

MAJURO RESORT, INC.

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL AND ON COMPLIANCE**

YEAR ENDED DECEMBER 31, 2004

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Majuro Resort, Inc.:

We have audited the financial statements of Majuro Resort, Inc. (MRI) for the year ended December 31, 2004, and have issued our report thereon dated July 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

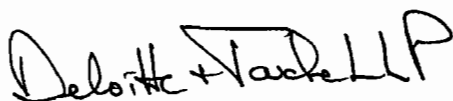
In planning and performing our audit, we considered MRI's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted one matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect MRI's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings (page 3) as item 2004-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not consider the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated July 27, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MRI's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2004-1.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, stylized font.

July 27, 2005

MAJURO RESORT, INC.

Schedule of Findings
Year Ended December 31, 2004

Revenues

Finding 2004-1

Criteria: An effective system of internal control includes policies and procedures to ensure that food and beverage sales are properly recorded. Additionally, restaurant tickets should be maintained and filed as support for recorded revenue.

Condition: Of twenty-five Food and Beverage items tested, (amounting to \$31,560), an audit trail from the food and beverage reconciliation worksheet, prepared by the night auditor, to the general ledger, could not be determined for eighteen sales tickets. Variances between the food and beverage reconciliation worksheet and the general ledger were not properly identified and summarized on the reconciliation worksheet.

Additionally, restaurant sales tickets for eight days were not made available for examination.

Cause: The cause of the above condition is an incomplete audit trail of daily sales tickets to the food and beverage reconciliation worksheet, and to the general ledger, and the lack of proper supervision over the compilation of sales tickets to the food and beverage reconciliation worksheet.

Effect: The effect of the above condition is the loss of a proper audit trail.

Recommendation: We recommend that management implement appropriate policies and procedures for proper compilation and review of recording sales tickets to the food and beverage reconciliation worksheet. Additionally, we recommend that restaurant tickets be maintained and filed to substantiate recorded revenue.

Prior Year Status: Lack of appropriate policies and procedures for proper compilation and review of recording sales tickets to the food and beverage reconciliation worksheet was reported as a finding in the audit of MRI for fiscal years 2002 and 2003.

Auditee Response and Corrective Action Plan: Management has implemented a review process over the reports produced by the hotel. The review includes quality control checking and certain other procedures over daily audit packages and contents. This will be performed by both the Accounts Receivable Clerk and the General Cashier.

Also, the Accounts receivable staff and General Cashier also have direct custodial responsibility over daily audit packages.

MAJURO RESORT, INC.

Unresolved Prior Year Comments
Year Ended December 31, 2004

The status of unresolved prior year findings are disclosed within the Schedule of Findings section (page 3) of this report.