

July 27, 2005

CONFIDENTIAL

Board of Directors
Majuro Resort, Inc.

Dear Board Members:

In planning and performing our audit of the financial statements of Majuro Resort, Inc. (MRI) for the year ended December 31, 2004, on which we have issued our report dated July 27, 2005, we developed the following recommendations concerning certain matters related to MRI's internal control and certain observations and recommendations on other accounting, administrative and operating matters. Our principal recommendations are summarized below:

(1) Fixed Assets

Of fifteen assets that we attempted to verify, management could not identify certain computer equipment totaling \$131,505. Additionally, we were informed that certain kitchen equipment, totaling \$2,756, has not been in use for more than a year. However, this equipment is still listed in the fixed asset register as of December 31, 2004. Furthermore, one vehicle was exchanged with the managing company for another vehicle. However, these assets were not properly updated in the fixed asset register and proper authorization of this transaction was not made available for examination. We recommend that prenumbered fixed asset identification tags be attached to assets to facilitate maintenance of the fixed asset register and that all fixed assets be periodically inventoried and reconciled to the fixed asset subledger. Additionally, acquisition and disposal or exchange of fixed assets should be supported by proper documentation.

Additionally, while a complete inventory appears to have been taken during the year, the results do not appear to have been reconciled to the detailed fixed asset register supporting general ledger balances.

(2) Fixed Assets

We noted that supporting invoices and purchase orders were not made available for air conditioning units totaling \$25,178 that were purchased during the year. We recommend that management ensure that purchases are properly substantiated by valid invoices and purchase orders.

(3) Compensated Absences

At December 31, 2004, MRI recorded accrued annual leave, totaling \$21,304, which included three employees with leave hours exceeding 200 hours. MRI's current policy of mandatory vacations for its employees includes a maximum of 200 hours of unused vacation leave that may be accrued. We recommend that MRI adhere to its mandatory vacation policy. This matter was discussed in our previous letters dated February 20, 2004, January 31, 2003, March 26, 2002 and July 25, 2001.

(4) Cash Disbursements/Purchases

Of twenty-five items tested, one item (check #3504) in the amount of \$3,500 was paid to an employee for reimbursement of supplies and equipment. No supporting invoice was made available for review. We recommend that management ensure that purchases are supported by valid invoices.

(5) Payroll

Of twenty-five payroll disbursements tested, we noted one payroll disbursement (check # 15993) where the pay rate was not supported by an approved personnel action form. We recommend that management ensure that pay rates are documented within employee personnel action forms.

(6) Payroll

Of twenty-five payroll disbursements tested, seven payroll disbursements (check #s 16107, 16347, 16476, 16582, 16621, 16668, 16914, and 17016) indicated RepMar withholding tax was not properly calculated. We recommend that management review all payroll withholding tax calculations to ensure taxes are properly withheld. This matter was discussed in our previous letters dated February 20, 2004 and January 31, 2003.

(7) Payroll

Of twenty-five payroll disbursements tested, twenty-two timecards did not indicate evidence of management review. Although department managers summarize the hours on the timecards, we recommend they evidence such by indicating their initials on the timecards.

(8) Receivables

One account receivable (#225) indicated a total receivable of \$3,743.68, for which a detailed statement could not be provided. A statement was printed. However, it did not agree with the amount recorded in the subledger. We recommend that management investigate and resolve this matter.

(9) Cash

Bank reconciliations are a means to detect errors and irregularities and should be performed on a monthly basis. We were informed that monthly bank reconciliations were not performed until year end. We recommend that MRI reconcile cash balances to the general ledger on a monthly basis.

(10) Cash

We noted deposits in transit of \$16,681. Of this amount, approximately \$8,045 relates to deposits from January through November 2004 that have not cleared the bank. We understand these deposits relate to credit card transactions. We recommend that management perform follow up procedures with the respective institutions to determine the ultimate collectibility of such transactions.

(11) Revenue/Receipts

Daily Food and Beverage Transaction Reports do not indicate management review. We were informed that the Accounting staff review the Daily Transaction Reports. However, they do not sign-off on the report. We recommend that management review all Daily Transaction Reports and indicate evidence of that review.

(12) Receivables

At December 31, 2004, MRI recorded guest ledger and city ledger receivables in the general ledger totaling \$9,643 and (\$143), respectively. However, these amounts do not agree with the subledgers by \$2,534 and \$5,204, respectively. We recommend that management reconcile these accounts on a regular basis.

(13) Accounts Payable

At December 31, 2004, MRI recorded a total of \$220,176 in accounts payable trade. However, this amount varies with the subledger by \$17,529. We recommend that management reconcile accounts payable on a regular basis.

(14) Capitalization Policy

MRI does not have a formal capitalization policy. We recommend that management establish a formal capitalization policy for the recording of capital assets.

(15) Related Party Revenue

A summary of related party revenue for February 2004 was not made available. We recommend that management ensure that the summary of related party revenue is prepared on a monthly basis and is maintained on file.

(16) Expenditures

Of twenty-five expenditures tested, check #3874 for \$1,001.04 did not have a supporting invoice for the amount paid. We recommend that management ensure that expenditures are supported by valid documentation.

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We have communicated one matter noted during our audit of the financial statements of MRI for the year ended December 31, 2004, which we considered to be a reportable condition, in our letter to the Board of Directors dated July 27, 2005.

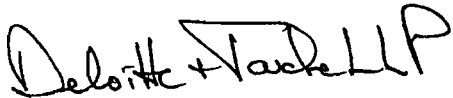
Board of Directors
Majuro Resort, Inc.
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This report is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the accounting staff and management for their assistance during the course of our audit. Should you have any questions regarding the matters discussed herein, please contact our office at your convenience.

Very truly yours,

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, slightly stylized font. The word "Deloitte" is on the left, followed by a plus sign, and "Tatchell LLP" is on the right.