

MAJURO RESORT, INC.

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

NINE MONTHS ENDED SEPTEMBER 30, 2005

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 nine months ended September 30, 2005, and have issued our report thereon dated January 27, 2006. 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 matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 conditions are described in the accompanying Schedule of Findings (pages 3 and 4) as items 2005-1 and 2005-2.

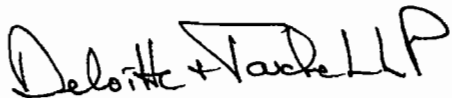
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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 believe none of the reportable conditions described above is a material weakness.

However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated January 27, 2006.

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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 + Stadel LLP". The signature is written in a cursive, slightly stylized font.

January 27, 2006

MAJURO RESORT, INC.

Schedule of Findings
Nine Months Ended September 30, 2005

Journal Entries

Finding 2005-1

Criteria: An effective system of internal control includes policies and procedures to ensure that journal entries posted directly to the general ledger are properly recorded.

Condition: Journal entries are initiated, reviewed, and posted to the general ledger solely by the Financial Controller and are not reviewed and approved by another party.

Cause: There may be a lack of qualified employees to initiate or review journal entries.

Effect: The effect of the above condition is a lack of supervision and review of transactions recorded in the financial statements.

Recommendation: We recommend that management implement appropriate policies and procedures for proper review of transactions recorded to the general ledger.

Auditee Response: Management has hired a full time Controller and who, for financial reporting purposes, will report to Pacific International, Inc.'s Chief Financial Officer. The procedure that is being implemented is that either the Pacific International, Inc.'s Chief Financial Officer or his designee will review and approve journal entries prepared by the Marshall Islands Resort Controller.

MAJURO RESORT, INC.

Schedule of Findings Nine Months Ended September 30, 2005

Management Contract

Finding 2005-2

Criteria: On February 19, 2004, RepMar entered into a joint venture Memorandum of Agreement (MOA) with Pacific International Inc. (PII) whereby RepMar granted and conveyed controlling interest of MRI to PII.

Condition: The MOA has not been executed by RepMar and therefore, 100% of MRI's records are reported as a component unit by RepMar. Additionally, the MOA does not indicate if any management fees will be collected by PII and thus, none has been recorded since February 19, 2004.

Cause: The cause of the above condition is that final discussions between RepMar and PII have yet to be concluded.

Effect: The status of repairs needed for the building, estimated management expenses of \$119,126, and the structure of MRI is uncertain due to the status of the management agreement.

Recommendation: We recommend that a final determination of whether management fees are to be accrued be obtained.

Auditee Response: The Cabinet established a committee chaired by the Chief Secretary to conclude a final agreement using the February 19, 2004 as a guide. Meetings were held and concluded and the Chairman informed PII that the final negotiated agreement had been submitted to Cabinet. We are now waiting for Cabinet action.

Pacific International, Inc. is carrying out its responsibilities in accordance with the provisions of the February 19, 2004 MOA and the Management Contract assumed from the Outrigger Hotel.

MAJURO RESORT, INC.

Unresolved Prior Year Comments
Nine months ended September 30, 2005

There are no unresolved prior year internal control findings.