental ratios reflect a percentage of department expenses and will not add to total department expenses.

(2) Net Operating Income defined as income before debt, taxes, depreciation and amortization.

Please note that columns may not add due to rounding.

Source: REVPAR International, Inc.

Summary Operating Statement

	Year 7				Year 8				Year 9			
	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms
DEPARTMENTAL REVENUES												
Rooms	\$9,495,000	64.8%	\$128,311	\$557.99	\$9,784,000	64.8%	\$132,216	\$574.88	\$10,074,000	64.8%	\$136,135	\$592.02
Food & Beverage	\$1,046,000	20.8%	\$41,162	\$179.00	\$3,137,000	20.8%	\$42,392	\$184.35	\$3,230,000	20.8%	\$43,649	\$189.82
Other Operated Departments	\$2,040,000	13.9%	\$27,568	\$119.89	\$2,101,000	13.9%	\$28,392	\$123.47	\$2,163,000	13.9%	\$29,230	\$127.11
Rentals & Other Income	\$67,000	0.5%	\$905	\$3.94	\$69,000	0.5%	\$932	\$4.05	\$71,000	0.5%	\$959	\$4.17
TOTAL REVENUE	\$14,648,000	100.0%	\$197,946	\$860.82	\$15,097,000	100.0%	\$203,932	\$886.86	\$15,538,000	100.0%	\$209,973	\$913.12
DEPARTMENTAL EXPENSES (1)												
Rooms	\$2,183,000	23.0%	\$29,500	\$128.28	\$2,248,000	23.0%	\$30,378	\$132.11	\$2,316,000	23.0%	\$31,297	\$136.10
Food and Beverage	\$2,665,000	87.5%	\$36,014	\$158.61	\$2,745,000	87.5%	\$37,095	\$161.32	\$2,827,000	87.5%	\$38,203	\$166.13
Other Operated Departments	\$1,394,000	68.3%	\$18,838	\$81.92	\$1,436,000	68.3%	\$19,405	\$84.39	\$1,478,000	68.3%	\$19,973	\$86.86
TOTAL DEPARTMENTAL EXPENSES	\$6,242,000	42.6%	\$84,352	\$366.82	\$6,429,000	42.6%	\$86,878	\$377.81	\$6,621,000	42.6%	\$89,473	\$389.10
TOTAL DEPARTMENTAL INCOME	\$8,406,000	57.4%	\$113,594	\$494.00	\$8,662,000	57.4%	\$117,054	\$509.04	\$8,917,000	57.4%	\$120,500	\$524.03
UNDISTRIBUTED OPERATING EXPENSES												
Administrative and General	\$1,348,000	9.2%	\$18,216	\$79.22	\$1,388,000	9.2%	\$18,757	\$81.51	\$1,430,000	9.2%	\$19,324	\$84.04
Sales and Marketing	\$878,000	6.0%	\$11,885	\$51.60	\$904,000	6.0%	\$12,216	\$53.13	\$931,000	6.0%	\$12,581	\$54.71
Property Operations and Maintenance	\$598,000	4.1%	\$8,081	\$35.14	\$616,000	4.1%	\$8,324	\$36.20	\$634,000	4.1%	\$8,568	\$37.26
Utilities	\$994,000	6.8%	\$13,432	\$58.41	\$1,024,000	6.8%	\$13,838	\$60.18	\$1,055,000	6.8%	\$14,257	\$62.00
TOTAL UNDISTRIBUTED EXPENSES	\$3,818,000	26.1%	\$51,594	\$224.37	\$3,932,000	26.1%	\$53,135	\$231.07	\$4,060,000	26.1%	\$54,730	\$238.01
GROSS OPERATING PROFIT	\$4,588,000	31.3%	\$62,000	\$269.62	\$4,730,000	31.3%	\$63,919	\$277.97	\$4,867,000	31.3%	\$65,770	\$286.02
MANAGEMENT FEES	\$440,000	3.0%	\$5,946	\$25.86	\$453,000	3.0%	\$6,122	\$26.62	\$466,000	3.0%	\$6,297	\$27.39
INCOME BEFORE FIXED CHARGES	\$4,148,000	28.3%	\$56,054	\$243.77	\$4,277,000	28.3%	\$57,797	\$251.35	\$4,401,000	28.3%	\$59,473	\$258.63
FIXED CHARGES												
Hotel Development Act Income	(\$472,000)	(3.2%)	(\$6,378)	(\$27.74)	(\$487,000)	(3.2%)	(\$6,581)	(\$28.62)	(\$505,000)	(3.3%)	(\$6,824)	(\$29.68)
Property and Other Taxes	\$0	0.0%	\$0	\$0.00	\$0	0.0%	\$0	\$0.00	\$0	0.0%	\$0	\$0.00
Insurance	\$597,000	4.1%	\$8,068	\$35.08	\$615,000	4.1%	\$8,311	\$36.14	\$633,000	4.1%	\$8,554	\$37.20
TOTAL FIXED CHARGED	\$125,000	0.9%	\$1,690	\$7.35	\$128,000	0.9%	\$1,730	\$7.52	\$128,000	0.9%	\$1,730	\$7.52
NET OPERATING INCOME	\$4,023,000	27.5%	\$54,364	\$236.42	\$4,149,000	27.5%	\$56,067	\$243.83	\$4,273,000	27.5%	\$57,743	\$251.11
LESS REPLACEMENT RESERVES	\$946,000	4.0%	\$7,919	\$34.44	\$604,000	4.0%	\$8,162	\$35.50	\$622,000	4.0%	\$8,405	\$36.55
ADJUSTED NET OPERATING INCOME (2)	\$3,077,000	23.5%	\$46,445	\$201.98	\$3,545,000	23.5%	\$47,905	\$208.33	\$3,651,000	23.5%	\$49,338	\$214.56

Notes:

- (1) Departmental ratios reflect a percentage of department expenses to department revenues and will not add to total department expenses.
- (2) Net Operating Income defined as income before debt taxes, depreciation and amortization.

Please note that columns may not add due to rounding

Source: REVPAR International, Inc.

Summary Operating Statement

	Year 10				Year 11				Year 12			
Year	2026				2026				2027			
Number of Rooms	74				74				74			
Annual # of Available Rooms	27 010				27 010				27 010			
Annual occupancy rate	63%				63%				63%			
Annual # of Occupied Rooms	17 016				17 016				17 016			
Average Daily Rate	\$610.00				\$628.00				\$647.00			
RevPAR	\$384.30				\$395.64				\$407.61			
	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms
DEPARTMENTAL REVENUES												
Rooms	\$10,380,000	64.8%	\$140,270	\$610.00	\$10,686,000	64.8%	\$144,405	\$627.99	\$11,010,000	64.8%	\$148,784	\$647.03
Food & Beverage	\$3,328,000	20.8%	\$44,973	\$195.58	\$3,427,000	20.8%	\$46,311	\$201.40	\$3,530,000	20.8%	\$47,703	\$207.45
Other Operated Departments	\$2,229,000	13.9%	\$30,122	\$130.99	\$2,297,000	13.9%	\$31,041	\$134.99	\$2,365,000	13.9%	\$31,959	\$138.98
Rentals & Other Income	\$73,000	0.5%	\$986	\$4.29	\$76,000	0.5%	\$1,027	\$4.47	\$78,000	0.5%	\$1,054	\$4.58
TOTAL REVENUE	\$16,010,000	100.0%	\$216,351	\$940.86	\$16,486,000	100.0%	\$222,784	\$968.84	\$16,983,000	100.0%	\$229,500	\$998.04
DEPARTMENTAL EXPENSES (1)												
Rooms	\$2,385,000	23.0%	\$32,230	\$140.16	\$2,457,000	23.0%	\$33,203	\$144.39	\$2,530,000	23.0%	\$34,188	\$148.68
Food and Beverage	\$2,912,000	87.5%	\$39,351	\$171.13	\$2,999,000	87.5%	\$40,527	\$176.24	\$3,089,000	87.5%	\$41,743	\$181.53
Other Operated Departments	\$1,523,000	68.3%	\$20,581	\$89.50	\$1,570,000	68.4%	\$21,216	\$92.26	\$1,617,000	68.4%	\$21,851	\$95.03
TOTAL DEPARTMENTAL EXPENSES	\$6,820,000	42.6%	\$92,162	\$400.79	\$7,026,000	42.6%	\$94,946	\$412.90	\$7,238,000	42.6%	\$97,783	\$425.24
TOTAL DEPARTMENTAL INCOME	\$9,190,000	57.4%	\$124,189	\$540.07	\$9,460,000	57.4%	\$127,838	\$555.94	\$9,747,000	57.4%	\$131,717	\$572.80
UNDISTRIBUTED OPERATING EXPENSES												
Administrative and General	\$1,473,000	9.2%	\$19,905	\$86.56	\$1,517,000	9.2%	\$20,500	\$89.15	\$1,563,000	9.2%	\$21,122	\$91.85
Sales and Marketing	\$959,000	6.0%	\$12,959	\$56.39	\$988,000	6.0%	\$13,351	\$58.06	\$1,017,000	6.0%	\$13,743	\$59.77
Property Operations and Maintenance	\$653,000	4.1%	\$8,824	\$38.37	\$673,000	4.1%	\$9,095	\$39.55	\$693,000	4.1%	\$9,365	\$40.73
Utilities	\$1,087,000	6.8%	\$14,689	\$63.88	\$1,119,000	6.8%	\$15,122	\$65.76	\$1,153,000	6.8%	\$15,581	\$67.76
TOTAL UNDISTRIBUTED EXPENSES	\$4,172,000	26.1%	\$56,377	\$245.18	\$4,297,000	26.1%	\$58,068	\$252.52	\$4,426,000	26.1%	\$59,811	\$260.10
GROSS OPERATING PROFIT	\$5,018,000	31.3%	\$67,812	\$294.89	\$5,163,000	31.3%	\$69,770	\$303.41	\$5,321,000	31.3%	\$71,906	\$312.70
MANAGEMENT FEES	\$480,000	3.0%	\$6,486	\$28.21	\$495,000	3.0%	\$6,680	\$29.09	\$510,000	3.0%	\$6,892	\$29.97
INCOME BEFORE FIXED CHARGES	\$4,538,000	28.3%	\$61,326	\$266.69	\$4,668,000	28.3%	\$63,081	\$274.33	\$4,811,000	28.3%	\$65,014	\$282.73
FIXED CHARGES												
Hotel Development Act Income	(\$536,000)	(3.3%)	(\$7,243)	(\$31.50)	(\$566,000)	(3.4%)	(\$7,649)	(\$33.26)	(\$599,000)	(3.5%)	(\$8,095)	(\$35.20)
Property and Other Taxes	\$0	0.0%	\$0	\$0.00	\$0	0.0%	\$0	\$0.00	\$0	0.0%	\$0	\$0.00
Insurance	\$652,000	4.1%	\$8,811	\$38.32	\$672,000	4.1%	\$9,081	\$39.49	\$692,000	4.1%	\$9,351	\$40.67
TOTAL FIXED CHARGED	\$116,000	0.7%	\$1,568	\$6.82	\$106,000	0.6%	\$1,432	\$6.23	\$93,000	0.5%	\$1,266	\$5.47
NET OPERATING INCOME	\$4,422,000	27.6%	\$59,758	\$259.87	\$4,562,000	27.7%	\$61,649	\$268.10	\$4,718,000	27.8%	\$63,758	\$277.26
LESS REPLACEMENT RESERVES	\$640,000	4.0%	\$8,649	\$37.61	\$659,000	4.0%	\$8,905	\$38.73	\$679,000	4.0%	\$9,176	\$39.90
ADJUSTED NET OPERATING INCOME (2)	\$3,782,000	23.6%	\$51,109	\$222.26	\$3,903,000	23.7%	\$52,744	\$229.37	\$4,039,000	23.8%	\$54,582	\$237.36

(1) Departmental ratios reflect a percentage of department expenses to department revenues and will not add to total department expenses.

(2) Net Operating Income defined as income before debt, taxes depreciation and amortization

Please note that columns may not add due to rounding.

REVPAR International, Inc.

Proposed 74-Unit Water Island Resort, Water Island, USVI				
Discounted Cash Flow Analysis - Upon Opening				
2016				
Year	Net Operating Income	Present Value Factor @ 12.5%	Present Value	
1	\$1,386,000	0.888889	\$1,232,000	
2	\$2,581,000	0.790123	\$2,039,309	
3	\$3,058,000	0.702332	\$2,147,731	
4	\$3,151,000	0.624295	\$1,967,154	
5	\$3,241,000	0.554929	\$1,798,525	
6	\$3,342,000	0.493270	\$1,648,509	
7	\$3,437,000	0.438462	\$1,506,995	
8	\$3,545,000	0.389744	\$1,381,844	
9	\$3,651,000	0.346439	\$1,264,850	
10	\$3,782,000	0.307946	\$1,164,652	
Present Value of Cash Flows				\$16,151,369
Present Value of Reversion				\$12,272,173
				\times
Calculation of Reversion				
11 Year Net Operating Income				
\$3,903,000 capitalized @				9.5%
Less Cost of Sale/Refinance @				3.0%
Net Reversion				\$41,084,211 (\$1,232,526) \$39,851,684
TOTAL NET PRESENT VALUE				\$28,423,541
Rounded				\$28,400,000
Per Room				\$383,784

Source: REVPAR International, Inc.

Proposed 74-Unit Water Island Resort, Water Island, USVI				
Discounted Cash Flow Analysis - Upon Stabilization				
2018				
Year	Net Operating Income	Present Value Factor @ 12.5%	Present Value	
1	\$3,058,000	0.888889	\$2,718,222	
2	\$3,151,000	0.790123	\$2,489,679	
3	\$3,241,000	0.702332	\$2,276,258	
4	\$3,342,000	0.624295	\$2,086,394	
5	\$3,437,000	0.554929	\$1,907,291	
6	\$3,545,000	0.493270	\$1,748,643	
7	\$3,651,000	0.438462	\$1,600,826	
8	\$3,782,000	0.389744	\$1,474,013	
9	\$3,903,000	0.346439	\$1,352,153	
10	\$4,039,000	0.307946	\$1,243,794	
Present Value of Cash Flows				\$18,897,274
Present Value of Reversion				\$13,105,410
				\times
Calculation of Reversion				
11 Year Net Operating Income				
\$4,168,000 capitalized @				9.5%
Less Cost of Sale/Refinance @				3.0%
Net Reversion				\$43,873,684 (\$1,316,211) \$42,557,474
TOTAL NET PRESENT VALUE				\$32,002,684
Rounded				\$32,000,000
Per Room				\$432,432

Source: REVPAR International, Inc.

Market Penetration Analysis Proposed 125-Unit Water Island Resort Water Island, USVI

Year	2016	2017	2018	2019	2020	2021	2022
Available Rooms in Comp. Set	1,769	1,769	1,769	1,769	1,769	1,769	1,769
Available Room Nights							
Subject Hotel	45,625	45,625	45,625	45,625	45,625	45,625	45,625
Total Market	645,685	645,685	645,685	645,685	645,685	645,685	645,685
Subject's Fair Share	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%
Group							
Total Segment Demand	79,700	80,100	80,500	80,500	80,500	80,500	80,500
Fair Share of Demand	5,632	5,660	5,688	5,688	5,688	5,688	5,688
Penetration Rate	62%	75%	85%	85%	88%	88%	88%
Demand Captured	3,500	4,500	5,000	5,000	5,000	5,000	5,000
		14%	16%	16%	16%	16%	16%
Transient							
Total Segment Demand	269,700	272,400	275,100	275,100	275,100	275,100	275,100
Fair Share of Demand	19,057	19,248	19,439	19,439	19,439	19,439	19,439
Penetration Rate	103%	112%	113%	113%	113%	113%	113%
Demand Captured	19,500	21,500	22,000	22,000	22,000	22,000	22,000
		76%	74%	72%	72%	72%	72%
Redemption							
Total Segment Demand	89,000	89,500	89,900	89,900	89,900	89,900	89,900
Fair Share of Demand	6,289	6,324	6,352	6,352	6,352	6,352	6,352
Penetration Rate	39%	47%	55%	55%	55%	55%	55%
Demand Captured	2,500	3,000	3,500	3,500	3,500	3,500	3,500
		10%	10%	11%	11%	11%	11%
Total Demand							
Total Market Demand	438,400	442,000	445,500	445,500	445,500	445,500	445,500
Fair Share of Demand	30,978	31,232	31,480	31,480	31,480	31,480	31,480
Penetration Overall	82%	93%	97%	97%	97%	97%	97%
Demand Captured	25,500	29,000	30,500	30,500	30,500	30,500	30,500
		100%	100%	100%	100%	100%	100%
Estimated Subject Occ.	56%	64%	67%	67%	67%	67%	67%
Estimated Market Occ.	68%	68%	69%	69%	69%	69%	69%

SCENARIO 2

Summary Operating Statement (in a Stabilized Year) Proposed 125-Unit Water Island Resort, Water Island, USVI

For a Representative Year in Current Value Dollars

Number of Rooms:	125
Annual # of Available Rooms:	45,625
Annual occupancy rate:	67%
Annual # of Occupied Rooms	30,569
Average Daily Rate	\$370.00
RevPAR	\$247.90

	Amount	Ratio	Amount per Avail. Rms.	Amount per Occ. Rms.
DEPARTMENTAL REVENUES				
Rooms	\$11,310,000	59.0%	\$90,480	\$369.99
Food & Beverage	\$5,045,000	26.3%	\$40,360	\$165.04
Other Operated Departments	\$2,727,000	14.2%	\$21,816	\$89.21
Rentals & Other Income	\$80,000	0.4%	\$640	\$2.62
TOTAL REVENUE	\$19,162,000	100.0%	\$153,296	\$626.85
DEPARTMENTAL EXPENSES ⁽¹⁾				
Rooms	\$2,488,000	22.0%	\$19,904	\$81.39
Food and Beverage	\$4,187,000	83.0%	\$33,496	\$136.97
Other Operated Departments	\$1,816,000	66.6%	\$14,528	\$59.41
TOTAL DEPARTMENTAL EXPENSES	\$8,491,000	44.3%	\$67,928	\$277.77
TOTAL DEPARTMENTAL INCOME	\$10,671,000	55.7%	\$85,368	\$349.08
UNDISTRIBUTED OPERATING EXPENSES				
Administrative and General	\$1,380,000	7.2%	\$11,040	\$45.14
Sales and Marketing	\$958,000	5.0%	\$7,664	\$31.34
Property Operations and Maintenance	\$590,000	3.1%	\$4,720	\$19.30
Utilities	\$1,188,000	6.2%	\$9,504	\$38.86
TOTAL UNDISTRIBUTED EXPENSES	\$4,116,000	21.5%	\$32,928	\$134.65
GROSS OPERATING PROFIT	\$6,555,000	34.2%	\$52,440	\$214.43
MANAGEMENT FEES	\$575,000	3.0%	\$4,600	\$18.81
INCOME BEFORE FIXED CHARGES	\$5,980,000	31.2%	\$47,840	\$195.62
FIXED CHARGES				
Hotel Development Act Income	(\$759,000)	-4.0%	-\$6,072	-\$24.83
Property and Other Taxes	\$0	0.0%	\$0	\$0.00
Insurance	\$750,000	3.9%	\$6,000	\$24.53
TOTAL FIXED CHARGED	-\$9,000	0.0%	-\$72	-\$0.29
NET OPERATING INCOME	\$5,989,000	31.3%	\$47,912	\$195.92
LESS: REPLACEMENT RESERVES	\$766,000	4.0%	\$6,128	\$25.06
ADJUSTED NET OPERATING INCOME	\$5,223,000	27.3%	\$41,784	\$170.86

Notes:

(1) Departmental ratios reflect a percentage of department expenses to department revenues and will not add to total department expenses.

(2) Net Operating Income defined as income before debt, taxes, depreciation and amortization.

Please note that columns may not add due to rounding.

Source: REVPAR International, Inc.

Summary Operating Statement

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Year	2016	2017	2018
Number of Rooms	125	125	125
Annual # of Available Rooms	45,625	45,625	45,625
Annual occupancy rate	56%	64%	67%
Annual # of Occupied Rooms	25,550	29,200	30,569
Average Daily Rate	\$396.00	\$429.00	\$442.00
RevPAR	\$221.76	\$274.56	\$295.14

	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms
DEPARTMENTAL REVENUES				
Rooms	\$10,118,000	57.7%	\$60,944	\$396.01
Food & Beverage	\$4,781,000	27.2%	\$38,248	\$187.12
Other Operated Departments	\$2,565,000	14.6%	\$20,520	\$100.39
Rentals & Other Income	\$83,000	0.5%	\$684	\$3.25
TOTAL REVENUE	\$17,547,000	100.0%	\$140,376	\$686.77
DEPARTMENTAL EXPENSES (1)				
Rooms	\$2,383,000	23.6%	\$19,064	\$93.27
Food and Beverage	\$4,264,000	89.2%	\$34,112	\$186.89
Other Operated Departments	\$1,858,000	72.4%	\$14,864	\$72.72
TOTAL DEPARTMENTAL EXPENSES	\$8,505,000	48.5%	\$68,040	\$332.86
TOTAL DEPARTMENTAL INCOME	\$9,042,000	51.5%	\$72,336	\$353.89
UNDISTRIBUTED OPERATING EXPENSES				
Administrative and General	\$1,600,000	9.1%	\$12,800	\$62.62
Sales and Marketing	\$1,132,000	6.5%	\$9,056	\$44.31
Property Operations and Maintenance	\$416,000	2.4%	\$3,328	\$16.28
Utilities	\$1,118,000	6.4%	\$8,944	\$43.76
TOTAL UNDISTRIBUTED EXPENSES	\$4,266,000	24.3%	\$34,128	\$166.97
GROSS OPERATING PROFIT	\$4,776,000	27.2%	\$38,208	\$186.93
MANAGEMENT FEES	\$527,000	3.0%	\$4,216	\$20.63
INCOME BEFORE FIXED CHARGES	\$4,249,000	24.2%	\$33,992	\$166.30
FIXED CHARGES				
Hotel Development Act Income	(\$509,000)	(2.9%)	(\$4,072)	(\$19.92)
Property and Other Taxes	\$0	0.0%	\$0	\$0.00
Insurance	\$844,000	4.8%	\$6,752	\$33.03
TOTAL FIXED CHARGED	\$335,000	1.9%	\$2,680	\$13.11
NET OPERATING INCOME	\$3,914,000	22.3%	\$31,312	\$153.19
LESS REPLACEMENT RESERVES	\$702,000	4.0%	\$5,616	\$27.48
ADJUSTED NET OPERATING INCOME (2)	\$3,212,000	18.3%	\$25,696	\$125.71

(1) Departmental ratios reflect a percentage of department expenses to department revenues and will not add to total department expense.

(2) **Net Operating Income** defined as income before debt taxes, depreciation and amortization.

Please note that columns may not add due to rounding.

REVPAR International Inc.

Source

Summary Operating Statement Proposed 125-Unit Water Island Resort, Water Island, USVI

Year	2019	2020
Number of Rooms	125	125
Annual # of Available Rooms	45,625	45,625
Annual occupancy rate	67%	67%
Annual # of Occupied Rooms	30,569	30,569
Average Daily Rate	\$455.00	\$483.00
RevPAR	\$304.85	\$323.61

Year	2019	2020
Number of Rooms	125	125
Annual # of Available Rooms	45,625	45,625
Annual occupancy rate	67%	67%
Annual # of Occupied Rooms	30,569	30,569
Average Daily Rate	\$455.00	\$483.00
RevPAR	\$304.85	\$323.61

Year	2019	2020
Number of Rooms	125	125
Annual # of Available Rooms	45,625	45,625
Annual occupancy rate	67%	67%
Annual # of Occupied Rooms	30,569	30,569
Average Daily Rate	\$455.00	\$483.00
RevPAR	\$304.85	\$323.61

	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms
DEPARTMENTAL REVENUES				
Rooms	\$13,909,000	59.0%	\$111,272	\$455.01
Food & Beverage	\$6,205,000	26.3%	\$49,640	\$202.99
Other Operated Departments	\$3,354,000	14.2%	\$26,632	\$109.72
Rentals & Other Income	\$98,000	0.4%	\$784	\$3.21
TOTAL REVENUE	\$23,566,000	100.0%	\$188,528	\$770.92
DEPARTMENTAL EXPENSES (1)				
Rooms	\$3,060,000	22.0%	\$24,480	\$100.10
Food and Beverage	\$5,150,000	83.0%	\$41,200	\$168.47
Other Operated Departments	\$2,234,000	66.6%	\$17,872	\$73.08
TOTAL DEPARTMENTAL EXPENSES	\$10,444,000	44.3%	\$83,552	\$341.66
TOTAL DEPARTMENTAL INCOME	\$13,122,000	55.7%	\$104,976	\$429.26
UNDISTRIBUTED OPERATING EXPENSES				
Administrative and General	\$1,697,000	7.2%	\$13,576	\$55.51
Sales and Marketing	\$1,178,000	5.0%	\$9,424	\$38.54
Property Operations and Maintenance	\$726,000	3.1%	\$5,808	\$23.75
Utilities	\$1,461,000	6.2%	\$11,688	\$47.79
TOTAL UNDISTRIBUTED EXPENSES	\$5,062,000	21.5%	\$40,496	\$165.59
GROSS OPERATING PROFIT	\$8,060,000	34.2%	\$64,480	\$263.67
MANAGEMENT FEES	\$707,000	3.0%	\$5,656	\$23.13
INCOME BEFORE FIXED CHARGES	\$7,353,000	31.2%	\$58,824	\$240.54
FIXED CHARGES				
Hotel Development Act Income	(\$888,000)	(3.8%)	(\$7,104)	(\$29.05)
Property and Other Taxes	\$0	0.0%	\$0	\$0.00
Insurance	\$922,000	3.9%	\$7,376	\$30.16
TOTAL FIXED CHARGED	\$34,000	0.1%	\$272	\$1.11
NET OPERATING INCOME	\$7,319,000	31.1%	\$58,552	\$239.43
LESS: REPLACEMENT RESERVES	\$943,000	4.0%	\$7,544	\$30.85
ADJUSTED NET OPERATING INCOME (2)	\$6,376,000	27.1%	\$51,008	\$208.58

Notes: (1) Departmental ratios reflect a percentage of department expenses to department revenues and will not add to total department expenses.

(2) Net Operating Income defined as income before debt, taxes, depreciation and amortization.

Please note that columns may not add due to rounding.
Source: REVPAR International, Inc.

Summary Operating Statement

	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>
Year	2022	2023	2024
Number of Rooms	125	125	125
Annual # of Available Rooms	45,625	45,625	45,625
Annual occupancy rate	67%	67%	67%
Annual # of Occupied Rooms	30,569	30,569	30,569
Average Daily Rate	\$498.00	\$513.00	\$528.00
RevPAR	\$333.66	\$343.71	\$353.76

DEPARTMENTAL REVENUES				DEPARTMENTAL EXPENSES (1)				DEPARTMENTAL REVENUES				DEPARTMENTAL EXPENSES (1)			
Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms
\$15,223,000	59.1%	\$121,784	\$497.99	\$15,682,000	59.1%	\$125,456	\$513.01	\$16,140,000	59.0%	\$129,120	\$527.99	\$16,140,000	59.0%	\$129,120	\$527.99
\$6,781,000	26.3%	\$54,248	\$221.83	\$6,984,000	26.3%	\$55,872	\$228.47	\$7,193,000	26.3%	\$57,544	\$235.31	\$7,193,000	26.3%	\$57,544	\$235.31
\$3,664,000	14.2%	\$29,312	\$119.86	\$3,775,000	14.2%	\$30,200	\$123.49	\$3,887,000	14.2%	\$31,096	\$127.16	\$3,887,000	14.2%	\$31,096	\$127.16
\$1,088,000	0.4%	\$864	\$3.53	\$1,111,000	0.4%	\$868	\$3.63	\$1,141,000	0.4%	\$912	\$3.73	\$1,141,000	0.4%	\$912	\$3.73
\$25,776,000	100.0%	\$206,208	\$643.21	\$26,552,000	100.0%	\$212,416	\$668.60	\$27,334,000	100.0%	\$218,672	\$694.18	\$27,334,000	100.0%	\$218,672	\$694.18
DEPARTMENTAL EXPENSES (1)				DEPARTMENTAL EXPENSES (1)				DEPARTMENTAL EXPENSES (1)				DEPARTMENTAL EXPENSES (1)			
\$3,344,000	22.0%	\$26,752	\$109.39	\$3,444,000	22.0%	\$27,552	\$112.66	\$3,548,000	22.0%	\$28,384	\$116.07	\$3,548,000	22.0%	\$28,384	\$116.07
\$5,628,000	83.0%	\$45,024	\$184.11	\$5,797,000	83.0%	\$46,376	\$189.64	\$5,970,000	83.0%	\$47,760	\$195.30	\$5,970,000	83.0%	\$47,760	\$195.30
\$2,440,000	66.6%	\$19,520	\$79.82	\$2,514,000	66.6%	\$20,112	\$82.24	\$2,589,000	66.6%	\$20,712	\$84.69	\$2,589,000	66.6%	\$20,712	\$84.69
\$11,412,000	44.3%	\$91,296	\$373.32	\$11,755,000	44.3%	\$94,040	\$384.54	\$12,107,000	44.3%	\$96,856	\$396.06	\$12,107,000	44.3%	\$96,856	\$396.06
\$14,364,000	55.7%	\$114,912	\$469.89	\$14,797,000	55.7%	\$118,376	\$484.06	\$15,227,000	55.7%	\$121,816	\$498.12	\$15,227,000	55.7%	\$121,816	\$498.12
UNDISTRIBUTED OPERATING EXPENSES				UNDISTRIBUTED OPERATING EXPENSES				UNDISTRIBUTED OPERATING EXPENSES				UNDISTRIBUTED OPERATING EXPENSES			
\$1,855,000	7.2%	\$14,840	\$60.68	\$1,910,000	7.2%	\$15,280	\$62.48	\$1,968,000	7.2%	\$15,744	\$64.38	\$1,968,000	7.2%	\$15,744	\$64.38
\$1,287,000	5.0%	\$10,296	\$42.10	\$1,326,000	5.0%	\$10,608	\$43.38	\$1,366,000	5.0%	\$10,928	\$44.69	\$1,366,000	5.0%	\$10,928	\$44.69
\$793,000	3.1%	\$6,344	\$25.94	\$817,000	3.1%	\$6,536	\$26.73	\$841,000	3.1%	\$6,728	\$27.51	\$841,000	3.1%	\$6,728	\$27.51
\$1,597,000	6.2%	\$12,776	\$52.24	\$1,644,000	6.2%	\$13,152	\$53.78	\$1,694,000	6.2%	\$13,552	\$55.42	\$1,694,000	6.2%	\$13,552	\$55.42
\$5,532,000	21.5%	\$44,256	\$180.97	\$5,697,000	21.5%	\$45,576	\$186.37	\$5,869,000	21.5%	\$46,952	\$191.99	\$5,869,000	21.5%	\$46,952	\$191.99
\$8,832,000	34.3%	\$70,656	\$288.92	\$9,100,000	34.3%	\$72,800	\$297.69	\$9,358,000	34.2%	\$74,864	\$306.13	\$9,358,000	34.2%	\$74,864	\$306.13
\$773,000	3.0%	\$6,184	\$25.29	\$797,000	3.0%	\$6,376	\$26.07	\$820,000	3.0%	\$6,560	\$26.82	\$820,000	3.0%	\$6,560	\$26.82
\$8,059,000	31.3%	\$64,472	\$263.64	\$8,303,000	31.3%	\$66,424	\$271.62	\$8,538,000	31.2%	\$68,304	\$279.30	\$8,538,000	31.2%	\$68,304	\$279.30
FIXED CHARGES				FIXED CHARGES				FIXED CHARGES				FIXED CHARGES			
\$1,020,000	(4.0%)	(\$8,160)	(\$33.37)	(\$1,066,000)	(4.0%)	(\$8,528)	(\$34.87)	(\$1,112,000)	(4.1%)	(\$8,896)	(\$36.38)	(\$1,112,000)	(4.1%)	(\$8,896)	(\$36.38)
\$0	0.0%	\$0	\$0.00	\$0	0.0%	\$0	\$0.00	\$0	0.0%	\$0	\$0.00	\$0	0.0%	\$0	\$0.00
\$1,008,000	3.9%	\$8,064	\$32.97	\$1,038,000	3.9%	\$8,304	\$33.96	\$1,069,000	3.9%	\$8,552	\$34.97	\$1,069,000	3.9%	\$8,552	\$34.97
\$12,000	(0.0%)	(\$96)	(\$0.39)	(\$28,000)	(0.1%)	(\$224)	(\$0.92)	(\$43,000)	(0.2%)	(\$344)	(\$1.41)	(\$43,000)	(0.2%)	(\$344)	(\$1.41)
\$8,071,000	31.3%	\$64,568	\$264.03	\$8,331,000	31.4%	\$66,648	\$272.53	\$8,581,000	31.4%	\$68,648	\$280.71	\$8,581,000	31.4%	\$68,648	\$280.71
\$1,031,000	4.0%	\$8,248	\$33.73	\$1,062,000	4.0%	\$8,496	\$34.74	\$1,093,000	4.0%	\$8,744	\$35.76	\$1,093,000	4.0%	\$8,744	\$35.76
LESS REPLACEMENT RESERVES				LESS REPLACEMENT RESERVES				LESS REPLACEMENT RESERVES				LESS REPLACEMENT RESERVES			
\$7,040,000	27.3%	\$56,320	\$230.30	\$7,269,000	27.4%	\$58,152	\$237.79	\$7,488,000	27.4%	\$59,904	\$244.96	\$7,488,000	27.4%	\$59,904	\$244.96
ADJUSTED NET OPERATING INCOME (2)				ADJUSTED NET OPERATING INCOME (2)				ADJUSTED NET OPERATING INCOME (2)				ADJUSTED NET OPERATING INCOME (2)			

(1) Departmental ratios reflect a percentage of department expenses to department revenues and will not add to total department expenses.

(1) Certain amounts that reflect a percentage of department expenses to department revenues

Please note that columns may not add due to rounding

REVPAR International, Inc.

Summary Operating Statement Proposed 125-Unit Water Island Resort, Water Island, USVI

Year	2025	2026	2027
Number of Rooms	125	125	125
Annual # of Available Rooms	45,625	45,625	45,625
Annual occupancy rate	67%	67%	67%
Annual # of Occupied Rooms	30,569	30,569	30,569
Average Daily Rate	\$544.00	\$560.00	\$577.00
RevPAR	\$364.48	\$375.20	\$386.59

Year	2026	2027
Number of Rooms	125	125
Annual # of Available Rooms	45,625	45,625
Annual occupancy rate	67%	67%
Annual # of Occupied Rooms	30,569	30,569
Average Daily Rate	\$560.00	\$577.00
RevPAR	\$375.20	\$386.59

Year	2027
Number of Rooms	125
Annual # of Available Rooms	45,625
Annual occupancy rate	67%
Annual # of Occupied Rooms	30,569
Average Daily Rate	\$577.00
RevPAR	\$386.59

	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms
DEPARTMENTAL REVENUES				
Rooms	\$16,629,000	59.1%	\$133,032	\$543.99
Food & Beverage	\$7,409,000	26.3%	\$59,272	\$242.37
Other Operated Departments	\$4,004,000	14.2%	\$32,032	\$130.98
Rentals & Other Income	\$117,000	0.4%	\$936	\$3.83
TOTAL REVENUE	\$28,159,000	100.0%	\$225,272	\$921.17
DEPARTMENTAL EXPENSES (1)				
Rooms	\$3,654,000	22.0%	\$29,232	\$119.53
Food and Beverage	\$6,149,000	83.0%	\$49,192	\$201.15
Other Operated Departments	\$2,667,000	66.6%	\$21,336	\$87.25
TOTAL DEPARTMENTAL EXPENSES	\$12,470,000	44.3%	\$99,760	\$407.93
TOTAL DEPARTMENTAL INCOME	\$15,689,000	55.7%	\$125,512	\$513.24
UNDISTRIBUTED OPERATING EXPENSES				
Administrative and General	\$2,027,000	7.2%	\$16,216	\$66.31
Sales and Marketing	\$1,407,000	5.0%	\$11,256	\$46.03
Property Operations and Maintenance	\$866,000	3.1%	\$6,928	\$28.33
Utilities	\$1,745,000	6.2%	\$13,960	\$57.08
TOTAL UNDISTRIBUTED EXPENSES	\$6,045,000	21.5%	\$48,360	\$197.75
GROSS OPERATING PROFIT	\$9,644,000	34.2%	\$77,152	\$315.49
MANAGEMENT FEES	\$845,000	3.0%	\$6,760	\$27.64
INCOME BEFORE FIXED CHARGES	\$8,799,000	31.2%	\$70,392	\$287.84
FIXED CHARGES				
Hotel Development Act Income	(\$1,160,000)	(4.1%)	(\$9,280)	(\$37.95)
Property and Other Taxes	\$0	0.0%	\$0	\$0.00
Insurance	\$1,101,000	3.9%	\$8,808	\$36.02
TOTAL FIXED CHARGED	(\$9,000)	(0.2%)	(\$472)	(\$1.93)
NET OPERATING INCOME	\$8,858,000	31.5%	\$70,864	\$289.77
LESS REPLACEMENT RESERVES	\$1,126,000	4.0%	\$9,008	\$36.84
ADJUSTED NET OPERATING INCOME (2)	\$7,732,000	27.5%	\$61,856	\$252.94

	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms
DEPARTMENTAL REVENUES				
Rooms	\$17,638,000	59.0%	\$136,952	\$560.02
Food & Beverage	\$7,860,000	26.3%	\$61,048	\$249.63
Other Operated Departments	\$4,248,000	14.2%	\$33,000	\$134.94
Rentals & Other Income	\$125,000	0.4%	\$968	\$3.96
TOTAL REVENUE	\$29,871,000	100.0%	\$231,968	\$948.55
DEPARTMENTAL EXPENSES (1)				
Rooms	\$3,764,000	22.0%	\$30,112	\$123.13
Food and Beverage	\$6,334,000	83.0%	\$50,872	\$207.21
Other Operated Departments	\$2,746,000	66.6%	\$21,968	\$89.83
TOTAL DEPARTMENTAL EXPENSES	\$12,844,000	44.3%	\$102,752	\$420.17
TOTAL DEPARTMENTAL INCOME	\$16,152,000	55.7%	\$129,216	\$528.38
UNDISTRIBUTED OPERATING EXPENSES				
Administrative and General	\$2,087,000	7.2%	\$16,896	\$68.27
Sales and Marketing	\$1,449,000	5.0%	\$11,592	\$47.40
Property Operations and Maintenance	\$892,000	3.1%	\$7,136	\$29.18
Utilities	\$1,797,000	6.2%	\$14,376	\$58.79
TOTAL UNDISTRIBUTED EXPENSES	\$6,225,000	21.5%	\$49,800	\$203.64
GROSS OPERATING PROFIT	\$9,927,000	34.2%	\$79,416	\$324.74
MANAGEMENT FEES	\$870,000	3.0%	\$6,960	\$28.46
INCOME BEFORE FIXED CHARGES	\$9,057,000	31.2%	\$72,456	\$296.28
FIXED CHARGES				
Hotel Development Act Income	(\$1,209,000)	(4.2%)	(\$9,672)	(\$39.55)
Property and Other Taxes	\$0	0.0%	\$0	\$0.00
Insurance	\$1,134,000	3.9%	\$9,072	\$37.10
TOTAL FIXED CHARGED	(\$75,000)	(0.3%)	(\$600)	(\$2.45)
NET OPERATING INCOME	\$9,132,000	31.5%	\$73,056	\$298.74
LESS REPLACEMENT RESERVES	\$1,160,000	4.0%	\$9,280	\$37.95
ADJUSTED NET OPERATING INCOME (2)	\$7,972,000	27.5%	\$63,776	\$260.79

	Amount	Ratio	Amount per Available Rooms	Amount per Occupied Rooms
DEPARTMENTAL REVENUES				
Rooms	\$17,638,000	59.0%	\$141,104	\$575.99
Food & Beverage	\$7,860,000	26.3%	\$62,880	\$257.13
Other Operated Departments	\$4,248,000	14.2%	\$33,984	\$138.97
Rentals & Other Income	\$125,000	0.4%	\$1,000	\$4.08
TOTAL REVENUE	\$29,871,000	100.0%	\$238,968	\$977.17
DEPARTMENTAL EXPENSES (1)				
Rooms	\$3,877,000	22.0%	\$31,016	\$126.83
Food and Beverage	\$6,524,000	83.0%	\$52,192	\$213.42
Other Operated Departments	\$2,829,000	66.6%	\$22,632	\$92.55
TOTAL DEPARTMENTAL EXPENSES	\$13,230,000	44.3%	\$105,840	\$432.79
TOTAL DEPARTMENTAL INCOME	\$16,641,000	55.7%	\$133,128	\$544.38
UNDISTRIBUTED OPERATING EXPENSES				
Administrative and General	\$2,150,000	7.2%	\$17,200	\$70.33
Sales and Marketing	\$1,493,000	5.0%	\$11,944	\$48.84
Property Operations and Maintenance	\$919,000	3.1%	\$7,352	\$30.06
Utilities	\$1,851,000	6.2%	\$14,808	\$60.55
TOTAL UNDISTRIBUTED EXPENSES	\$6,413,000	21.5%	\$51,304	\$209.79
GROSS OPERATING PROFIT	\$10,228,000	34.2%	\$81,824	\$334.59
MANAGEMENT FEES	\$896,000	3.0%	\$7,168	\$29.31
INCOME BEFORE FIXED CHARGES	\$9,332,000	31.2%	\$74,656	\$305.28
FIXED CHARGES				
Hotel Development Act Income	(\$1,261,000)	(4.2%)	(\$10,088)	(\$41.25)
Property and Other Taxes	\$0	0.0%	\$0	\$0.00
Insurance	\$1,168,000	3.9%	\$9,344	\$38.21
TOTAL FIXED CHARGED	(\$93,000)	(0.3%)	(\$744)	(\$3.04)
NET OPERATING INCOME	\$9,425,000	31.6%	\$75,400	\$308.32
LESS REPLACEMENT RESERVES	\$1,195,000	4.0%	\$9,560	\$39.09
ADJUSTED NET OPERATING INCOME (2)	\$8,230,000	27.8%	\$65,840	\$269.23

Notes: (1) Departmental ratios reflect a percentage of department expenses to department revenues and will not add to total department expenses.

(2) Net Operating Income defined as income before debt taxes, depreciation and amortization.

Please note that columns may not add due to rounding.

Source: REVPAR International Inc.

Proposed 125-Unit Water Island Resort, Water Island, USVI Discounted Cash Flow Analysis - Upon Opening 2016				
Year	Net Operating Income	Present Value Factor @ 12.5%	Present Value	
1	\$3,212,000	0.888889	\$2,855,111	
2	\$5,498,000	0.790123	\$4,344,099	
3	\$6,183,000	0.702332	\$4,342,519	
4	\$6,376,000	0.624295	\$3,980,505	
5	\$6,594,000	0.554929	\$3,659,202	
6	\$6,803,000	0.493270	\$3,355,717	
7	\$7,040,000	0.438462	\$3,086,775	
8	\$7,269,000	0.389744	\$2,833,052	
9	\$7,488,000	0.346439	\$2,594,138	
10	\$7,732,000	0.307946	\$2,381,040	
Present Value of Cash Flows				\$33,432,157
Present Value of Reversion				\$25,066,298
				\times
Calculation of Reversion				
11 Year Net Operating Income				
Less Cost of Sale/Refinance @				
Net Reversion				
TOTAL NET PRESENT VALUE				
Rounded				
Per Room				

Source: REVPAR International, Inc.

Proposed 125-Unit Water Island Resort, Water Island, USVI Discounted Cash Flow Analysis - Upon Stabilization 2018				
Year	Net Operating Income	Present Value Factor @ 12.5%	Present Value	
1	\$6,183,000	0.888889	\$5,496,000	
2	\$6,376,000	0.790123	\$5,037,827	
3	\$6,594,000	0.702332	\$4,631,177	
4	\$6,803,000	0.624295	\$4,247,079	
5	\$7,040,000	0.554929	\$3,906,700	
6	\$7,269,000	0.493270	\$3,585,581	
7	\$7,488,000	0.438462	\$3,283,206	
8	\$7,732,000	0.389744	\$3,013,503	
9	\$7,972,000	0.346439	\$2,761,815	
10	\$8,230,000	0.307946	\$2,534,397	
Present Value of Cash Flows				\$38,497,286
Present Value of Reversion				\$26,673,031
				\times
Calculation of Reversion				
11 Year Net Operating Income				
Less Cost of Sale/Refinance @				
Net Reversion				
TOTAL NET PRESENT VALUE				
Rounded				
Per Room				

Source: REVPAR International, Inc.

Breakdown of Comparables from Smith Travel Research 2012 HOST Study (Reflecting Statements of Operating Income and Expenses for the Year 2011)

With the Following Criteria:

South Atlantic (Full-Service)
Resort (Full-Service)
Luxury (Full-Service)
Under 150 Rooms (Full-Service)

	Ratio to Sales Comparables			Per Available Room Comparables			Per Occ. Rm. Night Comparables		
	Min	Max	Average	Min	Max	Average	Min	Max	Average
REVENUE									
Rooms	56.1%	74.0%	63.1%	\$28,155	\$45,776	\$38,895	\$120.35	\$184.40	\$158.65
Food	12.6%	21.2%	18.7%	\$4,812	\$17,085	\$12,361	\$20.57	\$69.58	\$50.18
Beverage	4.7%	7.0%	6.0%	\$1,771	\$5,678	\$3,899	\$7.57	\$23.12	\$15.85
Other F & B	2.8%	4.9%	4.1%	\$1,083	\$3,740	\$2,670	\$4.63	\$14.91	\$10.83
Telecomm	0.1%	0.5%	0.4%	\$52	\$400	\$257	\$0.22	\$1.59	\$1.04
Other Operating Departments	4.4%	8.6%	5.8%	\$1,681	\$6,916	\$3,847	\$7.19	\$28.16	\$15.65
Rentals & Other Income	1.3%	2.6%	1.9%	\$500	\$2,136	\$1,295	\$2.14	\$8.70	\$5.26
Cancellation Fee	0.1%	0.3%	0.3%	\$34	\$243	\$158	\$0.15	\$0.99	\$0.64
Total	100.0%	100.1%	100.0%	\$38,089	\$80,705	\$63,381	\$162.82	\$328.65	\$258.11
DEPARTMENTAL EXPENSES									
Rooms	25.8%	27.8%	26.7%	\$7,415	\$12,589	\$10,418	\$31.69	\$51.27	\$42.49
Food & Beverage	70.7%	82.8%	75.4%	\$6,345	\$19,282	\$14,044	\$27.12	\$78.52	\$57.06
Telecomm	134.4%	392.4%	210.6%	\$201	\$537	\$413	\$0.86	\$2.15	\$1.68
Other Operations Departments	3.5%	6.4%	4.4%	\$1,493	\$5,221	\$2,943	\$6.39	\$21.26	\$11.99
Total	40.6%	46.6%	43.3%	\$15,454	\$37,591	\$27,818	\$66.06	\$153.08	\$113.22
Total Departmental Profit	53.4%	59.4%	56.7%	\$22,636	\$43,114	\$35,563	\$96.76	\$175.57	\$144.89
UNDISTRIBUTED OPERATING EXPENSES									
Administrative & General	8.6%	10.4%	9.2%	\$3,953	\$6,949	\$5,694	\$16.89	\$28.30	\$23.22
Marketing	6.6%	7.3%	7.1%	\$2,784	\$5,361	\$4,433	\$11.90	\$21.83	\$18.06
Utility Costs	3.7%	4.8%	4.3%	\$1,829	\$3,585	\$2,694	\$7.81	\$14.60	\$10.99
Property Operations & Maintenance	4.6%	5.5%	5.0%	\$2,076	\$4,110	\$3,130	\$8.88	\$16.73	\$12.76
Total	23.9%	27.9%	25.5%	\$10,642	\$20,005	\$15,950	\$45.49	\$81.46	\$65.03
GROSS OPERATING PROFIT	28.6%	32.8%	31.2%	\$11,994	\$24,111	\$19,613	\$51.27	\$96.08	\$79.87
Franchise Fees	0.3%	1.4%	0.8%	\$272	\$554	\$461	\$1.11	\$2.31	\$1.89
Management Fees	2.7%	3.5%	3.1%	\$1,338	\$2,293	\$1,932	\$5.72	\$9.14	\$7.88
INCOME BEFORE FIXED CHARGES	25.6%	28.6%	27.2%	\$10,115	\$21,342	\$17,220	\$43.24	\$85.04	\$70.09
SELECTED FIXED CHARGES									
Property Taxes	2.7%	3.4%	3.2%	\$1,302	\$2,574	\$1,957	\$5.57	\$10.25	\$7.97
Insurance	1.1%	1.5%	1.3%	\$422	\$1,250	\$817	\$1.80	\$5.09	\$3.33
Reserve for Capital Replacement	2.2%	2.4%	2.3%	\$881	\$1,754	\$1,443	\$3.77	\$7.15	\$5.88
AMOUNT AVAILABLE FOR DEBT SERVICE & OTHER FIXED CHARGES	19.2%	21.8%	20.5%	\$7,511	\$16,237	\$13,003	\$32.11	\$64.70	\$52.92

Notes: (1) Numbers inflated to present value dollar

(2) The line items for the stabilized year are reported according to the Uniform System of Accounts for the Lodging Industry.

Source: Smith Travel Research 2012 HOST Study

VIA EMAIL

September 17, 2012

Ms. Lynn Millin Maduro
Commissioner
Department of Property and Procurement
Government of the United States Virgin Islands
Building No. 1, Subbase
Charlotte Amalie
St. Thomas, USVI 00802



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Alexandria, VA 22314
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Email: lynn.millinmaduro@dpp.vi.gov

Re: Assessment of the Viability of Lodging Development on Water Island

Dear Ms. Millin Maduro:

REVPAR International, Inc. is pleased to submit this proposal for our services in connection with undertaking consulting/advisory services relative to the above-referenced project.

UNDERSTANDING THE ENGAGEMENT

We understand that the *Government of The United States of the Virgin Islands* is contemplating the redevelopment of a hotel on a parcel of land located on Water Island. As part of this effort, the *Government of The United States of the Virgin Islands* wishes to engage an independent 3rd party advisor with hotel development expertise to validate the market and financial feasibility of the project and then assist in identifying and securing a hotel developer/operator who will bring the project to fruition.

We understand that the ultimate structure of the deal is still under consideration. However, you indicated that the preference of the *Government of The United States of the Virgin Islands* presently is to lease the land on a long term basis to a 3rd party, as opposed to selling it. This strategy will be re-evaluated before going out with an RFP to solicit developer/operator interest.

With the foregoing in mind, our approach to the assignment is divided into several components as follows:

- Component 1: Market Study
- Component 2: Financial Analysis
- Component 3: Establish Value of Land and/or Ground Lease Structure
- Component 4: Preparation of the Report
- Component 5: On-going Advisor

ABOUT REVPAR INTERNATIONAL

The consultants of REVPAR International have undertaken over 60 projects over the past 10 years for existing and/or proposed hotels throughout the Caribbean specific to market studies, appraisals, and acquisition analysis, on the following islands:

Aruba	Bermuda	Jamaica
Bahamas	Cayman Islands	Puerto Rico
Barbados	Dominican Republic	Trinidad & Tobago
Belize	Grenada	U.S. Virgin Islands

Specific to the United States Virgin Islands, we have conducted more than 10 projects on St. Thomas, St. Croix, and St. John. In light of this and other projects, we are very familiar with:

- Hotel development patterns in the region;
- Hotel supply and demand trends in the region;
- Likely regional competition to a hotel(s) on St. Thomas/Water Island;
- Hotel financing, franchising & management options available to an owner/operator; and
- Active hotel developers, lenders, construction firms, and development/brand representatives.

We have a proven track record of consulting on a wide variety of hospitality projects, including hotels, conference centers, retail, and food and beverage facilities and believe that the collective experience of our team in all facets of hospitality consulting - from market feasibility studies to asset management - will convince you that REVPAR International is the right team to use on this exciting project. For a list of projects undertaken by the professionals at REVPAR International, please visit our web-site at www.revparintl.com.

The following paragraphs describe the work to be conducted in each component of the feasibility study.

METHODOLOGY

COMPONENT 1 - MARKET STUDY

The first step is to review the overall market area in order to ascertain whether or not there is sufficient room night demand to support the development of a new hotel of any type in the market area. This includes an evaluation of several distinct, but inter-related, factors as described in the following paragraphs.

Phase 1 - Review Historical Hotel-Related Data for United States Virgin Islands

Initially, we will review current and historical data concerning overall hotel supply and demand trends in United States Virgin Islands and the Caribbean. Specific information to be reviewed would include:

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Ms. Lynn Millin Maduro 3
Viability of Lodging Development on Water Island

1. Detailed list of hotel inventory in the United States Virgin Islands;
2. Historical tourism lodging statistics from the *United States Virgin Islands Departments of Tourism*;
3. Historical *Smith Travel Research* (STR) Trend Reports for United States Virgin Islands and the Caribbean region, if available;
4. Any hotel trend-related data and/or relevant tourism studies or other studies of this nature which you have already collected.

The foregoing review of data will allow us to familiarize ourselves with:

- Current lodging inventory in the defined market area;
- The size and performance of the comparable or competitive lodging destination on St. Thomas or other regional islands and the focal points located in each destination (i.e., beaches, diving, golf, adventure sports, eco-tourism, retail, office, residential, etc.);
- The primary source markets for the hotel supply on the United States Virgin Islands as well other comparable or competitive destinations in the Caribbean;
- Pricing trends for the hotel supply on the United States Virgin Islands;
- Historical growth patterns in supply and demand overall and by product type (i.e., limited service vs. full service, chain vs. independent);
- Performance indicators by product type;
- Historical growth patterns in supply and demand overall and by chain scale (i.e., upper upscale vs. luxury);
- Performance indicators by chain scale type; and
- Review of any other factors impacting hotel performance or growth trends.

This review will provide a basis for conducting subsequent research and fieldwork and forming benchmarks that can be used to project into the future.

Phase 2 - Location/Site Analysis

We will evaluate the site for the proposed hotel and present our findings and conclusions based on our evaluation of the following factors:

- Topography - as it relates to any potential development obstacles;
- Access from area roadways, airports, ferry docks, and principal sources of room night demand;
- Visibility within and outside the immediate area;
- Image and ambience - as it relates to the site's surroundings and adjacent land uses and water views;
- Natural scenic enhancements;
- Availability of utilities;
- Current utilization of the site;
- Former utilization of the site;
- Relationship of the site to demand generators in terms of convenience versus that of the competition (existing and prospective);
- Relationship of the site to food and beverage facilities, recreation facilities, area amenities, services and other ancillary facilities;
- Advantages/disadvantages of the site versus those of the major competitors.

Phase 3 - Area Review

During our on-site fieldwork and interviews, we will gather and analyze relevant economic data regarding the market area as background for judging the potential for the proposed hotel. We will examine correlations between key economic factors and the demand for hotel rooms and utilize any available forecasts of these indicators in the evaluation of potential future demand. Among the data to be analyzed would include, but not necessarily be limited to, the following:

- Tourism trends;
- Cruise port trends;
- Employment trends;
- Population trends;
- Retail sales trends;
- Sales tax trends (including lodging and food and beverage);
- Income levels;
- Airport traffic trends;
- Office and industrial space developed, occupied and proposed;
- Residential housing trends;
- Visitation trends to area attractions, colleges and universities, other institutions, and recreation parks in the area, etc.

Phase 4 - Primary Market Research

The most important phase of our study will involve primary market research in the area/region consisting of interviews, inspection and evaluation of competitive and/or comparable hotels, and discussions with persons familiar with development patterns and the local transient hotel market. Among those with whom we will conduct such interviews are:

- Representatives of potentially competitive hotels -- local as well as regional (to the extent necessary and pertinent);
- Local and regional officials in economic development, planning and tourism;
- Representatives of airports and airlines serving the area;
- Highway transportation representatives;
- Representatives of area tourist and recreation attractions drawing outside visitors to the area;
- Bankers, real estate brokers, and development organizations;
- Hotel Association and other tourism-related entities;
- Representatives of area businesses requiring overnight accommodations for transient guests or groups;
- Representatives of other institutions, i.e., religious and fraternal groups in the area who require hotel facilities;
- Other persons knowledgeable about development patterns in the area, and tourism within the competitive market area as appropriate.

These interviews, together with the inspection of competitive hotels, would allow us to gather statistical data regarding historical and likely future growth in supply and demand of hotels, and to formulate informed judgments regarding potential demand for a hotel at the subject location.

The conclusion of the foregoing would complete the data gathering, or fieldwork, portion of our study, and at this stage we would analyze the data collected and formulate conclusions and recommendations.

Phase 5 - Preparation of Supply and Demand Estimates

On the basis of the foregoing research, we will prepare estimates of future growth in demand for, and supply of, hotel accommodations in the market area.

We will begin by analyzing historical growth in supply and demand for hotel facilities in the area and present in our report a discussion of the characteristics of the principal market segments of demand for hotel rooms. This typically includes the following:

- | | |
|------------------------------------|-----------------------|
| • Leisure Transient | • Government/Military |
| • Tour and Travel Group | • Extended-Stay |
| • Commercial Transient | • Other |
| • Corporate and Association Groups | |

Using the information gathered during our primary research activities, we will estimate growth rates in demand by market segment, and project demand for each of the next five to ten years, expressed in terms of hotel room nights. Any latent or presently unsatisfied demand found in the market would be included in our estimates and discussed in the report.

The next step is a quantitative and qualitative assessment of the competitive supply in the local and regional market area. Again, using data and materials collected during our fieldwork as a basis, we would define the competition to the subject hotel. Further additions to supply would be estimated using information we gather in our market research and a probability would be assigned to each project of which we become aware.

This allows us to prepare estimates of future supply and demand, and thus expected market area occupancies for hotel rooms in the market. We will also present the ratio to total area supply which the proposed project is likely to represent in the local hotel market.

Phase 6 - Facility Recommendations

In this phase of our analysis, we will confirm that your facility plan as presently conceived will meet the needs of the market place or, in the alternative, we will recommend any changes borne out by our research that would enhance performance. Recommendations will include:

- Appropriate product positioning in terms of service level (luxury, first-class, mid-level, select-service, limited service), if different;
- Facility type (transient, all-suite, extended-stay);
- Necessity of brand affiliation(s);
- Number and mix of guest rooms;
- Size, type and need for food and beverage facilities;
- Size, type, and need for conference/training, meeting and function/banquet space;

- Related services and amenities such as an exercise room, swimming pool, laundry, business center, spa, parking, etc.

Any planned facilities and amenities provided by you will serve as a basis for our recommendations. From here we will add or delete any facilities to respond to market need based on the findings of our market analysis.

Phase 7 - Estimated Occupancy and Room Rate Projections for the Subject Hotel

Upon completion of the estimates of future market area supply and demand, we will then estimate the share of the market that the subject hotel could reasonably be expected to capture for its first five to 10 years of operation.

The analysis of market share estimates is a qualitative assessment based on an evaluation of the attributes of the proposed hotel in relation to its (existing and future) competition in terms of location, quality of amenities and services, service level, room rates, market orientation, and other similar factors. Generally, we utilize the concept of fair market share and adjust from that base. Fair market share is defined as the ratio of available rooms in the proposed hotel to the total supply in the market. This will yield an estimated annual occupancy for the subject hotel.

Subsequent to this, we will prepare a similar analysis for determining the average daily room rate for the proposed property. An average daily room rate will be estimated for a stabilized year of operation in addition to the first five years of operation.

Phase 8 - Submit Preliminary Letter of Findings

At this point, we will summarize our findings in a preliminary letter as regards the site, market, facility recommendation, and estimated performance levels for a proposed hotel in the market area. This will include recommended facility type and size, occupancies for the overall market, as well as estimated occupancies and average rates for the proposed hotel for a stabilized year of operation, in addition to the first 10 years of operation. *Please keep in mind that this letter will be preliminary in nature and will not constitute a full report.* The full report will be produced in Component 4 of the assignment. We will also plan to meet or speak with you to discuss these findings. This would conclude Component 1 of the study.

COMPONENT 2 - FINANCIAL ANALYSIS

Phase 9 - Preparation of Estimated Operating Results

Once we have determined that sufficient demand exists to warrant further study, and upon your authorization to proceed, we will prepare statements of estimated operating results (pro formas) for the proposed hotel. As a basis for our estimates, we will prepare a comparable financial spreadsheet whereby we review the operating statements of similar hotels contained in our in-house library. We will also review industry-wide financial operating statistics.

Based on this, we would estimate occupancy, average room rate, sales and operating expenses for a "representative" or stabilized year of operation and for each of the first 12 full years of operation of the proposed project. A representative year is defined as one in which the hotel has reached its stabilized earnings potential after becoming known and established in the marketplace and after start-up costs have been absorbed. The

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representative year statement will be expressed in current value U.S. dollars and the estimates for the first 12 years of operating would be in inflated U.S. dollars. These statements would include all revenues and expenses and result in a "bottom line" of income before rent, depreciation, interest and taxes on income. The estimated operating results will be presented in a pro-forma income statement for the hotel in the format provided by the *Uniform System of Accounts for the Lodging Industry*.

Phase 10 - Economic Feasibility / Valuation Estimate

Based on the cash flows generated from the foregoing operating results, we will prepare a valuation analysis in order to establish the present value of the income stream generated by the hotel over the foreseeable future, which in turn provides a measurement of the proposed hotel's value.

This information can then be used to determine the level of facility that can be built, as well as provide an indication of the ceiling on construction costs. Moreover, the value establishes the level of debt service supportable by the indicated cash flows, which in turn will establish the level of equity that is needed in the project in order to bring the project to fruition. Please note that this valuation analysis will be preliminary in nature and serve only as a basis of discussion. *It is for internal use only and cannot be distributed to any outside 3rd parties.* No references to value will appear in the final report, unless we are subsequently engaged to prepare an appraisal. Our market study does not constitute an appraisal and should not be construed as such.

The professional staff of REVPAR International, Inc. has an active relationship with hotel buyers, sellers and lenders in the market and are, therefore, knowledgeable and current about the terms under which loans and equity investments are being made within the hospitality industry today. This knowledge will be brought to bear on the assignment.

Upon completing the foregoing analysis, we will submit these statements and investment analysis to you for review. This would conclude Component 2 of the assignment.

COMPONENT 3 – ESTABLISH VALUE OF LAND AND/OR GROUND LEASE STRUCTURE

In this component of work, we will undertake the necessary due diligence to establish a market-based value for the underlying site and/or develop a ground lease structure for the hotel that can then be used by you to begin negotiations with potential 3rd parties.

In order to do this, we will identify and research recent land sales that have been bought or sold for hotel use on St. Thomas or elsewhere in the region. We will also research other deals where a ground lease or other long term structure for a hotel was implemented.

Based on our findings, we will establish a market value for the site and/or the basic terms of an annual lease amount and calculation (flat fee, percentage, or combination thereof); term; options to extend; other charges/expenses to the lessee; obligations of the lessee and lessor; any options on part of lessee to purchase and terms thereof; etc.

Once we have accomplished the above, we will provide you a summary of our findings, including a table summarizing all the comparable data and terms of the leases. In addition, we can meet with you for one-on-one discussion as to our findings.

COMPONENT 4 - PREPARATION OF FULL REPORT

Once we complete the above, and based on your authorization to proceed, we can prepare a full market feasibility study report to include all tables, maps, charts and graphs that detail our findings, conclusions, and recommendations from the foregoing phases of work. The report will be presented in a form suitable for use in arranging private financing, seeking a hotel franchise, or negotiating a ground lease agreement.

Upon completion of the full document, we will submit it in draft to you for review and comment. After this, we would make any necessary changes to the report and submit it in final form.

Though the exact format of the report will evolve as the engagement progresses, the following topical headings will provide an overview of the expected final report:

- Executive Summary
- Site Analysis
- Market Overview
- Competitive Supply and Demand Analysis
- Future Growth Trends in Supply and Demand
- Recommended Facilities and Services for the Subject
- Projections of Occupancy, Average Room Rate and RevPAR for Subject Hotel
- Financial Analysis and Cash Flows

COMPONENT 5 - ON-GOING ADVISOR

At your request, REVPAR International stands ready to act as an advisor on your behalf on any pertinent matters related to the hotel project. This may include any number of owner-related activities. REVPAR International, Inc. is prepared to provide such advisory services within our area of expertise based on your needs and requirements. Examples include, but are not limited to, the following:

1. Assistance in Identifying a Development Partner

In addition to the above, we can assist you in identifying a development partner. To that end, we can assist in the following areas:

- Preparation of a formal RFP for a developer or joint venture partner;
- Soliciting qualified developers or joint venture partners;
- Evaluation of the responses to the RFP, to include the terms and conditions;
- Negotiating the development or joint venture agreement.

2. Assistance in Identifying a Management Company

In addition to the above, we can assist you in identifying a management company. To that end, we can assist in the following areas:

- Preparation of a formal RFP for third-party management services;
- Soliciting qualified third-party hotel operators;
- Evaluation of the responses to the RFP, to include the terms and conditions, as well as cost of third-party operators;

- Negotiating the management agreement and (if applicable) hotel franchise agreement with the third-party operator.

3. Assistance with Obtaining Approval for Franchise

We can assist in obtaining approval for a franchise, if applicable to your project. In this scope of work, we will contact the pertinent hotel brands and establish their level of interest in affiliating with your hotel based on the proposed concept plan. Assuming they have an interest, we would work with you/them to refine the conceptual building envelope for their brand on the specific site that fits their typical design standards. Based on the foregoing, we would then reconcile "the subject as proposed" versus "the requirements based upon the brand" to establish which, if any, of the brands/operators' facilities and costs match the subject as proposed. This information can then be used by your design team and investment group to configure the space within the overall master plan development, as well as determine which, if any of the brands/operators maximizes the value of the asset.

4. Review of Franchise/Hotel Operating and Technical Services Agreements

We can review any of the pertinent agreements/contracts and provide you with a summary of any business (versus legal) issues that we believe need to be discussed, analyzed, negotiated, or considered prior to execution.

5. Preparation of Appraisal

Depending on the deal structure and requirements of the franchise company or lender, appraisals of the proposed hotel project may be required. The appraisal will incorporate our market study and financial findings from above, and include all applicable approaches to value. The appraisal report will be written in full compliance with the requirements of the *Uniform Standards of Professional Appraisal Practice (USPAP)*, and the *Code of Ethics* of the Appraisal Institute. Additionally, the appraisal will conform to FIRREA Appraisal Standards and will be signed by our MAI.

6. Asset Management

REVPAR International's asset management support would provide you, the hotel investor, with a true advocate for your ownership group's financial interests. Our asset management support ensures that you are obtaining optimal performance from your hospitality investment(s), the management company is maximizing cash flow, and interests between you and the management company remain aligned, thereby increasing the value of the asset(s). We customize our approach to your needs and the unique operating situation of your hotel asset(s). Possible areas to be included as part of an asset management assignment include:

- Strategic planning;
- Operational reviews;
- Secret shopper reports;
- Annual budget preparation and review;
- Periodic meetings with hotel management to review current performance versus forecasted and budgeted results;
- Review and monitor sales and marketing strategies and programs and labor costs including systems used to control labor;

- Compliance by the operator with its own procedures and processes, as well as franchiser;
- Monitoring of inventory controls and costs of materials used in each department;
- Development and implementation of strategies to enhance asset value via revenue generation or cost containment measures;
- Review and negotiate the annual operating plan, marketing plan and capital expenditures plan; and
- Monitor performance of the hotel market and competitive set, as well as any changes in the competitive landscape.

We will be available to you throughout the feasibility process to answer questions or assist in whatever way necessary. This is an important project to you and REVPAR International, Inc. will do its part to ensure that the best course of action relative to hotel development is recommended to you.

DELIVERABLES

All REVPAR International deliverables will be submitted to you electronically in Adobe PDF format. Hard copies are available at an extra charge.

PROFESSIONAL FEES

Our professional fees for the studies outlined are based on the number of hours estimated to complete the projects multiplied by our hourly billing rates, which are as follows:

Principals and Directors	\$400.00 to \$425.00
Senior Professional Staff	\$250.00 to \$275.00
Professional Staff	\$125.00 to \$200.00
Administrative Staff	\$70.00

Based on the foregoing, our professional fees will be as follows:

Component 1 - Market Study	\$14,900.00	(1)
Component 2 - Financial Analysis	\$3,800.00	(1)
Component 3 – Establish Value of Land and/or Ground Lease Structure	\$5,500.00	
Component 4 - Prepare Full Report	\$2,800.00	
Component 5 – On-Going Advisor	To be determined	

Note: ⁽¹⁾ If Components 1 and 2 are *commissioned simultaneously*, we will complete the work for \$17,000.00.

In addition, we request reimbursement for out-of-pocket expenses incurred in performance of the assignment such as travel, subsistence of the consultants during fieldwork, telephone, economic/demographic information, and special/overnight courier services.

If, at any time during the course of our study, we form an initial opinion that there is insufficient demand for the project, we will suspend the assignment at that point and discuss our findings with you. If you desire that we terminate the assignment at that

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point, we would write you a brief letter summarizing our findings and charge you only for that time actually incurred to date at our regular hourly rates, plus expenses.

As is customary in assignments of this nature, we request a retainer prior to commencing each component of work. The retainer would be applied to our final billing for the component. Progress billings will be made during the course of the assignment and are payable prior to submission of the deliverable for the next component of work. All our fees and expenses are payable prior to submission of the final report.

TIMING/STUDY TIMETABLE

Based on current commitments, we would be prepared to commence the assignment shortly upon your authorization to proceed and receipt of the requested retainer. Barring any unusual circumstances, we would submit the deliverables for the various components within the following time frames:

- Component 1 - within 4 to 5 weeks of commencement of the fieldwork;
- Component 2 - within 2 week of commencement;
- Component 3 - within 2 weeks of commencement;
- Component 4 - within 2 to 3 weeks of commencement;
- Component 5 – To be determined.

If Components 1 and 2 are *commissioned simultaneously*, we will submit the deliverables for both components within 5 weeks of commencement of the fieldwork.

We would request that, either prior to or upon contract award, we meet with you or a representative of the project in the field to discuss the project in detail; identify any required information needed by the team; the source of that information; and any other issues that may be of importance to the successful completion of the assignment.

ACCEPTANCE

If the foregoing correctly states the nature of the work you wish undertaken at this time, you agree to the *General Provisions* on the following page, and arrangements are satisfactory, please sign a copy of the "Acceptance and Retainer Invoice" page (provided on the last page) and return it to us, together with the requested retainer, as our authorization to schedule the assignment. If you have any questions or require further explanation, please let us know.

We certainly appreciate the opportunity to submit this proposal and look forward to working with you on this interesting assignment.

Sincerely,

REVPAR International, Inc.


Richard E. Pastorino
Principal

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GENERAL PROVISIONS

1. SCOPE OF WORK

REV/PAR International shall perform the services defined in this proposal provided that this proposal is properly executed within ninety (90) days. Otherwise, the proposal shall be deemed null and void and no services will be provided in connection therewith.

2. PAYMENTS

Subsequent to receiving the "retainer," REV/PAR International will invoice the client upon completion of each component or on a monthly basis at rates shown in the "Professional Fees" section. Any estimates of professional fees or expenses as stated in the proposal shall not be construed as a fixed quote but only an estimate unless otherwise specifically stated in this proposal. REV/PAR International will provide any additional services over and above the defined scope at our standard hourly rates unless other arrangements are agreed to in writing. The professional fees and hourly rates provided are valid for ninety (90) days from the date of this proposal unless otherwise stated in the proposal.

REV/PAR International also requires reimbursement for out-of-pocket expenses incurred in performance of the assignment such as travel, meals, and lodging. Such out-of-pocket expenses shall be billed to the client at cost without mark-up or premium.

Payments will be due and payable in full within thirty (30) days of the date of the invoice. If fees and expenses that have been invoiced to the Client are not paid in full within thirty (30) days of the due date, REV/PAR International reserves the right to pursue all lawful remedies including work stoppage and retention of all documents. In the event a lien or suit is filed or arbitration is sought to collect overdue payments under the Agreement, the Client agrees that the prevailing party shall be entitled to collect for its legal fees, court costs, and all other expenses reasonably related to the claim in question. In the event the Client fails to pay an invoice in full, REV/PAR International shall have the right to institute collection procedures. The Client shall be responsible for all costs of collection including litigation costs, reasonable attorney's fees, and court costs.

3. OWNERSHIP OF DOCUMENTS

All reports, data, calculations, and supporting records or materials acquired, compiled or prepared by REV/PAR International as instruments of services shall remain the property of REV/PAR International. Upon completion of the project, REV/PAR International will deliver the stated deliverables per the proposal. Under no circumstances shall the Client be entitled to any proprietary computer models, which have been specifically designed by REV/PAR International for the preparation of hospitality-related feasibility studies, valuations, and appraisals, among other analyses. These models will remain the property of REV/PAR International, Inc.

This agreement constitutes the entire Agreement between the parties and shall supersede any and all negotiations or prior oral and/or written agreements between the parties prior to the data hereof, and no modification of the Agreement shall be binding unless evidenced by an agreement in writing signed by the parties. Any change in this agreement shall be confirmed in writing.

The Client agrees that all reports and other work furnished to the Client or its agents, which are not paid for, will be returned upon demand and will not be used by the Client for any purpose whatsoever.

4. USE AND DISTRIBUTION OF DELIVERABLES

Our report and any associated materials submitted to the Client may not be used in any prospectus or printed material used in connection with the sale of securities or real estate, or participation interests to the public, or in any newspaper publicity or other public forum, without our express prior written consent. The scope of our study and reports thereon will not include the possible impact of zoning or environmental regulations, licensing requirements, or other restrictions concerning the proposed project except where such matters have been brought to our attention and are disclosed in the report.

Reuse of any material described above by the Client on extensions of this project or on any other project without REV/PAR International's written authorization shall be at the Client's risk, and the Client agrees to indemnify, defend, and hold harmless REV/PAR International from all claims, damages and expenses, including attorney's fees, arising out of such unauthorized use or reuse.

5. LIMITATION OF LIABILITY

We shall have no obligation to update our findings regarding changes in market conditions that occur subsequent to the completion of our fieldwork, or changes in the input of assumptions or information provided by the Client after our review of such information is complete, unless subsequently engaged to do so.

Since the estimates contained in our report will be based on assumptions about circumstances and events that are inherently subject to uncertainty and variations, we cannot guarantee that the results will actually be achieved. We will exercise our best efforts, however, and will assign to the work professional personnel having the required competence. In any event, our liability to you for any damages arising out of our results or recommendations will not be greater than the amount paid to us for the professional services provided. You will indemnify and hold us harmless from, and at our option will defend us against, costs or liabilities of any nature whatsoever which result from claims against us by third parties in connection with our work on your behalf, except that this indemnification will not apply to the extent that a final judicial decision results in a finding of gross negligence or willful misconduct against us. However, no employee or subcontractor of REV/PAR International shall have any individual liability, professional or personal, to the Client in addition to, or in excess of, REV/PAR International's liability under these contract terms and conditions.

ACCEPTANCE & RETAINER INVOICE



HOSPITALITY ADVISORY & ASSET MANAGEMENT

September 17, 2012

BILL TO

Ms. Lynn Millin Maduro

Commissioner

Department of Property and Procurement

Government of the United States Virgin Islands

Building No. 1, Subbase

Charlotte Amalie

St. Thomas, USVI 00802

FROM

REVPAR International

1020 N. Fairfax Street, Suite 320

Alexandria, VA 22314

Telephone: (703) 838-9707

Federal Tax ID Number: 52-1795367

PROJECT INFORMATION

PROPOSAL NUMBER

Assessment of the Viability of Lodging Development on Water Island

5516

COMPONENTS

RETAINER

Component 1 – Market Study

\$7,500.00

Name

Signature

Date

Component 2 – Financial Analysis

\$2,000.00

Name

Signature

Date

Component 3 – Lease Analysis

\$2,750.00

Name

Signature

Date

Component 4 – Report

\$1,500.00

Name

Signature

Date

Component 5 – On Going Advisor

To Be Determined

TOTAL DUE

(Please add retainer amounts)

CONTRACT FOR SALE OF REAL PROPERTY

The United States of America, through the Department of the Interior Office of Insular Affairs, hereafter known as the Seller, and the Governor, United States Virgin Islands, hereafter known as the Buyer, do hereby enter into a Contract for the sale of real property on Water Island near St. Thomas, U.S. Virgin Islands, on this 12th day of Sept, 1996.

This Contract is entered into by the Seller under the authority of 48 U.S.C. 1545(a) which provides.

The Secretary of the Interior (Secretary) shall be authorized to lease or to sell upon such terms as he may deem advantageous to the Government of the United States any property of the United States under his administrative supervision in the Virgin Islands not needed for public purposes.

Water Island is subject to all laws of the United States Virgin Islands.

The terms of this Contract for Sale are as follows:

1. The property to be transferred by the Seller to the Buyer are parcels of land located on Water Island near St. Thomas, U.S. Virgin Islands, consisting of approximately 50 acres, more or less (the property). The property is designated as the hotel site and associated properties on Tract B (excluding the villas, lots 48 through 60, and lots 24 and 25), including the catchment basin and deep water dock; the beach and associated lands on Tract C; and the public ferry dock and associated lands on Tract E as marked on a copy of the 1979 map of the Bureau of Land Management attached hereto as Exhibit 1, and by this reference made a part hereof. All public roads on Water Island, excluding those on the Sprat Bay properties are included.
2. The Buyer agrees to buy and the Seller agrees to sell the property in consideration of the following obligations to be assumed by the Buyer.

A. The Buyer agrees to use all property for public purposes only, and to promote the economic development of Water Island for the benefit of the U.S. Virgin Islands, including the residents of Water Island. For purposes of this provision, the operation of a hotel or tourist resort on the property shall be deemed a public purpose, and the Buyer agrees to make a reasonable effort to have such an operation established.

B. The Buyer agrees to repair the ferry dock, remove storm debris, and remove debris resulting from the demolition and clean up of the hotel facilities. The Seller agrees to expend up to \$3.325 million for demolition and clean-up of the hotel facilities, removal of hazardous materials, including catchment basin remediation, and repair of the deep water dock.

C. The Buyer agrees that if the transferred property or any portion thereof is sold, the proceeds shall be paid to the United States unless there is a written agreement between the

Governor of the Virgin Islands and the Secretary in effect prior to the sale providing for a different disposition.

D. The Buyer agrees to assume all liability that may arise from the property prospectively effective as of the date of the closing.

E. The Buyer agrees to provide the following services on Water Island.

- a. A public dock, with regular scheduled public ferry service, and a deep-water dock
- b. Maintenance of roads and docks
- c. Establishment and maintenance of public recreation areas, including the public beaches on Water Island.
- d. Fire protection
- e. Public safety officers
- f. Inspection and licensing of motor vehicles
- g. Regular trash removal

F. The Buyer agrees that Water Island residents will have access to public health, education, and municipal services on the same basis as other residents of the Virgin Islands. It is understood that, due to the unique condition of Water Island, some of these municipal services may be provided in a location other than on Water Island, (such as on St. Thomas).

3. The Seller will provide to the Buyer a quit claim deed at closing.

4. The Seller agrees to sell and the Buyer agrees to buy this property in as is condition, subject to Article 9, below.

5. The Seller and Buyer agree that the closing of this transaction will take place within ninety (90) days after the execution of this Contract.

6. The Buyer agrees to comply with use restrictions, if any, on the property set forth in the list of Restrictive Covenants attached hereto as Exhibit 2, and by this reference made a part hereof. Said list complies with the U.S. Fish and Wildlife Service Biological Opinion (no jeopardy) to protect endangered species and the National Historic Preservation Act to protect cultural and archeological resources. Specific restrictions are addressed by tract or location.

7. Upon closing, the Buyer agrees not to introduce any non-native animal, with the exception of common household pets, such as dogs and cats and caged birds, to Water Island.

8. The Buyer further agrees not to use, as a matter of course, off-road vehicles or heavy duty, mechanical beach cleaning equipment on any beach on Water Island and that animals will be kept off any beach on Water Island. This restriction shall not prohibit Buyer from

using heavy equipment to return the beach to its conditions prior to any major storm or natural disaster.

9. The Seller will comply with the requirements of Section 9620 of the Comprehensive Environmental Response, Compensation, and Liability Act of 1981, 42 U.S.C. 9620, to the extent required with respect to the property subject to this sale. Seller agrees to remove the asbestos materials in the catchment basin. A list of suspected additional hazardous materials Seller believes to be stored on the site is attached as Exhibit 3 to this Contract, Potential Hazardous Substances and Solid Wastes on Water Island (March 1994). The Seller hereby agrees that any response action or corrective action with respect to these or other possible hazardous materials that may currently be present on the transferred property shall be the responsibility of the Seller. The Seller may seek to secure contribution from other PRPs under CERCLA. The Buyer hereby agrees to grant the Seller access to the transferred property to the full extent necessary, in the judgment of the Seller, to perform its responsibilities under CERCLA.

10. The closing of this transaction will be in accordance with all applicable Federal laws and the laws of the U S Virgin Islands.


11. This Contract may be modified only by written agreement signed by both Seller and Buyer.

12. All real estate taxes, fees, and other costs associated with the examination of title, title insurance, and surveys are to be at the cost of the Buyer.

13. No member of or delegate to Congress or resident commissioner shall be admitted to any share or part of this Contract or to any benefit that may arise herefrom, but this restriction shall not be construed to extend to this Contract if made with a corporation or company for its general benefit.

14. The Buyer hereby agrees to indemnify and hold harmless the United States, its employees, agents, and assigns from any loss or damage and from any liability on account of personal injury, property damage, or claims for personal injury or death arising out of the Buyer's activities under this agreement.

WHEREFORE, this Contract for the sale of this property is executed in good faith by the Seller and Buyer set forth below:


Secretary of the Interior

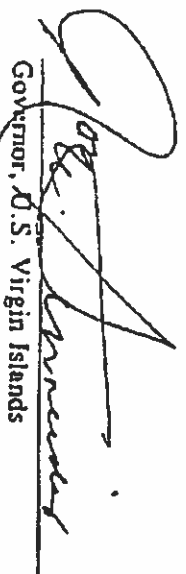

Governor, U.S. Virgin Islands

Exhibit 2
Water Island

Restrictive Covenants

The restrictive covenants specified are necessary to maintain a no jeopardy opinion by the U.S. Fish and Wildlife Service in compliance with the Endangered Species Act and to protect cultural resources in compliance with the Historic Preservation Act. All lots and tracts referred to herein are those shown on the 1979 Bureau of Land Management map, a copy of which is attached as Exhibit 1 to all contracts.

DEFINITIONS OF TERMS

For purposes of these restrictive covenants all lots, parcels, villas, and areas of Water Island which have restrictions and are identified below, will be defined as either permanent nondevelopment or restricted development covenant. Any specific restrictions will be identified under restricted development covenant.

Permanent nondevelopment (if not already developed) means that to prevent erosion and other disturbances to endangered species, no additional development or removal of vegetation cover may occur from this date forward unless consulted and approved by the U.S. Fish and Wildlife Service and Virgin Islands Division of Fish and Wildlife; in addition with the Virgin Islands State Historic Preservation Officer for those few lots identified with an asterisk (*) below which have cultural restrictions. Those lots identified with an asterisk will also be provided a sample copy of a Preservation Covenant.

Restricted development covenant (if not already developed) is a covenant agreed to by the U.S. Fish and Wildlife Service and Bureau of Reclamation that should a building be constructed, only the vegetation within the footprint of the building, associated patio, and driveway is to be disturbed. And this would help to reduce erosion into sensitive adjacent marine environments where sea turtles forage.

Lighting restrictions are performance based, meaning that lights are not to be directly visible from any beach. If new lighting is developed, it should be reviewed and the placement approved by the U.S. Fish and Wildlife Service, in conjunction with the Virgin Islands Division of Fish and Wildlife. Existing outdoor lighting (if any) would be reviewed and, if necessary, replaced with shielded outdoor lighting or otherwise modified to not be visible from the beach.

RESTRICTIVE COVENANTS ON ALL WATER ISLAND AREAS

The Buyer agrees not to introduce any non-native animal, with the exception of common household pets, such as cats, dogs, and caged birds, to Water Island.

The Buyer further agrees not to use off-road vehicles or heavy duty, mechanical beach cleaning equipment on any beach on Water Island and that animals will be kept off any beach on Water Island. This restriction shall not prohibit Buyer from using heavy equipment to return the beach to its conditions prior to any major storm or natural disaster.

Owners of boats, lessees, visitors, and clients must moor only at designated mooring sites to minimize impacts to the seagrass beds. The type, number, and location of these moorings will be determined in cooperation with the Virgin Islands, Government, U.S. Fish and Wildlife Service, and the National Marine Fisheries Service. Anchoring or mooring in other areas would be prohibited.

RESTRICTIVE COVENANTS ON PUBLIC COMMON AREAS

Permanent Nonddevelopment

Tract A Fort Segarra

Tract D (excluding privately owned lots 61, 62, 63, 86, an 87)

Tract F (cultural restriction*) Requires signed Preservation Covenant

Area J (cultural restriction*) Requires signed Preservation Covenant

Lot 279 (cultural restriction*) Requires signed Preservation Covenant

All salt ponds will be maintained as permanent nonddevelopment which will consist of a buffer zone 13 feet (4 meters) in width, beginning with the upper limit of the wetlands.

Marina Basin off Flamingo Bay will be maintained as permanent nonddevelopment which will consist of the mangrove fringe and buffer zone 13 feet (4 meters) in width, beginning with the upper limit of the wetlands.

Restricted Development Covenant

Tract B previously developed portions may be redeveloped for a hotel or tourist resort. This reference to tract B excludes the villas and other privately owned lots 48-60.

Tract B nonddeveloped portions

Tract C, including Honeymoon Beach, will also include restrictions, such as setbacks from beachfront vegetation, in addition to outdoor lighting restrictions, to minimize impacts to sea turtles should additional development take place.

RESTRICTIVE COVENANTS ON SOUTHERN LOTS (WICA AREA)

Permanent Nondevelopment

The following lots if not already developed:

Lots 72 and 73 (cultural restrictions*) Requires signed Preservation Covenant
Lot 112 (cultural restriction*) Requires signed Preservation Covenant

Restricted Development Covenant

The following lots if not already developed:

Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, and 10
Lots 20, 21, 22, 23, 24, 25, 26, 27, 28, and 29
Lots 61, 62, and 63
Lot 71, including lighting restriction
Lot 78
Lots 86 and 87
Lots 94 and 95
Lot 100
Parcels 111, 142, and 143

RESTRICTIVE COVENANTS ON SPRAT BAY PROPERTIES

Permanent Nondevelopment

The following lots if not already developed:

Lot 201 (cultural restriction*) Requires signed Preservation Covenant
Lots 205 and 206 (cultural restriction*) Requires signed Preservation Covenant
Lot 208 (cultural restriction*) Requires signed Preservation Covenant
Lots 209 and 210
Lot 230
Lot 234
Lot 270

Restricted Development Covenant

Lots 202, 203, and 204
Lot 207
Lots 211, 212, 213, 214, 215, 216, 217, 218, 219, and 220
Lots 221, 222, 223, 22, 225, 226, 227, 228, and 229 (all including lighting restrictions)
Lots 231, 232, and 233
Lot 268
Lot 278

EXHIBIT 3
POTENTIAL HAZARDOUS SUBSTANCES AND SOLID WASTES ON WATER ISLAND, U.S. VIRGIN ISLANDS
MARCH 1994

LOCATION	MATERIAL	SUSPECTED RCRA/CERCLA HAZARDOUS WASTE	OBSERVATIONS
On the Deep Water Dock adjacent to the former warehouse	Texaco URSA Super Plus SAE40 Motor Oil.	X	A label that read, "Texaco URSA Super Plus SAE40 Motor Oil," was found on an empty 55-gallon drum that was in good repair.
On the Deep Water dock adjacent to the warehouse.	Diesel Tank.		An empty diesel tank was found in good repair.
Near the Deep Water Dock adjacent to the warehouse.	Oxygen cylinder.		An oxygen cylinder that was rusted but not breached was found with markings that read: 51801, 2-86, EO, 4 89 91.
Along the dirt road that leads to the warehouse area adjacent to the RAC 1 area.	Acropol 7241 T-15 FDA.		A 55-gallon bung-holed drum that was in good condition was found with no apparent spills in the area. The label on the drum read, "Acropol 7241 T-15 FDA."
In a grassy area at the end of the road that leads to the former warehouse.	Pole transformer.	X	A transformer was found in a grassy area near Flamingo Bay. When tipped, it was discovered that the transformer contained a liquid material which could contain PCB's.
Along the south side of Flamingo Bay	Partially buried metal objects.		There were 3 rusted metal objects that appeared to be rusted cylinders located along the shore line of Flamingo Bay. There was also an additional unidentified metal object that had a valve.
Along Flamingo Bay	Various paint supplies.	X	Along the shoreline of Flamingo Bay there is an assortment of painting supplies such as paint cans, resin containers and a 128 fluid ounce empty container with a label that says acetone. It appears as if some of the resins have spilled onto the ground.
Inside the former warehouse.	Acropol 7241-T-15-FDA.		Inside the former warehouse, there was an empty 55-gallon bung-holed drum in good condition. The label on the drum reads, "Acropol, 7241-T-15-FDA."
Inside the former warehouse.	Miscellaneous auto parts.		One portion of the warehouse contained many scattered auto parts. There were also large amounts of scattered auto parts located outside of the former warehouse in the southeast corner.
Inside the former warehouse.	Green paint.	X	On the ground in the former warehouse, the dirt was stained green by what appeared to be paint.
Inside the former warehouse.	A clear unknown liquid.	X	The metal top of a 55-gallon drum was rusted and partially missing. The integrity of the plastic liner was breached and a clear unknown liquid was spilling out.
Inside the former warehouse.	Mechanical equipment.		A large piece of mechanical equipment is labelled, "Reverse osmosis system." The intended use of the equipment is believed to be water purification.

TABLE -- (CONT.)
POTENTIAL HAZARDOUS SUBSTANCES AND SOLID WASTES ON WATER ISLAND, U.S. VIRGIN ISLANDS

LOCATION	MATERIAL	SUSPECTED RCRA/CERCL A HAZARDOUS WASTE	OBSERVATIONS
Inside the former warehouse.	Hydraulic fluid	X	A metal cylinder was present that contained a liquid suspected of being hydraulic fluid. Fluid with a sheen was dripping out of the casing. Three metal buckets were adjacent to the cylinder and one of the buckets was filled with an unknown liquid.
Outside the southeast corner of the former warehouse.	4 batteries.	X	There are 3 car batteries and 1 truck battery located in what appears to be a former automobile service area. Also present in the area is a shell of a jeep, asbestos brake pads, and various auto parts.
Inside the former warehouse in the southeast corner.	A holding tank that contained an unknown liquid	X	There was a holding tank built into the floor of the former warehouse. There was a large amount of an unknown liquid in the tank.
A former service area located immediately next to the former warehouse.	Chevron Polyurea EP Grease 2		An open ended 35-gallon drum was found that was 2/3 full of grease. A label on the drum reads, "Chevron Polyurea EP Grease 2."
The concrete pad adjacent to the former warehouse on the southeast corner.	Two fire extinguishers		There are rust spots on the tanks of 2 fire extinguishers, although the integrity of neither tank has been compromised. One of the extinguishers is labelled, "Carbon Dioxide Hand Fire Extinguishers."
The Risk Assessment Code (RAC) 1 area located adjacent to the road to the former warehouse.	A marine gas tank.		There is a fenced area that contains large amounts of debris including an aluminum can collection area, and a marine gas tank. Contents of the gas tank are unknown due to inaccessibility.
The former hotel dump site located adjacent to the road to the former warehouse.	Miscellaneous debris.	X	There is a clearing adjacent to the road to the former warehouse that was used as a dump site for the former hotel. Located in this area are household debris, several abandoned cars, and an abandoned tanker truck that is empty. Hazards present are paint cans, gas cans, multiple car batteries, marine gas tanks, and bottles of solvent.
Adjacent to the water at the Flamingo Bay Marina.	Chevron Delo 100 Motor Oil SAE 40.	X	There were 3 55-gallon drums located together. There was one that was noticeably bulging and was labelled, "Chevron Delo 100 Motor Oil." The integrity of one of the other drums was breached and there was an oil substance leaking out of it. The third drum had a closed bung hole, was laying on its side, and contained an unknown liquid.

TABLE -- (CONT.)
POTENTIAL HAZARDOUS SUBSTANCES AND SOLID WASTES ON WATER ISLAND, U.S. VIRGIN ISLANDS

LOCATION	MATERIAL	SUSPECTED RCRA/CERCLA HAZARDOUS WASTE	OBSERVATIONS
Adjacent to the water at the Flamingo Bay Marina.	Above ground storage tank.		There is an empty Above Ground Storage Tank (AST) adjacent to a fuel pump at the Flamingo Bay Marina. It appears as if two additional ASTs were located at the marina at one time.
The former Flamingo Bay Marina Service Area.	Several batteries.	X	The building that is adjacent to the Flamingo Bay Marina was apparently demolished in Hurricane Hugo. The service area has scattered debris that appears to have been present since the hurricane.
The former Flamingo Bay Marina Service Area.	Chevron Delo 400 Motor Oil.	X	A label that reads, "Chevron Delo 400 Motor Oil," was found on a 55-gallon drum with a closed bung hole and a slightly bulging top. The drum was in good condition.
Marina	Propane.	X	Two propane tanks are present adjacent to the water. One has a line that goes into Flamingo Bay.
Test Area 5.	Battery		This area was used as a burn pit after Hurricane Hugo. There is corrugated metal debris, 3 empty 55 gallon drums, 2 of which have been compromised, corrugated board that could possibly contain asbestos, a car battery and an empty gasoline tank from an automobile.
Lot 3	Paint cans and batteries.	X	There is a debris pile, several rusted paint cans, and 2 batteries located on this lot.
Lot 1.	Exxmar 12P30		There are 3 unlabelled 55-gallon drums and a 4th drum with a label that reads, "Exxmar 12P30." All 4 drums are turned upside down and are empty. There is an additional drum that appeared to be used as a burn drum. Staining from this drum was present on the ground.
Fort Segarra.	Physical hazards.		There are no apparent chemical hazards at the former Fort Segarra. However, there are several physical hazards such as a vertical shaft used to access the underground bunker and a hole (approximate depth is 4 feet) in a poorly lit area.
Lot 13.	Potential for PCBs.		A badly compromised pole transformer is resting on the ground. It appears as if fluid has leaked out and there is dead vegetation surrounding it.
Lot 88.	Acrylic Monomer	X	This lot contains an empty 55-gallon drum with a faded label that reads, "Acrylic Monomer."
Phillip's Dock.	Household refuse		There is a pile of household refuse at the end of a dirt road adjacent to Phillip's Dock.
Lot 75.	Former gun emplacements		This lot contains what appear to be 2 former gun emplacements (without guns) that contain household refuse.
Lot 77	Battery.	X	This lot contains an abandoned car and car battery.

TABLE - (CONT.)
POTENTIAL HAZARDOUS SUBSTANCES AND SOLID WASTES ON WATER ISLAND, U.S. VIRGIN ISLANDS

LOCATION	MATERIAL	SUSPECTED RCRA/CERCL A HAZARDOUS WASTE	OBSERVATIONS
Hotel	Jerry Cans		There is an abandoned Jeep that is filled with jerry cans.
Lot 54.	Batteries	X	This lot contains a battery. In addition, there are 3 submerged objects adjacent to the shoreline that are believed to be batteries.
Lot 57	Former gun emplacement and building debris.		There is what appears to be a gun emplacement similar to the one found in lot 75 (no guns are present). There is also a roof located in the brush with no apparent house nearby.
Hotel	Abandoned air conditioners.		There are many abandoned window-type air conditioners located in the former hotel area.
Hotel.	Batteries.		In a former service area of the hotel there are batteries, oil stained pavement, rear-22 tanks, and a tank that is empty with the following markings: 310 cu. ft. DOT 8AL JW 131-12 464724
Hotel	Unknown liquid.		Inside the former generator building was a 5-gallon bucket filled with an unknown liquid.
Hotel	Paint cans.	X	There are several 5-gallon buckets some of which are full with an unknown liquid. There is also a full 55-gallon drum with a valve in one of its bung holes. The drum has a label that reads: "Flammable liquid." There are also several paint cans in this area. A black substance that appears to have leaked from the paint cans is present on the ground.
Hotel	Miscellaneous plumbing and electrical equipment.		The former electrical and plumbing department contains abandoned equipment including refrigerators and air conditioners. There is also miscellaneous litter in this area.
Hotel.	Chevron Tractor Hydraulic Fluid.		In a portion of the hotel service area, adjacent to the plumbing and electrical department is an area that contains 2 propane tanks, one propane AST, 2 additional ASTs of unknown contents and 4 55-gallon drums are full including one laying on its side. The one laying on its side has a label that reads, "Chevron Tractor Hydraulic Fluid." There is staining on the ground surrounding the 4 drums.
Hotel	Propane.	X	Adjacent to the access road to the former hotel kitchen is an AST that contained propane, although it is unknown if the AST is presently full.

TABLE -- (CONT.)
POTENTIAL HAZARDOUS SUBSTANCES AND SOLID WASTES ON WATER ISLAND, U.S. VIRGIN ISLANDS

LOCATION	MATERIAL	SUSPECTED ACRA/CERCL A HAZARDOUS WASTE	OBSERVATIONS
Lot that is labelled by a question mark in a triangle.	Gasoline		There are 4 (3 full and 1 empty) gasoline cans present adjacent to the driveway.
Lot 110.	Paint	X	Herbicides, various paints and paint thinners are present in a storage area adjacent to the house.
Lot that is labelled by an "X" inside a circle.	Paint cans.	X	Paint cans, 2 rusted fire extinguishers and roofing shingles that may contain asbestos are located adjacent to the house.
Lot 111.	Material suspected of containing asbestos.		There are 3 3' x 4' corrugated panels and roofing shingles present. Both the panels and the shingles are suspected of containing asbestos.
Lot 247.	Batteries	X	Several batteries, several gas cans, paint, varnish thinner, and an abandoned outboard motor are present.
Lot 235	55-gallon drums		A rusted refrigerator, 2 empty 55-gallon drums, an abandoned backhoe and a small cement mixer are present.
Lot 252.	DELVAC 1230 SAE 30 Motor Oil.	X	Various construction material and an empty 55-gallon drum with a label that reads, "DELVAC 1230 SAE-30 Motor Oil," are present on this site.
Lot 269.	Propane	X	A propane tank with a line running into the house on the property is present.
Lot 267.	Thoroseal Cementitious Water Seal Coating.		A 5-gallon bucket with a label that reads, "Thoroseal Cementitious Water Seal Coating," is located on the site.
Lot 82.	An AST.		An AST that is rusted but not breached is present. The contents are unknown.
Lot 36.	Gas cans		Several gas cans, an oxygen cylinder, a marine outboard engine, a compressor, and a can with the label, "HAY-ATF Mercon DEXRON-II MP," are present in a garage area adjacent to the house.
Hotel.	An AST.		At the base of the elevator adjacent to the water is an AST of unknown contents.

Addendum I

Letter to Secretary Jewel, November 19, 2014 regarding Water Island Sale of Additional Properties; Water Island

List of Properties for Offer; Water Island Hotel and Resort Development

Three (3) independent appraisals have been commissioned on each property.

Area K	15 acres, more or less
Area L	3 acres, more or less
Area M	2.5 acres, more or less
Area N	1.5 acres, more or less
Area V	20 acres, more or less
Area Y	11 acres, more or less
Area known as the Catchment	1.5 acres, more or less

QUITCLAIM DEED

THIS INDENTURE, made this 12th day of December, 1996, between **THE UNITED STATES OF AMERICA**, by and through its **DEPARTMENT OF THE INTERIOR, OFFICE OF INSULAR AFFAIRS**, herein called the "Grantor," and **THE GOVERNMENT OF THE U.S. VIRGIN ISLANDS**, herein called the "Grantee,"

WITNESSETH: That for and in consideration of the sum of TEN DOLLARS (\$10.00) and other good and valuable consideration, receipt of which is hereby acknowledged, the Grantor hereby grants, sells, releases, and quitclaims to the Grantee, the successors and assigns of the Grantee, all of the right, title, and interest of the Grantor in the real property including the improvements thereon described as follows:

Property located on Water Island near St. Thomas, United States Virgin Islands, designated as the hotel site and associated properties on Tract B (excluding the villas, lots 48 through 60, and lots 24 and 25), including the catchment basin and deep water dock; the beach and associated lands on Tract C; and the public ferry dock and associated lands on Tract E as marked and shown on a copy of the 1979 map of the Department of the Interior, Bureau of Land Management, (revised July 1996) attached hereto as Exhibit 1, and containing according to said map approximately 50 acres, more or less and by reference made a part hereof. All public roads on Water Island, excluding those on the Sprat Bay properties, are also included.

TOGETHER WITH the rights, privileges, and appurtenances, including the use of the roads, ways, and public areas presently existing and designated for such purpose on said map, for use in common with other owners, for ingress and egress to said property.

TO HAVE AND TO HOLD the premises conveyed hereby in fee simple forever.

SUBJECT, HOWEVER, to Virgin Islands zoning regulations, now or hereafter in force, laws, rules, and regulations of the United States Virgin Islands, and to covenants, restrictions, and easements of record, all of which shall run with the land and be binding upon the owners of all lots on Water Island, and inure to the benefit of all of such lots and to the Grantor herein. Additionally, the following nine items are also included as covenants and easements of record:

1. The property is sold in as is condition with no express implied warranties other than those expressly stated herein and subject to Article 6 below.
2. The Grantee agrees to comply with use restrictions on the property set forth in the list of Restrictive Covenants attached hereto as Exhibit 2, and by this reference made a part hereof which shall run with the land and be binding upon the owners from time-to-time of all lots on Water Island. Said list complies with the United States Fish and Wildlife Service Biological Opinion (no jeopardy) to protect endangered species and the National Historic Preservation Act to protect cultural and archaeological resources. Specific restrictions are addressed by tract and location.
3. The Grantee agrees not to introduce any non-native animal, with the exception of common household pets, such as cats, dogs, and caged birds, to Water Island.
4. The Grantee agrees not to use as a matter of course, off-road vehicles or heavy duty, mechanical beach cleaning equipment on any beach on Water Island and agrees further to keep animals off any beach on Water Island. This restriction shall not prohibit Grantee from using heavy duty equipment to return beach to its condition prior to any major storm or natural disaster.
5. The Grantee agrees to buy and the Grantor agrees to sell the property in consideration of the following obligations to be assumed by the Grantee.
 - a. The Grantee agrees to use all property for public purposes only, and as such the name of Water Island will be retained to promote economic development of Water Island for the benefit of the U.S. Virgin Islands, including the residents of Water Island. For purposes of this provision, the operation of a hotel or tourist resort on the property shall be deemed a public purpose, and the Grantee agrees to make a reasonable effort to have such an operation established.
 - b. The Grantee agrees that if the above identified property or any portion thereof is sold, the proceeds shall be paid to the United States Department of the Interior unless there is a written agreement between the Governor of the Virgin Islands and the Secretary of the Interior in effect prior to the sale providing for a different disposition.
 - c. The Grantee agrees to assume all liability that may arise from the property prospectively effective as of the date of closing.

d. The Grantee agrees to provide the following services on Water Island:

- (1) A public dock, with regular scheduled public ferry service, and a deep-water dock
- (2) Maintenance of roads and docks
- (3) Establishment and maintenance of public recreation areas, including the public beaches on Water Island
- (4) Fire protection
- (5) Public safety officers
- (6) Inspection and licensing of motor vehicles
- (7) Regular trash removal

e. The Grantee agrees that Water Island residents will have access to public health, education, and municipal services on the same basis as other residents of the Virgin Islands. It is understood that, due to the unique condition of Water Island, some of the municipal services may be provided in a location other than Water Island (such as St. Thomas).

6. The Grantor will comply with the requirements of Section 9620 of the Comprehensive Environmental Response, Compensation, and Liability Act of 1981 (CERCLA), 42 U.S.C. 9620, to the extent required with respect to the property subject to this sale. Grantor agrees to remove asbestos materials in the catchment basin. A list of suspected additional hazardous materials Grantor believes to be stored on the site is attached as Exhibit 3, Potential Hazardous Substances and Solid Wastes on Water Island, U.S. Virgin Islands (March 1994), to this quickclaim deed. The Grantor hereby agrees that any response action or corrective action with respect to these or other possible hazardous materials that may currently be present on the transferred property shall be the responsibility of the Grantor. The Grantor may seek to secure contribution from other potentially responsible parties under CERCLA. The Grantee hereby agrees to grant the Grantor access to the transferred property to the full extent necessary, in the judgment of the Grantor, to perform its responsibilities under CERCLA.

7. No member of or delegate to Congress or resident commissioner shall be admitted to any share or part of this deed or to any benefit that may arise herefrom, but this restriction shall not be construed to extend to this deed if made with a corporation or company for its general benefit.

8. The Grantee hereby agrees to indemnify and hold harmless the United States, its employees, agents, and assigns from any loss or damage and from any liability on account of personal injury, property damage, or claims for personal injury or death arising out of the Grantee's activities under this deed.

9. The Grantee hereby releases the United States, its Departments, agencies, and employees from any claim for the value of possessory interests in improvements on Water Island whether the claim is predicated upon the Water Island master lease of 1952, any sublease, or any other basis. This release covers all and every property interest on Water Island including the interest in any home or dwelling as may have been constructed by the Grantee and the interest in common properties on Water Island including by way of example roads, docks, and beaches. The Grantee hereby agrees not to bring any claim for the value of any alleged possessory interest against the United States, its Departments, agencies, or employees in any judicial, administrative, arbitration, or other forum.

IN WITNESS WHEREOF, the Granor has signed this instrument as of the date first written above.

THE UNITED STATES OF AMERICA,
DEPARTMENT OF THE INTERIOR

Allen P. Stayman, Director
Office of Insular Affairs

By Allen P. Stayman

IN WITNESS WHEREOF, the Grantee has acknowledged receipt of this instrument as of the date first written above.

THE UNITED STATES, VIRGIN ISLANDS
OFFICE OF THE GOVERNOR

Roy L. Schneider
Governor, U.S. Virgin Islands

WITNESSES: (two required)

Walter H. Stubbins

By Roy L. Schneider

On this 12th day of December, 1996, before me, personally appeared Allen P. Stayman, who acknowledged himself to be the Director, Office of Insular Affairs, United States Department of the Interior (Department). On behalf of the Department, he, being authorized to do so executed the foregoing instrument on behalf of the Department for the purposes therein contained by signing his name.

In witness whereof I hereunto set my hand and official seal.

Christian A. Brockelton
Notary Public

My commission expires 11 November 1998

CERTIFICATION

The undersigned hereby certifies that for recording purposes, the consideration for the within conveyance does not exceed \$ _____.

06/25/2002 12:22:22 PM
Filed & Recorded in
Official Records of
ST THOMAS/ST JOHN
WILMA O. HART SMITH
RECORDER OF DEEDS

Doc # 2002003305

**NOTED IN THE CADASTRAL RECORDS
FOR COUNTRY/TOWN PROPERTY, BOOK FOR
WATER ISLAND, NO. 10 SOUTHSIDE QUARTER
ST. THOMAS, VIRGIN ISLANDS.**

Cadastral Survey/Tax Assessor Offices
St. Thomas, V.I. Dated: February 13, 1997.
Wayne R. Callwood
Wayne R. Callwood, Tax Assessor
Office of the Lieutenant Governor

ATTEST:

It is hereby certified that the above
mentioned property/s which, according
to QUITCLAIM DEED dated December 12, 1996,
belongs to: THE GOVERNMENT OF THE U.S.
VIRGIN ISLANDS.

Cadastral Survey/Tax Assessor Offices
St. Thomas, V.I. Dated: February 13, 1997.
Wayne R. Callwood
Wayne R. Callwood, Tax Assessor
Office of the Lieutenant Governor

Exhibit 2 Water Island

Restrictive Covenants

The restrictive covenants specified are necessary to maintain a no jeopardy opinion by the U.S. Fish and Wildlife Service in compliance with the Endangered Species Act and to protect cultural resources in compliance with the Historic Preservation Act. All lots and tracts referred to herein are those shown on the 1979 Bureau of Land Management map, a copy of which is attached as Exhibit 1 to all contracts.

DEFINITIONS OF TERMS

For purposes of these restrictive covenants all lots, parcels, villas, and areas of Water Island which have restrictions and are identified below, will be defined as either permanent nondevelopment or restricted development covenant. Any specific restrictions will be identified under restricted development covenant.

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Tract D (excluding privately owned lots 61, 62, 63, 86, and 87)

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Area J (cultural restriction*) Requires signed Preservation Covenant

Lot 279 (cultural restriction*) Requires signed Preservation Covenant

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Tract B nondeveloped portions

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RESTRICTIVE COVENANTS ON SOUTHERN LOTS (WICA AREA)

Permanent Nondevelopment

The following lots if not already developed:

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Lot 112 (cultural restriction*) Requires signed Preservation Covenant

Restricted Development Covenant

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Lot 100
Parcels 111, 142, and 143

RESTRICTIVE COVENANTS ON SPRAT BAY PROPERTIES

Permanent Nondevelopment

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Lot 234
Lot 270

Restricted Development Covenant

Lots 202, 203, and 204
Lot 207
Lots 211, 212, 213, 214, 215, 216, 217, 218, 219, and 220
Lots 221, 222, 223, 22, 225, 226, 227, 228, and 229 (all including lighting restrictions)
Lots 231, 232, and 233
Lot 268
Lot 278

Book:
Pages: 8888
Doc# 2005005105
Filed & Recorded
05/18/2005 2:17PM
WILMA O. HART SMITH
RECORDER OF DEEDS
ST THOMAS/ST JOHN

QUITCLAIM DEED

THIS INDENTURE, made this 29 day of March, 2005, between
THE UNITED STATES OF AMERICA, by and through its DEPARTMENT OF
THE INTERIOR, OFFICE OF INSULAR AFFAIRS, herein called the "Grantor," and
THE GOVERNMENT OF THE U.S. VIRGIN ISLANDS, through the Governor,
herein called the "Grantee."

Doc# 2005005105

WITNESSETH: That for and in consideration of the sum of TEN DOLLARS
(\$10.00) and other good and valuable consideration, receipt of which is hereby
acknowledged, the Grantor hereby grants, sells, releases, and quitclaims to the Grantee,
the successors and assigns of the Grantee, all of the right, title, and interest of the Grantor
in the real property including the improvements thereon described as follows:

Property located on Water Island near St. Thomas, U.S. Virgin Islands, designated
as Area I, Area J, Area K, Area L, Area M, Area MI, Area N, Area O, Area P,
Area Q, Area R, Area S, Area T, Area U, Area V, Area W, Area X, Area Y, Plot
D, Plot E, Tract A, Tract D, Tract F, Lot 7 (including all structures and
improvements), Lot 25, Lot 24, Lot 87 (including all structures and
improvements), Flamingo Bay Villas (Lot 8, Lot 9, Lot 10, Lot 14, Lot 16, Lot
18, Lot 19, Lot 22, Lot 25, Lot 26, and Lot 27), and Lot 279 (Sprat Point)

as marked and shown on a copy of the 1979 map of the Department of the Interior,
Bureau of Land Management, (revised July 1996) attached hereto as Exhibit 1, and by
reference made a part hereof.

TOGETHER WITH the rights, privileges, and appurtenances, including the use
of the roads, ways, and public areas presently existing and designated for such purpose on
said map, for use in common with other owners, for ingress and egress to said property.

TO HAVE AND TO HOLD the premises conveyed hereby in fee simple
forever.

SUBJECT, HOWEVER, to Virgin Islands zoning regulations, now or hereafter
in force, laws, rules, and regulations of the United States Virgin Islands, and to
covenants, restrictions, and easements of record, all of which shall run with the land and
be binding upon the owners of all lots on Water Island, and inure to the benefit of all of
such lots and to the Grantor herein. Additionally, the following nine items are also
included as covenants and easements of record:

1. The property is sold in as is condition with no express implied warranties other
than those expressly stated herein and subject to Article 6 below, and Grantor's
covenants in Exhibit 4 "Water Island Environmental Restrictive Covenants".

Doc# 2005005105

2. The Grantee agrees to comply with use restrictions on the property set forth in the list of Restrictive Covenants attached hereto as Exhibit 2, and by this reference made a part hereof which shall run with the land and be binding upon the owners from time-to-time of all lots on Water Island. Said list complies with the United States Fish and Wildlife Service Biological Opinion (no jeopardy) to protect endangered species and the National Historic Preservation Act to protect cultural and archaeological resources. Specific restrictions are addressed by tract and location.
3. The Grantee agrees not to introduce any non-native animal, with the exception of common household pets, such as cats, dogs, and caged birds, to Water Island.
4. The Grantee agrees not to use as a matter of course, off-road vehicles or heavy duty, mechanical beach cleaning equipment on any beach on Water Island and agrees further to keep animals off any beach on Water Island. This restriction shall not prohibit Grantee from using heavy duty equipment to return the beach to its condition prior to any major storm or natural disaster.
5. The Grantee agrees to buy and the Grantor agrees to sell the property in consideration of the following obligations to be assumed by the Grantee.
 - a. The Grantee agrees to use all property for public purposes only, and as such the name of Water Island will be retained to promote economic development of Water Island for the benefit of the U.S. Virgin Islands, including the residents of Water Island. For purposes of this provision, the operation of a hotel or tourist resort on the property shall be deemed a public purpose.
 - b. The Grantee agrees to assume all liability that may arise from the property prospectively effective as of the date of closing.
 - c. The Grantee agrees to provide the following services on Water Island:
 - (1) A public dock, with regular scheduled public ferry service, and a deep-water dock
 - (2) Maintenance of roads and docks
 - (3) Establishment and maintenance of public recreation areas, including the public beaches on Water Island
 - (4) Fire protection
 - (5) Public safety officers
 - (6) Inspection and licensing of motor vehicles
 - (7) Regular trash removal
 - d. The Grantee agrees that Water Island residents will have access to public health, education, and municipal services on the same basis as other residents of the Virgin Islands. It is understood that, due to the unique

condition of Water Island, some of the municipal services may be provided in a location other than Water Island (such as St. Thomas).

6. As set forth more fully in Exhibit 4 "Water Island Environmental Restrictive Covenants," Grantor has complied with the requirements of section 120(h) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), 42 U.S.C. § 9620(h) to the extent required with respect to the property subject to this sale. Consistent with CERCLA section 120(h)(3), Grantor covenants that all action currently necessary to protect human health and the *environment with respect to hazardous substances remaining on the property as of the date of transfer* has been taken.

7. The Grantee agrees to comply with the Environmental Restrictive Covenants attached hereto as Exhibit 4, including covenants necessary to assure use of property consistent with the environmental condition of the Flamingo Bay Landfill. The Flamingo Bay Landfill area is described in the attached Exhibit 5, boundary description and map, dated September 2004.

8. No member of or delegate to Congress or resident commissioner shall be admitted to any share or part of this deed or to any benefit that may arise herefrom, but this restriction shall not be construed to extend to this deed if made with a corporation or company for its general benefit.

9. The Grantee hereby agrees to indemnify and hold harmless the United States, its employees, agents and assigns from any loss or damage and from any liability on account of personal injury, property damage, or claims for personal injury or death arising out of the Grantee's activities under this Deed, including any breach of any covenant or failure to perform any obligation. In addition, subject to Grantor's warranty and covenants in Exhibit 4, Grantee hereby agrees to indemnify and hold harmless the United States, its employees, agents and assigns from any loss or damage and from any liability arising from releases of hazardous substances caused or contributed to by Grantee, or for which Grantee is otherwise responsible under Commonwealth or federal law.

10. The Grantee hereby releases the United States, its Departments, agencies, and employees from any claim for the value of possessory interests in improvements on Water Island whether the claim is predicated upon the Water Island master lease of 1952, any sublease, or any other basis. This release covers all and every property interest on Water Island including the interest in any home or dwelling as may have been constructed by the Grantee and the interest in common properties on Water Island including by way of example roads, docks, and beaches. The Grantee hereby agrees not to bring any claim for the value of any alleged possessory interest against the United States, its Departments, agencies, or employees in any judicial, administrative, arbitration, or other forum.

IN WITNESS WHEREOF, the Grantor has signed this instrument as of the date first written above.

THE UNITED STATES OF AMERICA,
DEPARTMENT OF THE INTERIOR

Debrao Felle, Director
Office of Insular Affairs

By James Selman

IN WITNESS WHEREOF, the Grantee has acknowledged receipt of this instrument as of the date first written above.

THE UNITED STATES, VIRGIN ISLANDS
OFFICE OF THE GOVERNOR

Charles W. Marshall
Governor, U.S. Virgin Islands

By James A. Bryan, Jr
WITNESSES: (two required)

Kevin P. Book

On this 29th day of March, 2005 ^{Sms} before me, personally appeared Nikolas Felle who acknowledged himself to be the Director, Office of Insular Affairs, United States Department of the Interior (Department). On behalf of the Department, he, being authorized to do so executed the foregoing instrument on behalf of the Department for the purposes therein contained by signing his name.

In witness whereof hereunto set my hand and official seal.

Alfred J. J. J.

Notary Public

My commission expires 4/30/07

CERTIFICATION

The undersigned hereby certifies that for recording purposes, the consideration for the within conveyance does not exceed \$ _____.

NOTED IN THE CADASTRAL RECORDS FOR COUNTRY/TOWN PLURALITY BOOK FOR

WATER ISLAND, NO. 10 SOUTHSIDE
QUARTER, ST. THOMAS, VIRGIN ISLANDS.

Cadastral Survey/Tax Assessor Offices

St. Thomas, V.I. Dated: May 18, 2005
Phyllis Harrigan, Special Assistant to the
Tax Assessor for Survey
Office of the Lieutenant Governor

AFFEST:

It is hereby certified that the above
mentioned property/s which, according
to QUITCLAIM DEED dated March 29, 2005
belongs to: THE GOVERNMENT OF THE U.S.

VIRGIN ISLANDS, through the Governor (GRANTEE)

Cadastral Survey/Tax Assessor Offices

Doc# 2005005105

St. Thomas, V.I. Dated: May 18, 2005
Phyllis Harrigan, Special Assistant to the
Tax Assessor for Survey

Office of the Lieutenant Governor

AFFIDAVIT

The undersigned hereby certifies that the within instrument is exempt from deed stamp tax and deed recording charges pursuant to Title 33 VIC Section 128 (1) as it is a transfer from the Government of the United States of America.

WITNESSES:

THE UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
Office of Insular Affairs

Edgar Allan Poe

By: Nicholas Fula

Doc# 2005005105

James Bruce

DISTRICT OF COLUMBIA)
)

On this 14th day of April, 2003, before me, personally appeared Nikolas Pula, who acknowledged himself to be the Director, Office of Insular Affairs, United States Department of the Interior ("Department"). On behalf of the Department, he, being authorized to do so, executed the foregoing instrument on behalf of the Department for the purposes therein contained by signing his name.

In witness whereof I hereunto set my hand and official seal.

Notary Public
 My Commission Expires May 31, 2004

Exhibit 2
Water Island

Restrictive Covenants

The restrictive covenants specified are necessary to maintain a no jeopardy opinion by the U.S. Fish and Wildlife Service in compliance with the Endangered Species Act and to protect cultural resources in compliance with the National Historic Preservation Act. All lots and tracts referred to herein are those shown on the 1979 Bureau of Land Management map, a copy of which is attached as Exhibit 1 to all contracts.

DEFINITIONS OF TERMS

Doc# 2005005105

For purposes of these restrictive covenants all lots, parcels, villas, and areas of Water Island which have restrictions and are identified below, will be defined as either permanent *nondevelopment* or *restricted development* covenant. Any specific restrictions will be identified under restricted development covenant.

Permanent nondevelopment (if not already developed) means that to prevent erosion and other disturbances to endangered species, no additional development or removal of vegetation cover may occur from this date forward unless consulted and approved by the U.S. Fish and Wildlife Service and Virgin Islands Division of Fish and Wildlife; in addition with the Virgin Islands State Historic Preservation Officer for those few lots identified with an asterisk (*) below which have cultural restrictions. Those lots identified with an asterisk will also be provided a copy of the Preservation Covenant.

Restricted development covenant (if not already developed) is a covenant agreed to by the U.S. Fish and Wildlife Service and Bureau of Reclamation that should a building be constructed, **only** the vegetation within the footprint of the building, associated patio, and driveway is to be disturbed. This would help to reduce erosion into sensitive adjacent marine environments where sea turtles forage.

Lighting restrictions are performance based, meaning that lights are not to be directly visible from any beach. If new lighting is developed, it should be reviewed and the placement approved by the U.S. Fish and Wildlife Service, in conjunction with the Virgin Islands Division of Fish and Wildlife. Existing outdoor lighting (if any) would be reviewed and, if necessary, replaced with shielded outdoor lighting or otherwise modified to not be visible from the beach.

RESTRICTIVE COVENANTS ON ALL WATER ISLAND AREAS

The Buyer agrees not to introduce any non-native animal, with the exception of common household pets, such as cats, dogs, and caged birds, to Water Island.

The Buyer further agrees not to use off-road vehicles or heavy duty, mechanical beach cleaning equipment on any beach on Water Island and that animals will be kept off any beach on Water Island. This restriction shall not prohibit Buyer from using heavy equipment to return the beach to its conditions prior to any major storm or natural disaster.

Owners of boats, lessees, visitors, and clients must moor only at designated mooring sites to minimize impacts to the seagrass beds. The type, number, and location of these moorings will be determined in cooperation with the Virgin Islands Government, U.S. Fish and Wildlife Service, and the National Marine Fisheries Service. Anchoring or mooring in other areas would be prohibited.

RESTRICTIVE COVENANTS ON PUBLIC COMMON AREAS

Permanent Nondevelopment

Tract A Fort Segarra

Tract D (excluding privately owned lots 61, 62, 63, 86, an 87)

Tract F (cultural restriction*) Requires signed Preservation Covenant

Area J (cultural restriction*) Requires signed Preservation Covenant

Lot 279 (cultural restriction*) Requires signed Preservation Covenant

All salt ponds will be maintained as permanent nondevelopment which will consist of a buffer zone 13 feet (4 meters) in width, beginning with the upper limit of the wetlands to protect the candidate species known to inhabit the ponds.

Marina Basin off Flamingo Bay will be maintained as permanent nondevelopment which will consist of the mangrove fringe and buffer zone 13 feet (4 meters) in width, beginning with the upper limit of the wetlands.

Restricted Development Covenant

Tract B previously developed portions may be redeveloped for a hotel or tourist resort. This reference to tract B, excludes the villas and privately owned lots 48-60.

Tract B nondeveloped portions

Tract C, including Honeymoon Beach, will also include restrictions, such as setbacks from beachfront vegetation, in addition to outdoor lighting restrictions, to minimize impacts to sea turtles should additional development take place.

RESTRICTIVE COVENANTS ON SOUTHERN LOTS (WICA AREA)

Permanent Nondevelopment

The following lots if not already developed:

Lots 72 and 73 (cultural restrictions*) Requires signed Preservation Covenant
Lot 112 (cultural restriction*) Requires signed Preservation Covenant

Restricted Development Covenant

The following lots if not already developed:

Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, and 10
Lots 20, 21, 22, 23, 24, 25, 26, 27, 28, and 29
Lots 61, 62, and 63
Lot 71, including lighting restriction
Lot 78
Lots 86 and 87
Lots 94 and 95
Lot 100
Parcels 111, 142, and 143

RESTRICTIVE COVENANTS ON SPRAT BAY PROPERTIES

Permanent Nondevelopment

The following lots if not already developed:

Lot 201 (cultural restriction*) Requires signed Preservation Covenant
Lots 205 and 206 (cultural restriction*) Requires signed Preservation Covenant
Lot 208 (cultural restriction*) Requires signed Preservation Covenant
Lots 209 and 210
Lot 230
Lot 234
Lot 270

Restricted Development Covenant

Lots 202, 203, and 204

Lot 207
Lots 211, 212, 213, 214, 215, 216, 217, 218, 219, and 220
Lots 221, 222, 223, 224, 225, 226, 227, 228, and 229 (all including lighting restrictions)
Lots 231, 232, and 233
Lot 268
Lot 278

Doc# 2005005105

EXHIBIT 3

POTENTIAL HAZARDOUS SUBSTANCES AND SOLID WASTES WATER ISLAND, U.S. VIRGIN ISLANDS April 2004

The information in this Exhibit is required under the authority of regulations promulgated under section 120(h) of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA or "Superfund") 42 U.S.C. § 9620(h)(1).

LOCATION	MATERIAL	Potential RCRA/CERCLA HAZARDOUS WASTE	OBSERVATIONS
Along the dirt road that leads to the former warehouse, adjacent to the Risk Assessment Code (RAC) 1 area	Aropol 7241 T-15 FDA		A 55- gallon bung holed drum, in good condition and with no apparent spills. Label read, "Aropol 7241 T-15 FDA Doc# 2005005105
RAC 1 area, adjacent to the dirt road that leads to the former warehouse.	Marine Gas Tank		RAC 1 area is fenced, and contains scrap metals, abandoned vehicles, and a marine gas tank with unknown contents (inaccessible).
Former Hotel Disposal Site located adjacent the dirt road that leads to the former warehouse. (Test Area 4)	Miscellaneous debris	x	Located in this area are household debris, appliances, several abandoned vehicles, an abandoned tanker truck, which is empty. Paint cans, car batteries, old empty gas and solvent cans, and old gas tanks.
Test Area 5, Former Fort Segarra	Batteries	x	This area is used as a transfer station by the VI Government and Water Island Community Association (WICA) for local household trash disposal. Waste streams are segregated, and properly stored. Pallets are used for batteries, and fuels and solvents have secondary containment. There is also a closed, locked containment. Recent investigation indicates no hazardous waste release has occurred.
Former Fort Segarra	Physical Hazards		There are no apparent chemical hazards at the former Fort Segarra. However, there are several physical hazards such as a vertical shaft used to access the underground bunker and a hole approximately 4 feet deep in a poorly lit area.
Sprat Point	Abandoned Ship		Along the eastern shoreline of Sprat Point, a small ship named the "Amalie Queen" has washed ashore. The hull is breached and a diesel sheen has been previously observed in the water inside the hull.

LOCATION	MATERIAL	Potential RCRA/CERCLA HAZARDOUS WASTE	OBSERVATIONS
Limestone Bay	Battery	x	A compromised battery and an old gas can have been observed approximately 25 feet from the water
Lot 87	Suspected Asbestos containing Material (Class I non- friable)		A 2.5' x 3' piece of tar paper, suspected of containing asbestos is present.
Elephant Bay	Unknown objects and unknown liquid containers		There is a large amount of debris along the shoreline of Elephant Bay including destroyed inflatable boats, outboard

Doc# 2005005105

Exhibit 4
Water Island Environmental Restrictive Covenants

1. In accordance with the provisions of 42 U.S.C. § 9620(h) of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and regulations of the U.S. Environmental Protection Agency (EPA) at 40 C.F.R. Part 373, the Grantor hereby notifies Grantee that hazardous substances are known to have been stored for a year or more, released and/or disposed of on the property.

The Grantee has been provided with and hereby acknowledges the receipt of several environmental reports, including Bureau of Reclamation, Site Investigation Report, Former Fort Segarra, Water Island, U.S. Virgin Islands (April 27, 2004) and U.S. Corps of Engineers, Engineering Evaluation/Cost Analysis for Former Fort Segarra, Water Island, U.S. Virgin Islands (March 2004), and Site Investigation Report, Plot D and Lot 101, (March 2003) describing the hazardous substance and chemical agent investigations of the property and the type, quantity, and storage, disposal, and release of such materials, to the extent that such information is available.

In particular, those reports note that hazardous substances disposed of on the property for a year or more or stored, or released include an estimated 443,500 pounds of asbestos-containing material (ACM), CASRN (13 2207-33-1). The Grantee has also been provided with and hereby acknowledges the receipt of a supplemental report dated (June 2004) documenting that additional ACM has been removed from the property. Final asbestos removal is documented in Closure Report, Flamingo Bay Stockpile, Water Island (November 5, 2004).

Doc# 2005005105

2. In accordance with the provisions of 42 U.S.C. § 9620(h)(3), the Grantor hereby covenants and warrants that:
 - a. All remedial action necessary to protect human health and the environment has been taken with respect to any hazardous substance remaining on the property as of the date of transfer; and
 - b. With respect to any hazardous substance which became located on the property prior to the transfer to Grantee and which remained on the property after the date of transfer, any additional remedial action found to be necessary after the date of transfer shall be conducted by the Grantor; provided, however, that this covenant shall not apply to the extent that (i) Grantee is, at the time of transfer, a potentially responsible party with respect to the property; or (ii); Grantee, its successors in interest, its transferees, its assignees, and any person or entity occupying the property pursuant to an authorization from the Grantee causes or contributes to the release of hazardous substances at the property; or (iii) the remedial action is necessitated by soil excavation or disturbance at the Flamingo Bay Landfill, which is subject to the restriction set forth below.

c. The Grantor reserves a perpetual easement over and through and a right of access to the property to perform any additional environmental investigation, monitoring, sampling, testing, remedial action, corrective action, or any other action necessary for the Grantor to meet its environmental obligations under applicable law and as provided in this Deed. This easement and right of access shall be binding on the Grantee, its successors and assigns, and shall run with the land. This reservation includes the right to access and use utilities on the property at reasonable cost to the Grantor. In exercising this right of access, except in case of imminent danger to human health or the environment, the Grantor shall give to the Grantee, or then record owner, reasonable notice of actions to be taken on the property and shall use reasonable means to avoid and/or minimize interference with the use of the property.

Restriction on Flamingo Bay Landfill

With respect to the closed Flamingo Bay Landfill, described in the attached survey and report dated September 29, 2004,(map Exhibit 5) the Grantor has undertaken an investigation of the property and has concluded that the following covenant is necessary to assure use of the property consistent with its environmental condition.

1. The Grantee, its successors and assigns, transferees, and any person or entity occupying the property pursuant to an authorization from the Grantee, shall not conduct or permit others to conduct (1) any excavation, digging, drilling or other disturbance of the soil or ground below a depth of one foot without prior written approval of the United States.

2. Any additional remediation of the Flamingo Bay Landfill necessitated because of Grantee's request to conduct excavation, digging, drilling or other disturbance of the soil or ground below a depth of one foot will be at no additional cost to the United States and with the express written consent of the United States. Consent may be conditioned upon such terms and conditions as the United States deems reasonable and appropriate, including performance and payment bonds and insurance.

3. The Grantee covenants for itself, its successors and assigns, that it shall include and otherwise make legally binding this restriction in all subsequent lease, transfer or conveyance documents relating to the property. Notwithstanding this provision, failure to include this restriction in subsequent conveyances does not abrogate the status of these restrictions as binding upon the parties, their successors and assigns.

Indemnification

Subject to the environmental warranty granted by the United States and set forth above, Grantee, its successors and assigns hereby covenant and warrant that it shall indemnify, defend, and hold harmless the United States and its agencies from any injury, damage, loss, claim, liability, cost, and judgment arising from the acts or omissions of Grantee's employees, agents, contractors or lessees, arising out of, or in connection with, Grantee's use, occupancy or operations on the property.

Anti-Deficiency Act

The obligation of the Grantor to conduct any remediation under this DEED is subject to the availability of appropriated funds to the Department of the Interior, and nothing in this Deed shall be interpreted to require obligations or payments by the Grantor in violation of the Anti-Deficiency Act.

Doc# 2005005105

Exhibit 5



Brian Moseley
& Associates, Inc.
Land Surveyors & Consultants

DWG. No. 5065-1

DWG. Date: 09-29-04

R.O.W. Parcel No. B-1
Water Island (La Providence)
No. 10 Southside Quarter
St. Thomas, U.S. Virgin Islands
Page 1 of 3

OLG No. _____

BOUNDARY DESCRIPTION:

Doc# 2005005105

Beginning at a point common with R.O.W. Parcel No. V-1, Parcel No. V-2, Parcel No. B-2, and R.O.W. Parcel No. B-1, the line runs

Northeasterly an arc distance of 41.84' on a curve to the left having a radius of 300.00' along Parcel No. B-2 to a point, thence

N 47° 47' 24" E a distance of 34.15' along Parcel No. B-2 to a point, thence

Northerly an arc distance of 40.33' on a curve to the left having a radius of 20.00' along Parcel No. B-2 to a point, thence

N 67° 45' 02" W a distance of 100.73' along Parcel No. B-2 to a point, thence

Northwesterly an arc distance of 141.23' on a curve to the right having a radius of 300.00' along Parcel No. B-2 to a point, thence

Westerly an arc distance of 113.13' on a curve to the left having a radius of 75.00' along Parcel No. B-2 to a point, thence

S 52° 48' 00" W a distance of 113.24' along Parcel No. B-2 to a point, thence

Southwesterly an arc distance of 46.50' on a curve to the left having a radius of 300.00' along Parcel No. B-2 to a point, thence

S 43° 55' 10" W a distance of 127.09' along Parcel No. B-2 to a point, thence

Southerly an arc distance of 75.56' on a curve to the left having a radius of 75.00' along Parcel No. B-2 to a point, thence

S 13° 48' 08" E a distance of 55.86' along Parcel No. B-2 to a point, thence
S 77° 51' 08" W a distance of 15.38' along an Existing R.O.W. to a boundary post, thence
N 61° 29' 42" W a distance of 19.78' along Lot No. 1 to a point, thence
N 13° 48' 08" W a distance of 42.11' along Parcel No. B-3 to a point, thence



Brian Moseley
& Associates, Inc.
Land Surveyors & Consultants

DWG. No. 5065-1

DWG. Date: 09-29-04

R.O.W. Parcel No. B-1
Water Island (La Providence)
No. 10 Southside Quarter
St. Thomas, U.S. Virgin Islands
Page 2 of 3

Northerly an arc distance of 105.78' on a curve to the right having a radius of 105.00' along Parcel No. B-3 to a point, thence

N 43° 55' 10" E a distance of 127.09' along Parcel No. B-3 to a point, thence

Northeasterly an arc distance of 51.15' on a curve to the right having a radius of 330.00' along Parcel No. B-3 to a point, thence

N 52° 48' 00" E a distance of 113.24' along Parcel No. B-3 to a point, thence

Easterly an arc distance of 80.42' on a curve to the right having a radius of 105.00' along Parcel No. B-3 to a point, thence

Northeasterly an arc distance of 27.74' on a curve to the left having a radius of 20.00' along Parcel No. B-3 to a point, thence

N 17° 12' 28" E a distance of 50.06' along Parcel No. B-3 to a point, thence

Northerly an arc distance of 31.42' on a curve to the left having a radius of 20.00' along Parcel No. B-3 to a point, thence

N 72° 47' 32" W a distance of 7.43' along Parcel No. B-3 to a point, thence
N 04° 23' 55" W a distance of 22.02' along Parcel No. B-3 to a point, thence
N 04° 23' 55" W a distance of 12.79' along the Flamingo Bay Deep Water Dock to a corner of the bulkhead, thence

N 89° 24' 34" E a distance of 87.97' along the Flamingo Bay Deep Water Dock to a corner of the bulkhead, thence

S 00° 52' 51" E a distance of 31.81' along the Flamingo Bay Deep Water Dock to a point, thence
S 89° 07' 09" W a distance of 3.88' along Parcel No. B-4 to a point, thence

Southwesterly an arc distance of 21.45' on a curve to the left having a radius of 20.00' along Parcel No. B-4 to a point, thence

S 27° 40' 47" W a distance of 23.93' along Parcel No. B-4 to a point, thence



Brian Moseley
& Associates, Inc.
Land Surveyors & Consultants

DWG. No. 5065-1

DWG. Date: 09-29-04

R.O.W. Parcel No. B-1
Water Island (La Providence)
No. 10 Southside Quarter
St. Thomas, U.S. Virgin Islands
Page 3 of 3

Southerly an arc distance of 132.02' on a curve to the left having a radius of 100.00' along Parcel No. B-4 to a point, thence

Southeasterly an arc distance of 93.26' on a curve to the left having a radius of 270.00' along Parcel No. B-4 to a point, thence

S 67° 45' 02" E a distance of 119.95' along Parcel No. B-4 to a boundpost, thence
S 67° 45' 02" E a distance of 42.94' along Tract "B" Remainder to a point, thence

S 22° 14' 58" W a distance of 35.90' along portions of Tract "B" Remainder and an Existing R.O.W. to a point, thence

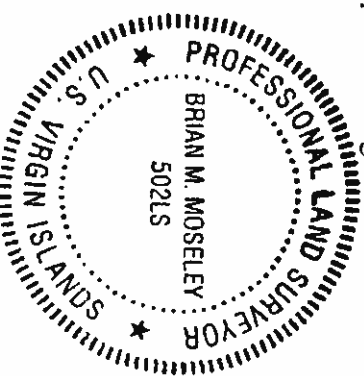
S 47° 47' 24" W a distance of 58.51' along Tract "B" Remainder to a point, thence
S 77° 51' 08" W a distance of 65.70' along R.O.W. Parcel No. V-1 to the point of origin.

The bearings are correlated with NAD '83 (1997).

The area is 0.823 Acres.

Brian Moseley and Associates, Inc.

Brian M. Moseley
Brian M. Moseley, PLS #502-LS





Brian Moseley
& Associates, Inc.
Land Surveyors & Consultants

DWG. No. 5065-1

DWG. Date: 09-29-04

Parcel No. B-2

Water Island (La Providence)
No. 10 Southside Quarter
St. Thomas, U.S. Virgin Islands
Page 1 of 2

OLG No. _____

BOUNDARY DESCRIPTION:

Beginning at a point common with R.O.W. Parcel No. B-1, R.O.W. Parcel No. V-1, Parcel No. V-2, and Parcel No. B-2, the line runs

S 77° 51' 08" W a distance of 486.12' along Parcel No. V-2 to a point, thence

N 13° 48' 08" W a distance of 55.86' along R.O.W. Parcel No. B-1 to a point, thence

Northerly an arc distance of 75.56' on a curve to the right having a radius of 75.00' along R.O.W. Parcel No. B-1 to a point, thence

N 43° 55' 10" E a distance of 127.09' along R.O.W. Parcel No. B-1 to a point, thence

Northeasterly an arc distance of 46.50' on a curve to the right having a radius of 300.00' along R.O.W. Parcel No. B-1 to a point, thence

N 52° 48' 00" E a distance of 113.24' along R.O.W. Parcel No. B-1 to a point, thence

Easterly an arc distance of 113.13' on a curve to the right having a radius of 75.00' along R.O.W. Parcel No. B-1 to a point, thence

Southeasterly an arc distance of 141.23' on a curve to the left having a radius of 300.00' along R.O.W. Parcel No. B-1 to a point, thence

S 67° 45' 02" E a distance of 100.73' along R.O.W. Parcel No. B-1 to a point, thence

Southerly an arc distance of 40.33' on a curve to the right having a radius of 20.00' along R.O.W. Parcel No. B-1 to a point, thence



**Brian Moseley
& Associates, Inc.**
Land Surveyors & Consultants

DWG. No. 5065-1

DWG. Date: 09-29-04

Parcel No. B-2

Water Island (La Providence)
No. 10 Southside Quarter
St. Thomas, U.S. Virgin Islands
Page 2 of 2

S 47° 47' 24" W a distance of 34.15' along R.O.W. Parcel No. B-1 to a point, thence

Southwesterly an arc distance of 41.84' on a curve to the right having a radius of 300.00' along
R.O.W. Parcel No. B-1 to the point of origin.

The bearings are correlated with NAD '83 (1997).

The area is 2.317 Acres.

Brian Moseley and Associates, Inc.

Brian M. Moseley
Brian M. Moseley, PLS #502-LS





Brian Moseley
& Associates, Inc.
Land Surveyors & Consultants

DWG. No. 5065-1

DWG. Date: 09-29-04

Parcel No. B-3

Water Island (La Providence)
No. 10 Southside Quarter
St. Thomas, U.S. Virgin Islands
Page 1 of 2

OLG No. _____

BOUNDARY DESCRIPTION:

Beginning at a point common with R.O.W. Parcel No. B-1, Lot No.1, and Parcel No. B-3,
the line runs

N 61° 29' 42" W a distance of 81.77' along Lot No. 1 to a boundpost, thence

N 79° 50' 48" W a distance of 80', more or less, along Lot 1 to a point, thence

Northerly, southerly, and Northeasterly a distance of 690', more or less, along the Flamingo
Bay shoreline to a point, thence

S 04° 23' 55" E a distance of 22.02' along R.O.W. Parcel No. B-1 to a point, thence

S 72° 47' 32" E a distance of 7.43' along R.O.W. Parcel No. B-1 to a point, thence

Southerly an arc distance of 31.42' on a curve to the right having a radius of 20.00' along
R.O.W. Parcel No. B-1 to a point, thence

S 17° 12' 28" W a distance of 50.06' along R.O.W. Parcel No. B-1 to a point, thence

Southwesterly an arc distance of 27.74' on a curve to the right having a radius of 20.00' along
R.O.W. Parcel No. B-1 to a point, thence

Southeasterly an arc distance of 80.42' on a curve to the left having a radius of 105.00' along
R.O.W. Parcel No. B-1 to a point, thence

S 52° 48' 00" W a distance of 113.24' along R.O.W. Parcel No. B-1 to a point, thence

Southwesterly an arc distance of 51.15' on a curve to the left having a radius of 330.00' along
R.O.W. Parcel No. B-1 to a point, thence

S 43° 55' 10" W a distance of 127.09' along R.O.W. Parcel No. B-1 to a point, thence



Brian Moseley
& Associates, Inc.
Land Surveyors & Consultants

DWG. No. 5065-1

DWG. Date: 09-29-04

Parcel No. B-3
Water Island (La Providence)
No. 10 Southside Quarter
St. Thomas, U.S. Virgin Islands
Page 2 of 2

Southerly an arc distance of 105.78' on a curve to the left having a radius of 105.00' along R.O.W.
Parcel No. B-1 to a point, thence

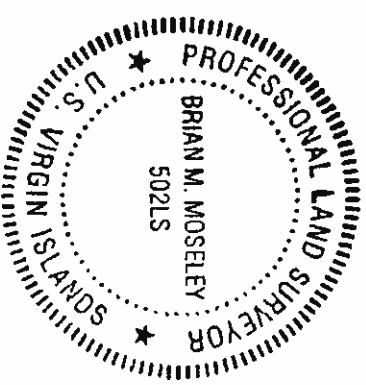
S 13° 48' 08" E a distance of 42.11' along R.O.W. Parcel No. B-1 to the point of origin.

The bearings are correlated with NAD '83 (1997).

The area is 0.88 Acres, more or less.

Brian Moseley and Associates, Inc.

Brian M. Moseley
Brian M. Moseley, PLS #502-LS





Brian Moseley
& Associates, Inc.
Land Surveyors & Consultants

DWG. No. 5065-1

DWG. Date: 09-29-04

Parcel No. B-4

Water Island (La Providence)
No. 10 Southside Quarter
St. Thomas, U.S. Virgin Islands

OLG No. _____

BOUNDARY DESCRIPTION:

Beginning at a boundpost common with Tract "B" Remainder, R.O.W. Parcel No. B-1, and Parcel No. B-4, the line runs

N 67° 45' 02" W a distance of 119.95' along R.O.W. Parcel No. B-1 to a point, thence

Westerly an arc distance of 93.26' on a curve to the right having a radius of 270.00' along R.O.W. Parcel No. B-1 to a point, thence

Northerly an arc distance of 132.02' on a curve to the right having a radius of 100.00' along R.O.W. Parcel No. B-1 to a point, thence

N 27° 40' 47" E a distance of 23.93' along R.O.W. Parcel No. B-1 to a point, thence

Northeasterly an arc distance of 21.45' on a curve to the right having a radius of 20.00' along R.O.W. Parcel No. B-1 to a point, thence

N 89° 07' 09" E a distance of 3.88' along R.O.W. Parcel No. B-1 to a point, thence

Southerly, southeasterly, and easterly a distance of 290', more or less, along the Flamingo Bay shoreline to a point, thence

S 13° 50' 55" W a distance of 10', more or less, along Tract "B" Remainder to a boundpost, thence

S 13° 50' 55" W a distance of 83.16' along Tract "B" Remainder to the point of origin.

The bearings are correlated with NAD '83 (1997).

The area is 0.51 Acres, more or less.

Brian Moseley and Associates, Inc.

Brian M. Moseley
Brian M. Moseley, PLS #502-LS





Brian Moseley
& Associates, Inc.
Land Surveyors & Consultants

DWG. No. 5065-1

DWG. Date: 09-29-04

R.O.W. Parcel No. V-1
Water Island (La Providence)
No. 10 Southside Quarter
St. Thomas, U.S. Virgin Islands
Page 1 of 2

OLG No. _____

BOUNDARY DESCRIPTION:

Beginning at a point common with Parcel No. V-2, Parcel No. B-2, R.O.W. Parcel No. B-1, and R.O.W. Parcel No. V-1, the line runs

N 77° 51' 08" E a distance of 65.70' along R.O.W. Parcel No. B-1 to a point, thence

S 47° 47' 24" W a distance of 15.16' along Area "V" Remainder to a point, thence

Southeasterly an arc distance of 71.96' on a curve to the right having a radius of 330.00' along Area "V" Remainder to a point, thence

S 60° 17' 04" W a distance of 99.98' along Area "V" Remainder to a point, thence

Southerly an arc distance of 42.81' on a curve to the left having a radius of 45.00' along Area "V" Remainder to a point, thence

S 05° 46' 53" W a distance of 103.01' along Area "V" Remainder to a point, thence

Southerly an arc distance of 82.19' on a curve to the right having a radius of 87.00' along Area "V" Remainder to a point, thence

Southerly an arc distance of 33.83' on a curve to the left having a radius of 30.00' along Area "V" Remainder to a point, thence

Northwesterly an arc distance of 91.84' on a curve to the left having a radius of 97.84' along an Existing R.O.W. to a point, thence

S 58° 29' 49" E a distance of 28.61' along Parcel No. V-2 to a point, thence

Easterly an arc distance of 46.61' on a curve to the left having a radius of 30.00' along Parcel No. V-2 to a point, thence

Northerly an arc distance of 26.56' on a curve to the left having a radius of 57.00' along Parcel No. V-2 to a point, thence



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DWG. No. 5065-1

DWG. Date: 09-29-04

R.O.W. Parcel No. V-1
Water Island (La Providence)
No. 10 Southside Quarter
St. Thomas, U.S. Virgin Islands
Page 2 of 2

N 05° 46' 53" E a distance of 106.21' along Parcel No. V-2 to a point, thence

Northeasterly an arc distance of 71.34' on a curve to the right having a radius of 75.00' along Parcel No. V-2 to a point, thence

N 60° 17' 04" E a distance of 99.98' along Parcel No. V-2 to a point, thence

Northeasterly an arc distance of 23.58' on a curve to the left having a radius of 300.00' along Parcel No. V-2 to the point of origin.

The bearings are correlated with NAD '83 (1997).

The area is 0.283 Acres.

Brian Moseley and Associates, Inc.

Brian M. Moseley
Brian M. Moseley, PLS #502-LS





Brian Moseley
& Associates, Inc.
Land Surveyors & Consultants

DWG. No. 5065-1

DWG. Date: 09-29-04

Parcel No. V-2

Water Island (La Providence)
No. 10 Southside Quarter
St. Thomas, U.S. Virgin Islands
Page 1 of 2

OLG No. _____

BOUNDARY DESCRIPTION:

Beginning at a point common with Parcel No. B-2, R.O.W. Parcel No. B-1, R.O.W. Parcel No. V-1, and Parcel No. V-2, the line runs

Southwesterly an arc distance of 23.58' on a curve to the right having a radius of 300.00' along R.O.W. Parcel No. V-1 to a point, thence

S 60° 17' 04" W a distance of 99.98' along R.O.W. Parcel No. V-1 to a point, thence

Southerly an arc distance of 71.34' on a curve to the left having a radius of 75.00' along R.O.W. Parcel No. V-1 to a point, thence

S 05° 46' 53" W a distance of 106.21' along R.O.W. Parcel No. V-1 to a point, thence

Southeily an arc distance of 26.56' on a curve to the right having a radius of 57.00' along R.O.W. Parcel No. V-1 to a point, thence

Westerly an arc distance of 46.61' on a curve to the right having a radius of 30.00' along R.O.W. Parcel No. V-1 to a point, thence

N 58° 29' 49" W a distance of 28.61' along an Existing R.O.W. to a point, thence

N 58° 29' 49" W a distance of 92.16' along an Existing R.O.W. to a point, thence

N 66° 20' 27" W a distance of 59.41' along an Existing R.O.W. to a point, thence

N 60° 38' 44" W a distance of 46.81' along an Existing R.O.W. to a point, thence

N 61° 51' 05" W a distance of 51.54' along an Existing R.O.W. to a point, thence

N 64° 41' 00" W a distance of 26.72' along an Existing R.O.W. to a point, thence



Brian Moseley
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DWG. No. 5065-1

DWG. Date: 09-29-04

Parcel No. V-2

Water Island (La Providence)

No. 10 Southside Quarter

St. Thomas, U.S. Virgin Islands

Page 2 of 2

N 13° 48' 08" W a distance of 12.06' along an Existing R.O.W. to a point, thence

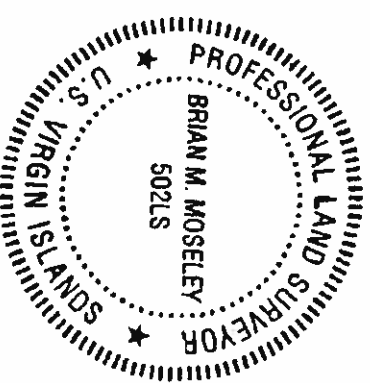
N 77° 51' 08" E a distance of 486.12' along Parcel No. B-2 to the point of origin.

The bearings are correlated with NAD '83 (1997).

The area is 1.062 Acres.

Brian Moseley and Associates, Inc.

Brian M. Moseley
Brian M. Moseley, PLS #502-LS



Doc# 2005005105

W/1
UNITED ST/

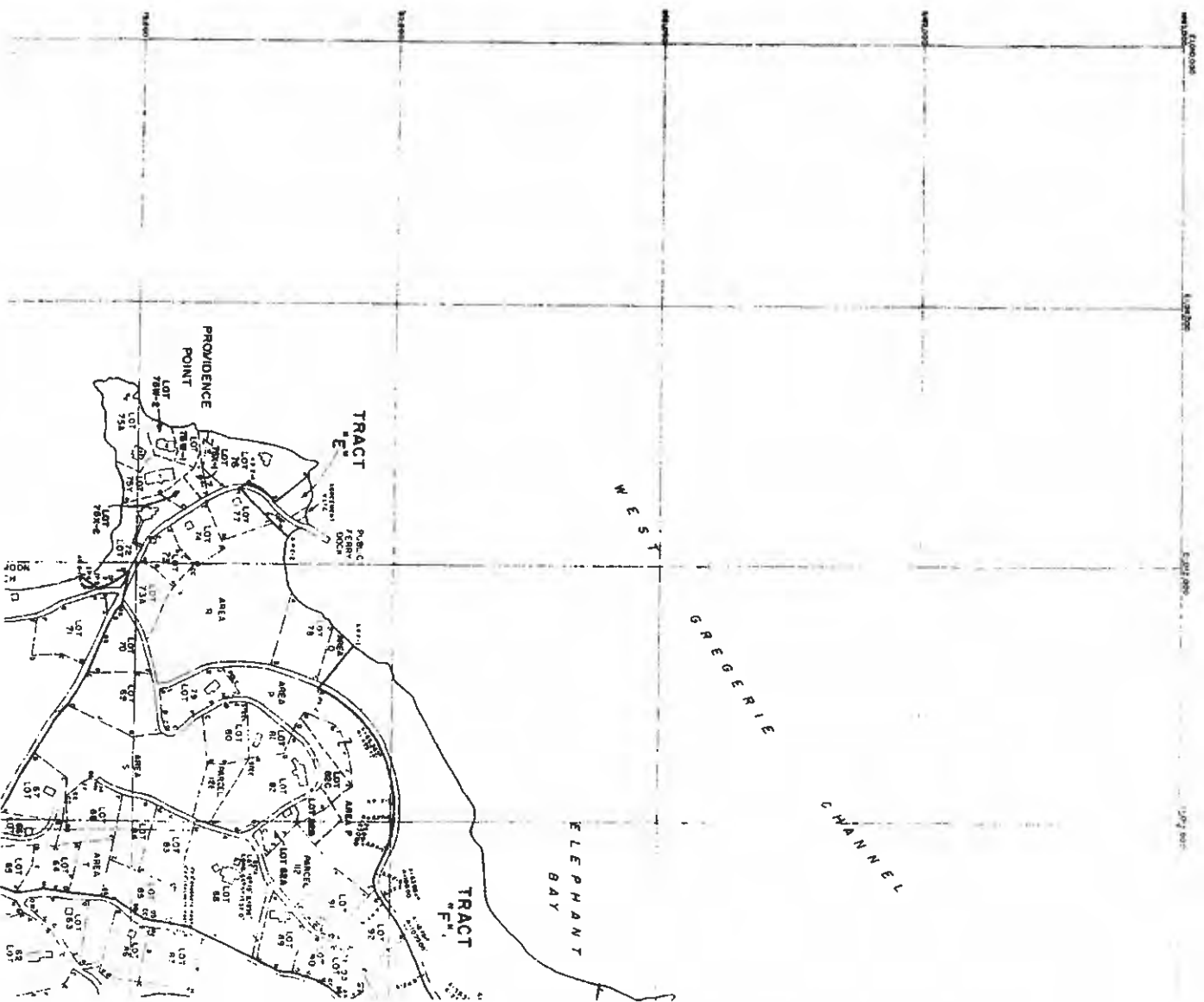
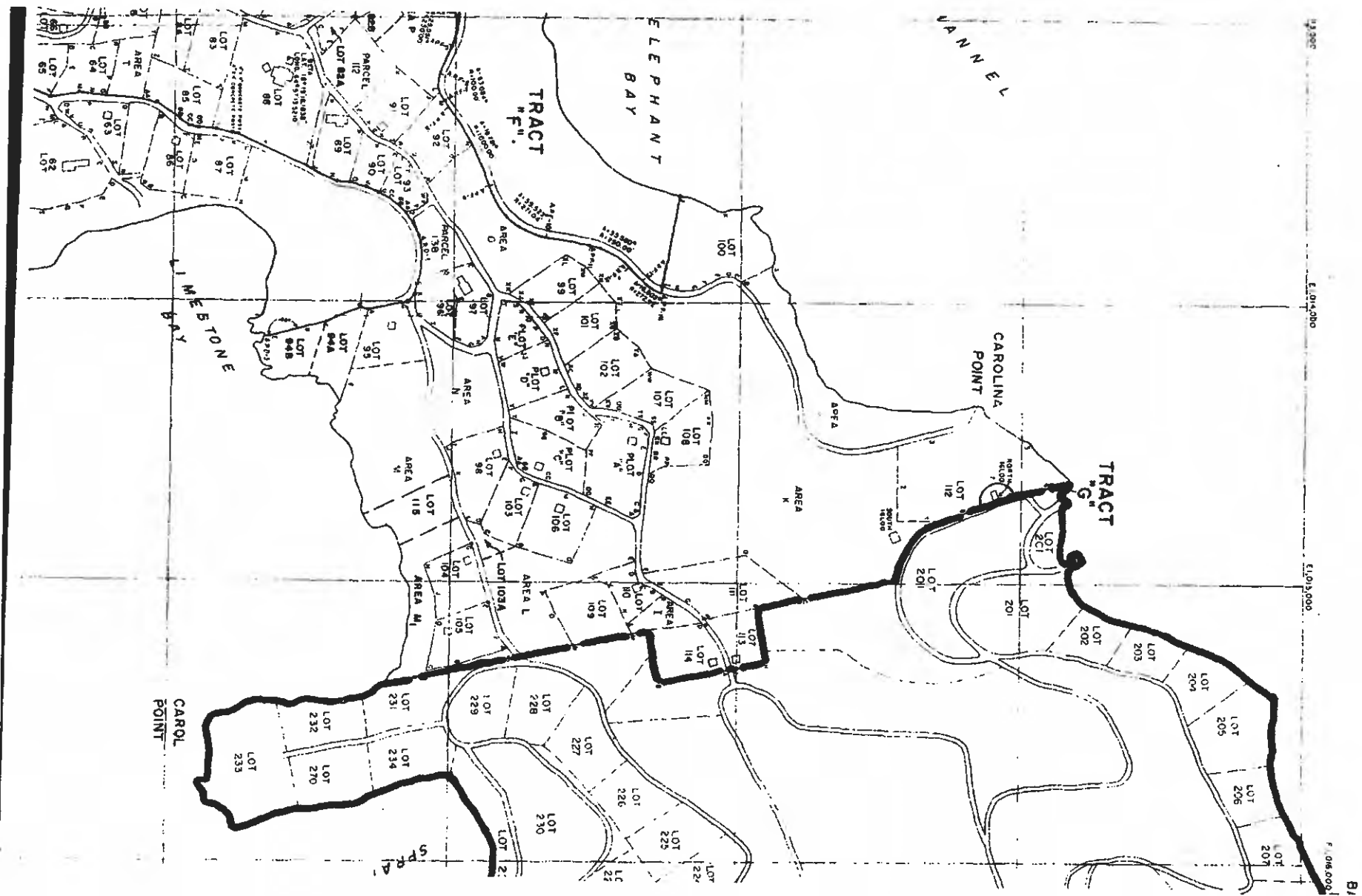


EXHIBIT 1
WATER ISLAND
UNITED STATES VIRGIN ISLANDS



BANANA
POINT

LOT
208
LOT
209

LOT
209

LOT
210

LOT
213

LOT
214

LOT
215

LOT
216

LOT
217

LOT
218

LOT
225

LOT
223

LOT
222

LOT
220

LOT
221

LOT
230

LOT
230

LOT
279

BAY

SPRAT

Doc# 2005005105

AREA H
SPRAT BAY PROPERTIES

SPRAT



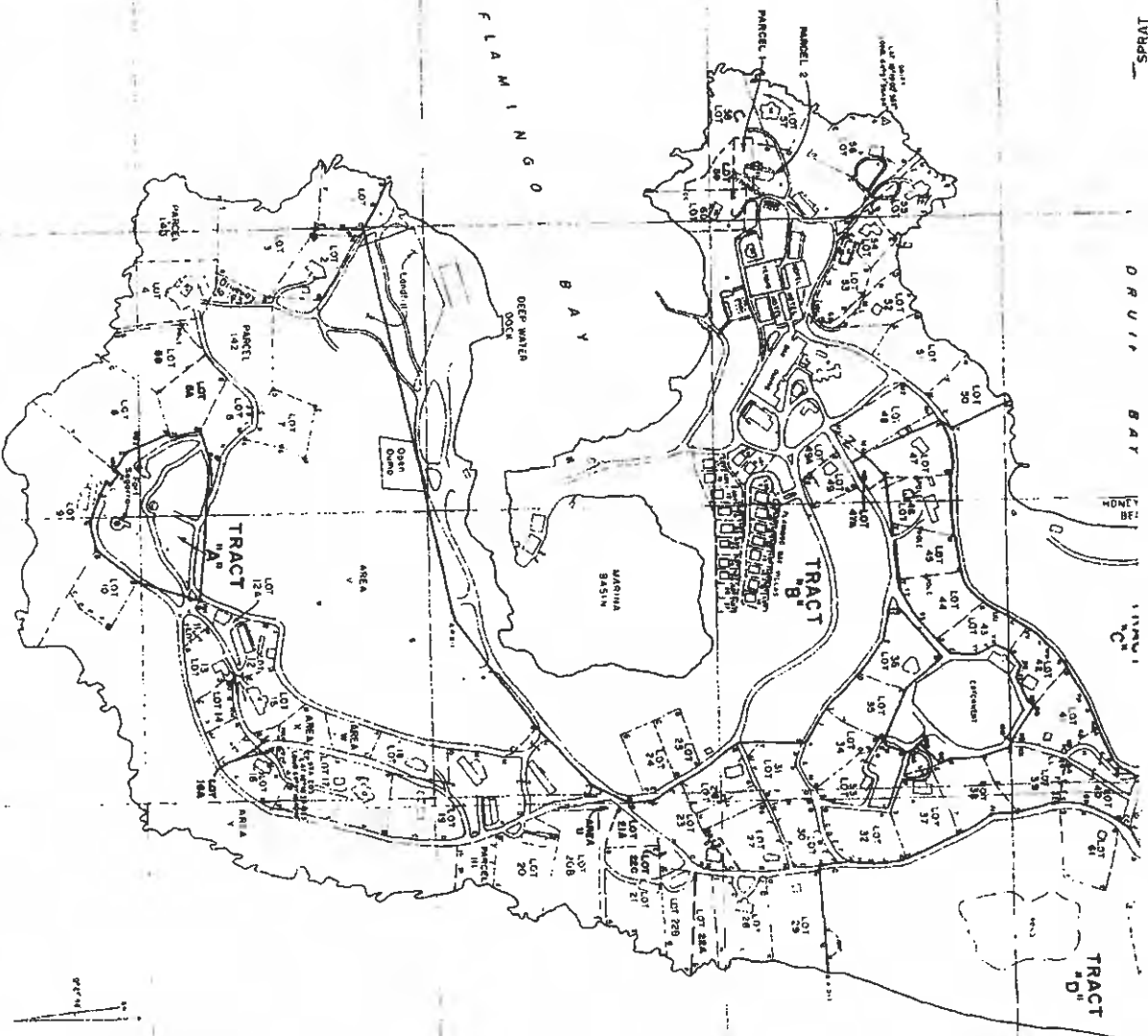
SPRAT

DRUID BAY

HONEY BEE

FLAMINGO

TRACT
"D"



FLAMINGO

BAY

DEEP WATER DOCK

MAGNolia BASIN

TRACT
"A"

TRACT
"B"

FLAMINGO POINT

0 100 200 300 400 500 600 700 800 900 1000

Author's address: Department of Mathematics, University of California, San Diego, La Jolla, CA 92037, U.S.A.
E-mail: shashank@ucsd.edu

[illegible][illegible]

4000 cm^{-1} 0.3
 1600 cm^{-1} 1.0
 1500 cm^{-1} 1.0
 1400 cm^{-1} 1.0
 1300 cm^{-1} 1.0
 1200 cm^{-1} 1.0
 1100 cm^{-1} 1.0
 1000 cm^{-1} 1.0
 900 cm^{-1} 1.0
 800 cm^{-1} 1.0
 700 cm^{-1} 1.0
 600 cm^{-1} 1.0
 500 cm^{-1} 1.0
 400 cm^{-1} 1.0
 300 cm^{-1} 1.0
 200 cm^{-1} 1.0
 100 cm^{-1} 1.0
 0 cm^{-1} 1.0

FAC-9

$\frac{1}{\sqrt{2}} \begin{pmatrix} 1 & -i \\ 0 & 1 \end{pmatrix}$

[illegible]

7747 697 460 = 6946572 33334
 4523 (D) 25
 7747 697 460

UNITED STATES DEPARTMENT OF
BUREAU OF LAND MANAGEMENT
WASHINGTON, DC

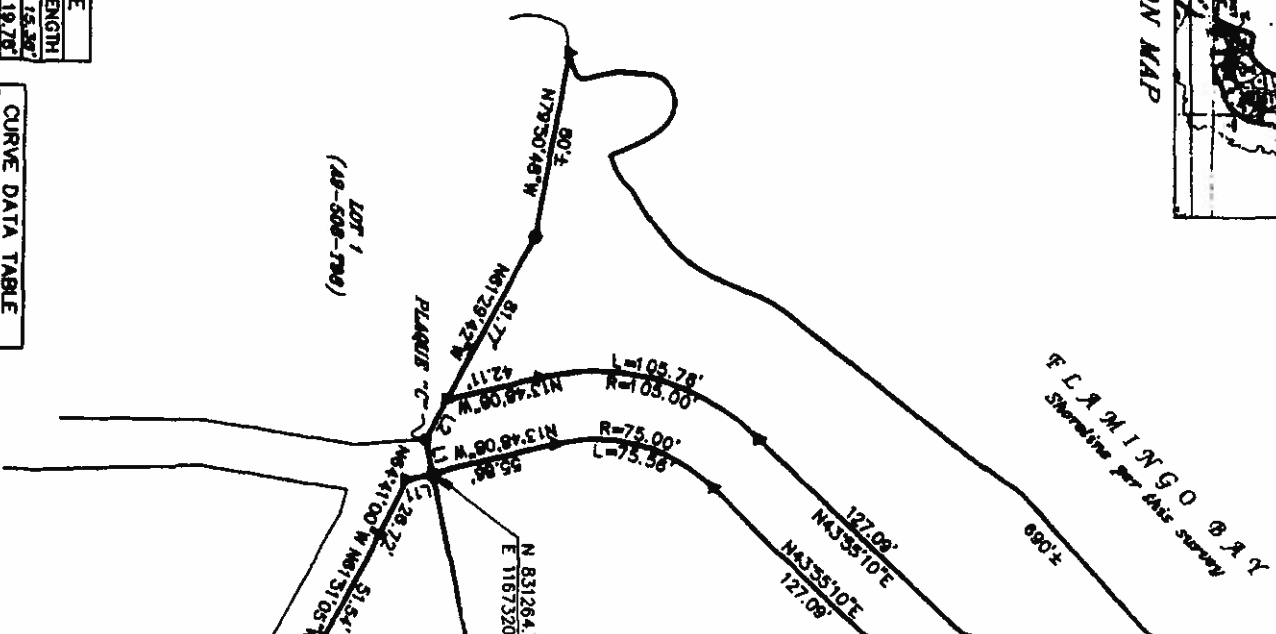
2014-15

OFFICE OF THE COMPTROLLER

Spice Bay Properties. All sales and transfers
must refer to the TAP as Edition 1.



LOCATION MAP



LINE DATA TABLE

LINE	BEARING	LENGTH
L1	S 72° 31' 08" W	15.89'
L2	N 81° 28' 42" W	18.78'
L3	N 72° 47' 32" W	7.45'
L4	S 04° 23' 55" E	22.02'
L5	N 04° 23' 55" W	12.79'
L6	N 88° 10' 09" E	3.88'
L7	S 47° 47' 24" W	58.51'
L8	N 73° 31' 08" E	85.70'
L9	S 47° 47' 24" W	15.16'
L10	N 56° 28' 49" W	28.81'
L11	N 13° 46' 08" W	12.06'

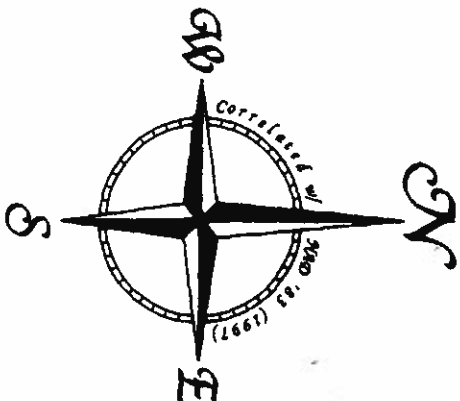
CURVE DATA TABLE

CURVE	LENGTH	RADIUS
C1	41.84'	300.00'
C2	40.33'	20.00'
C3	27.74'	20.00'
C4	31.42'	20.00'
C5	21.45'	20.00'
C6	33.83'	20.00'
C7	46.81'	30.00'
C8	23.58'	300.00'

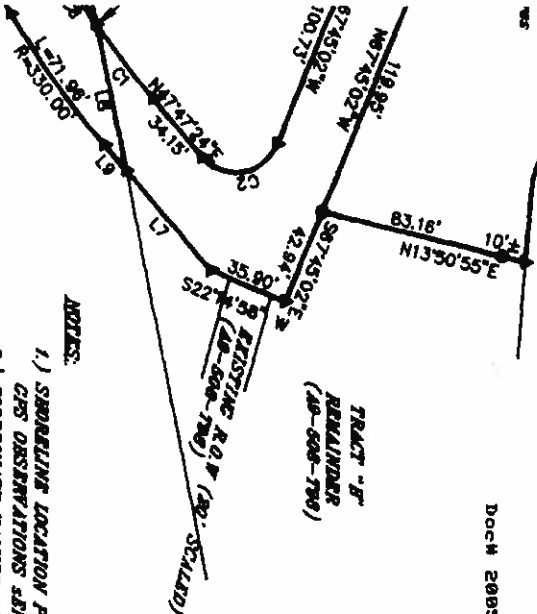


Water Dock

V.I.N.G.O. B-1
from this survey



Doc# 2085885185



NOTES:

- 1.) SHORELINE LOCATION PER CONVENTIONAL GPS OBSERVATIONS SEPT. 20, 2004
- 2.) COORDINATE VALUES ARE INDICATED TO A HIGH PRECISION WHICH IS INTENDED TO FACILITATE RECREATION OF BOUNDARY LINES. IT IS NOT AN INDICATION OF THE ACCURACY OF THE COORDINATES.

LEGEND

- ▲ UNMARKED POINT
- IRON PIPE BOUNDPOST SET
- CONCRETE PLASTER BOUNDPOST FOUND

REFERENCE

AS-606-786

ROUTING

V-1

AREA "V"
REMAINDER
(148'-606'-786')

CBEL No. V-1
PWS

Exhibit 5



Brian Moseley
& Associates, Inc.
Land Surveyors & Consultants

4003 RAIFUNE HILL ROAD
SUITE 606
ST. THOMAS, VI 00802
PHONE (340) 774-5310
FAX (340) 776-4090

R.O.W. Parcels No. B-1 & V-1 and
Parcels No. B-2, B-3, B-4, & V-2

Water Island

No. 10 Southside Quarter
St. Thomas, U.S. Virgin Islands

SURVEY: R.C.W.	DATE: 09-29-04	DRAWN: R.C.W./EAD	DATE: 5065-1
CALC: R.C.W.			
SCALE: 1"=50'			
APPROVED: <i>Brian Moseley</i>			

Addendum I

List of Properties for Offer; Water Island Hotel and Resort Development

Three (3) independent appraisals have been commissioned on each property.

Area K	15 acres, more or less
Area L	3 acres, more or less
Area M	2.5 acres, more or less
Area N	1.5 acres, more or less
Area V	20 acres, more or less
Area Y	11 acres, more or less
Area known as the Catchment	1.5 acres, more or less