MAJURO RESORT, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

NINE MONTHS ENDED SEPTEMBER 30, 2005
AND YEAR ENDED DECEMBER 31, 2004

Deloitte.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Majuro Resort, Inc.:

We have audited the accompanying statements of net assets of Majuro Resort, Inc. (MRI), a component unit of the Republic of the Marshall Islands, as of September 30, 2005 and December 31, 2004, and the related statements of revenues, expenses and changes in net assets and cash flows for the nine months ended September 30, 2005 and for the year ended December 31, 2004. These financial statements are the responsibility of MRI's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MRI's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of MRI as of September 30, 2005 and December 31, 2004, and the results of its operations and its cash flows for the nine months ended September 30, 2005 and for the year ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 5, these financial statements have been prepared under the terms of a Memorandum of Agreement dated February 19, 2004. Should this agreement be modified, the accompanying financial statements may be materially impacted.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of MRI's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2006, on our consideration of MRI's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

January 27, 2006

MAJURO RESORT, INC.

Management's Discussion and Analysis
Nine Months Ended September 30, 2005

This section of the Majuro Resort, Inc. (MRI) annual financial report presents our discussion and analysis of MRI's financial performance during the nine months that ended on September 30, 2005. This section should be read in conjunction with the financial statements, which follow this section.

Financial Highlights

Net assets increased by $16,811 or 1% from $1,975,303 in 2004 to $1,992,114 in 2005. The increase was brought about by improved operations coupled by increased capital improvements during the year.

Operating revenues for the nine (9) month period were $1,885,119. This approximates the full year revenue of $1,895,375 in 2004 but is lower than the 2003 revenue of $2,262,596. On a full year basis, the pro-forma total revenue for 2005 covering January to December 2005 was $2,329,467, an increase of 23% over 2004 revenue of $1,895,375 and 3% over 2003 revenues.

Total department operating profit for the nine (9) months period was $835,514. This represents an improvement over the full year department operating profit for 2004 of $803,355. As a percentage of the total revenue, overall department operating profit for 2005 was 44%. This ratio was an improvement from the 2004 ratio of 42% and comparable to the 2003 rate of 44%. The improvement in department operating profit was a direct result of higher room occupancy and an improvement in overall hotel operations for the period.

Operating expenses for the year were $810,898 or 43% of total revenue. This year's ratio to total revenue was an improvement from the 56% (before impairment loss) for 2004.

Financial Analysis

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide an indication of MRI's financial condition. MRI's net assets reflect the difference between assets and liabilities.

A summary of the company's Statement of Net Assets is presented below:

	2005	2004
Current and Other assets	$ 379,260	$ 248,695
Capital Assets	2,202,081	2,195,875
Total Assets	2,581,341	2,444,570
Current Liabilities	575,918	451,316
Non-current Liabilities	13,309	17,951
Total Liabilities	589,227	469,267
Net Assets:		
Invested in Capital Assets	2,202,081	2,195,875
Unrestricted	(209,967)	(220,572)
Total Net Assets	$ 1,992,114	$ 1,975,303

MAJURO RESORT, INC.

Management's Discussion and Analysis
Nine Months Ended September 30, 2005

The above financial information is presented in comparative format for purposes of financial analysis and comparison only. The year 2005 figures covered a nine (9) month period only while 2004 figures covered a twelve (12) month period.

As indicated above, total assets increased by $136,771 or 8% from $2,444,570 in 2004 to $2,581,341 in 2005. The increase was represented by an increase in net assets during the year by $16,811, net increase in capital assets of $6,206, increase in accounts receivable specifically an increased receivables from the government and government-affiliated entities, and increase in cash reserves at the end of the fiscal year. The increase was partly offset by a higher payable balances at the end of the fiscal year.

Total liabilities reflected an increase of $119,960 or 26% from $469,267 in 2004 to $589,227 in 2005.

A summary of MRI's Statement of Revenue, Expenses and Changes in Net Assets is presented below:

	2005	2004
Revenues:		
Rooms	$ 1,058,221	$ 1,039,922
Food & Beverage	757,224	763,651
Telephone	47,490	58,225
Others	22,184	33,577
	1,885,119	1,895,375
Cost of sales and services:		
Food and Beverage	723,898	752,175
Rooms	267,850	305,963
Telephone	57,119	32,275
Others	738	1,607
	1,049,605	1,092,020
Department Operating Profit:		
Rooms	790,371	733,959
Food & Beverage	33,326	11,476
Telephone	(9,629)	25,950
Others	21,446	31,970
Total Operating Profit	835,514	803,355
Operating expenses	(810,898)	(6,646,522)
Other (expense) income	(7,805)	520,052
Change in net assets	$ 16,811	$ (5,323,115)

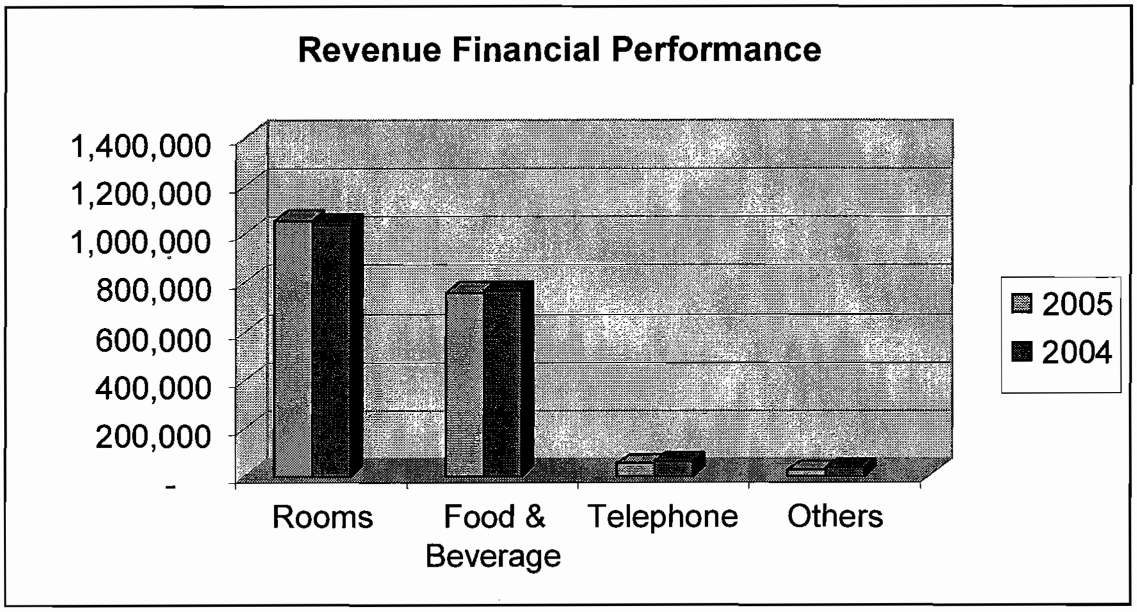
The Statement of Revenues, Expenses and Changes in Net Assets identify the various revenue and expense items that impact the change in net assets. In 2005, the hotel's total revenue is $1,885,119 representing revenue for the nine (9) month period ended September 30, 2005. On a full year basis, total revenue for 2005 before any adjustments is $2,329,467, compared to total revenue of $1,895,375 for 2004. The improvement in revenue was due to higher room occupancy in 2005 and improved food and beverage operations. Total paid occupancy was at 37.58% in 2005 as compared to 28.87% in 2004.

MAJURO RESORT, INC.

Management's Discussion and Analysis
Nine Months Ended September 30, 2005

The year 2005 figures covered a nine (9) month period only while 2004 figures covered a twelve (12) month period.

The following graph shows the major components of revenue for financial periods 2005 and 2004. The revenue for 2005 covers a nine (9) month period while revenue for 2004 represents revenue for a calendar year. The current year's revenue covering January to September 2005 is comparable to 2004 figures. On a full year scale, 2005 revenues have exceeded 2004 revenue by a considerable margin.



As discussed in the preceding paragraph, total revenue for the nine (9) month period ended September 30, 2005 was at $1,885,119. On a go-forward basis, the full year 2005 revenue before any adjustments is $2,329,467, compared to total revenue of $1,895,375 reported in 2004. The improvement in revenue was due to higher room occupancy and an improvement in food and beverage operations during the year. Total paid occupancy was at 37.58% in 2005 as compared to 28.87% in 2004.

Statement of Hotel Occupancy Performance

The following information summarizes the occupancy performance of the hotel for the last six (6) years. The 2005 financial information covers a nine (9) month period only whilst the 2004 and previous years financial information cover a full calendar period.

Management's Discussion and Analysis
Nine Months Ended September 30, 2005

Occupancy Performance	2005	2004	2003	2002	2001	2000
% of total occupancy	38.01%	30.12%	40.49%	47.51%	44.85%	38.05%
Average rate	$ 67.33	$ 67.14	$ 62.02	$ 57.01	$ 59.89	$ 58.12
% of paid occupancy	37.58%	28.87%	35.61%	42.35%	41.24%	33.82%
Average rate	$ 68.10	$ 70.04	$ 70.50	$ 63.96	$ 65.13	$ 65.38
Group rooms	225	883	585	0	2286	1469
% of total occupancy	0.50%	1.70%	1.14%	0.00%	4.18%	2.66%
Average rate	$ 91.70	$ 82.00	$ 76.08	$ -	$ 64.44	$ 34.75

The hotel paid occupancy ratio for the current year has improved considerably over the last two (2) years. The increase in occupancy has contributed to an increase in room revenue during the period.

Capital Assets

Net capital assets increased by $6,206 due to increase in capital expenditures arising from major repairs and betterments on the hotel facility. This was a reversal from the decrease reported a year ago whereby, the cost of the building was written down to its appraised value of $2,115,000. The write down of Capital Assets in 2004 was based on the appraisal report issued G.T. Foster & Associates, Ltd. resulting to an impairment loss of $5,590,012 in 2004.

A summary of MRI's capital assets is presented below:

Description of property	2005	2004
Building and structure	$ 2,232,681	$ 2,115,000
Furniture and fixtures	511,217	487,301
Office equipment	180,034	180,034
Other equipment	81,650	80,303
Motor vehicles	73,693	73,693
Property and equipment, at cost	3,079,275	2,936,331
Accumulated depreciation	877,194	740,456
Net book value	$ 2,202,081	$ 2,195,875

The 2005 financial information covers a nine (9) month period only while 2004 financial information covers a full calendar year.

Economic Factors and Next Year's Rates

The following factors may affect next year's target:

1.) An increase in the number of guests due to an anticipated growth in tourist arrivals brought about by efforts of the Marshall Islands Visitors Authority (MIVA) and local dive operators to promote Marshall Islands as a favorite dive destination.

2.) An increase in room occupancy due to anticipated increase in special flights from international carriers serving the Marshall Islands and Micronesia, such as Japan Airlines (JAL). JAL has expressed interest in providing charter services to the Marshall Islands. In addition, several other carriers have made some preliminary inquiries.

3.) Discontinuation of service provided by Air Nauru between Majuro and Australia. This may impact the number of tourists and divers from the Australian region. However, the impact is uncertain due to Air Nauru's efforts to establish service through an arrangement with Air Marshall Islands.

4.) An increase in both business and governmental guests due to the anticipated increase in economic activity due to the completion of the Compact of Free Association negotiations and the release of Compact funds.

5.) The promotion of Majuro as destination for conventions and seminars.

6.) Increased marketing effort to promote the hotel facilities to the local market through discounted room rates and other promotional activities to attract local market.

Additional Financial Information

The discussion and analysis is designed to provide MRI's customers and other interested parties with an overview of MRI's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Majuro Resort, Inc. General Manager at P.O. Box 3279, Majuro, MH 96960.

MAJURO RESORT, INC.

Statements of Net Assets
September 30, 2005 and December 31, 2004

ASSETS	2005	2004
Current assets:		
Cash	$ 103,091	$ 53,428
Receivables:		
Trade	113,167	133,955
Affiliates	144,617	26,482
Other	1,130	1,130
	258,914	161,567
Less allowance for doubtful accounts	(83,053)	(82,153)
Total receivables, net	175,861	79,414
Inventories	53,252	76,769
Prepaid expenses	47,056	39,084
Total current assets	379,260	248,695
Property, plant and equipment, net	2,202,081	2,195,875
	$ 2,581,341	$ 2,444,570
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	$ 51,391	$ 44,638
Payable to affiliates	389,433	293,877
Accrued expenses	135,094	112,801
Total current liabilities	575,918	451,316
Payable to affiliates	13,309	17,951
Total liabilities	589,227	469,267
Commitment and contingencies		
Net assets:		
Invested in capital assets	2,202,081	2,195,875
Unrestricted	(209,967)	(220,572)
Total net assets	1,992,114	1,975,303
	$ 2,581,341	$ 2,444,570

See accompanying notes to financial statements.

MAJURO RESORT, INC.

Statements of Revenues, Expenses and Changes in Net Assets
Nine Months Ended September 30, 2005 and Year Ended December 31, 2004

	2005	2004
Revenues:		
Rooms	$ 1,058,221	$ 1,039,922
Food and beverage	757,224	763,651
Telephone	47,490	58,225
Other	22,184	33,577
Total revenues	1,885,119	1,895,375
Cost of sales:		
Food and beverage	723,898	752,175
Rooms	267,850	305,963
Telephone	57,119	32,275
Other	738	1,607
Total cost of sales	1,049,605	1,092,020
Gross profit	835,514	803,355
Operating expenses:		
Utility costs	317,223	383,066
General and administrative	179,850	301,172
Maintenance	125,310	160,137
Depreciation	136,729	141,435
Insurance	37,225	50,436
Sales and marketing	14,561	20,264
Impairment loss	-	5,590,012
Total operating expenses	810,898	6,646,522
Operating income (loss)	24,616	(5,843,167)
Other (expense) income, net	(7,805)	520,052
Change in net assets	16,811	(5,323,115)
Net assets at beginning of period	1,975,303	7,298,418
Net assets at end of period	$ 1,992,114	$ 1,975,303

See accompanying notes to financial statements.

MAJURO RESORT, INC.

Statements of Cash Flows
Nine Months Ended September 30, 2005 and Year Ended December 31, 2004

	2005	2004
Cash flows from operating activities:		
Cash received from customers	$ 1,787,772	$ 1,806,321
Cash payments to suppliers for goods and services	(1,110,877)	(1,034,476)
Cash payments to employees for services	(455,086)	(705,124)
Net cash provided by operating activities	221,809	66,721
Cash flows from noncapital financing activities:		
Additions to promissory note	-	90,774
Payments on promissory note	(21,406)	(52,805)
Interest paid on promissory note	(7,805)	(25,060)
Net cash (used for) provided by noncapital financing activities	(29,211)	12,909
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(142,935)	(91,046)
Net change in cash	49,663	(11,416)
Cash at beginning of period	53,428	64,844
Cash at end of period	$ 103,091	$ 53,428
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ 24,616	$ (5,843,167)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	136,729	141,435
Bad debt expense	900	53,192
Impairment loss	-	5,590,012
(Increase) decrease in assets:		
Receivables:		
Trade	20,788	(76,327)
Affiliates	(118,135)	(12,727)
Inventories	23,517	9,285
Prepaid expenses	(7,972)	(3,675)
Increase (decrease) in liabilities:		
Accounts payable	6,753	(21,162)
Payable to affiliates	112,320	206,082
Accrued expenses	22,293	23,773
Net cash provided by operating activities	$ 221,809	$ 66,721

Summary disclosure of noncash items:

During the year ended December 31, 2004, a $545,112 contribution from RepMar was recorded with a corresponding decrease in payable to affiliates.

See accompanying notes to financial statements.

(1) Organization

Majuro Resort, Inc. (MRI), a component unit of the Republic of the Marshall Islands (RepMar), was formed on November 8, 1995, as a corporation. The primary business of MRI is the operation of a 150-room hotel on the atoll of Majuro in the Republic of the Marshall Islands. MRI's financial statements are incorporated into the general purpose financial statements of RepMar as a component unit.

(2) Summary of Significant Accounting Policies

The accounting policies of MRI conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities, specifically proprietary funds. Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. MRI has implemented GASB 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

GASB has issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which was subsequently amended by Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and modified by Statement No. 38, *Certain Financial Statement Disclosures*. These statements establish financial reporting standards for governmental entities, which require that management's discussion and analysis of the financial activities be included with the basic financial statements and notes, and modify certain other financial statement disclosure requirements.

To conform to the requirements of GASB 34, MRI's equity is presented in the following net assets categories:

- Invested in capital assets; capital assets, net of accumulated depreciation, plus construction or improvement of those assets.
- Unrestricted; net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

New Accounting Standard

In fiscal year 2006, MRI will be implementing GASB Statement No. 47, *Accounting for Termination Benefits*. MRI has not evaluated the financial statement impact of GASB No. 47.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Summary of Significant Accounting Policies, Continued

Basis of Accounting

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the fund are included in the statements of net assets. Proprietary fund operating statements present increases and decreases in net total assets. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Cash

For purpose of the statements of net assets and cash flows, cash is defined as cash on hand and cash held in demand accounts. As of September 30, 2005 and December 31, 2004, the carrying amount of cash was $103,091 and $53,428, respectively, and the corresponding bank balances were $112,812 and $62,344, respectively. As of September 30, 2005 and December 31, 2004, bank balances in the amount of $100,000 and $2,791, respectively, were maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance with the remainder being maintained in a non-FDIC financial institution. MRI does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized.

Receivables

All receivables are uncollateralized and are due from hotel customers and others located within the Republic of the Marshall Islands and the South Pacific region.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectibility of these accounts and prior collection experience. The allowance is established through a provision for bad debts charged to expense.

Inventories

Inventories are stated at the lower of cost (average costing) or market (net realizable value).

Operating Supplies

China, glass, linen, silverware and uniforms are charged to expense in the year of purchase.

Property, Plant and Equipment

Property, plant and equipment with a cost that equals or exceeds $100 are capitalized. Such assets are stated at cost. Depreciation is calculated using the straight-line method based on the estimated useful lives of the respective assets.

(2) Summary of Significant Accounting Policies, Continued

Taxes

Corporate profits are not subject to income tax in the Republic of the Marshall Islands. The Government of the Republic of the Marshall Islands imposes a gross receipts tax of 3% on revenues.

Advertising Costs

MRI expenses advertising costs as incurred. During the nine month ended September 30, 2005 and the year ended December 31, 2004, MRI incurred advertising costs of $14,337 and $22,814, respectively.

Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick benefits. As of September 30, 2005 and December 31, 2004, the accumulated vacation leave liability amounted to $23,618 and $21,304, respectively, and is included within the statements of net assets as accrued expenses.

Reclassifications

Several of the December 31, 2004 balances have been reclassified to conform with the September 30, 2005 financial statement presentation.

(3) Risk Management

MRI is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. MRI has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

(4) Property, Plant and Equipment

Property, plant and equipment as of September 30, 2005 and December 31, 2004, consist of the following:

	Estimated Useful Lives	Balance at January 1, 2005	Additions	Write-downs and Deletions	Balance at September 30, 2005
Building and structure	25 years	$ 2,115,000	$ 117,681	$ -	$ 2,232,681
Furniture and fixtures	3 years	487,301	23,916	-	511,217
Office equipment	3 years	180,034	-	-	180,034
Other equipment	3 years	80,303	1,347	-	81,650
Motor vehicles	3 years	73,693	-	-	73,693
		2,936,331	142,944	-	3,079,275
Less accumulated depreciation		(740,456)	(136,738)	-	(877,194)
		$ 2,195,875	$ 6,206	$ -	$ 2,202,081

(4) Property, Plant and Equipment, Continued

	Estimated Useful Lives	Balance at January 1, 2004	Additions	Write-downs and Deletions	Balance at December 31, 2004
Building and structure	25 years	$ 11,069,517	$ 35,503	$ (8,990,020)	$ 2,115,000
Furniture and fixtures	3 years	435,508	51,793	-	487,301
Office equipment	3 years	180,034	-	-	180,034
Other equipment	3 years	76,553	3,750	-	80,303
Motor vehicles	3 years	73,693	-	-	73,693
		11,835,305	91,046	(8,990,020)	2,936,331
Less accumulated depreciation		(3,999,029)	(141,435)	3,400,008	(740,456)
		$ 7,836,276	$ (50,389)	$ (5,590,012)	$ 2,195,875

During fiscal year 2004, MRI implemented GASB Statement No. 42, *Accounting and Financial for Impairment of Capital Assets and for Insurance Recoveries.* GASB Statement No. 42 establishes standards for impairment of capital assets when its service utility has declined significantly and unexpectedly. The effect of implementing this Statement was the recognition of an impairment loss of $5,590,012.

(5) Related Party Transactions

MRI is a component unit of RepMar and is therefore affiliated with all RepMar-owned and affiliated entities.

MRI's hotel service is provided to RepMar and all RepMar-owned and affiliated entities. Services are provided to these entities at the same rates charged to third parties; however, MRI provides more favorable payment terms to its affiliates than those afforded to third parties.

MRI utilizes services from certain affiliated entities at substantially more favorable terms than those incurred from third parties.

A summary of related party transactions for the nine months ended September 30, 2005 and for the year ended December 31, 2004 and the related receivable and payable balances as of September 30, 2005 and December 31, 2004, are as follows:

	September 30, 2005			
	Revenues	Expenses	Receivables	Payables
RepMar	$ 225,563	$ -	$ 116,130	$ 4,094
Air Marshall Islands, Inc.	2,307	-	248	-
Marshalls Energy Company, Inc.	26,403	196,336	548	73,573
Marshall Islands National Telecommunications Authority	3,640	71,948	180	23,219
Marshall Islands Social Security Administration	-	55,345	-	82,793

MAJURO RESORT, INC.

Notes to Financial Statements
September 30, 2005 and December 31, 2004

(5) Related Party Transactions, Continued

	September 30, 2005			
	Revenues	Expenses	Receivables	Payables
Majuro Water and Sewer Company, Inc.	2,004	27,816	-	7,539
PII	13,150	105,338	14,260	162,291
Triple J/Payless Supermarket	4,023	311,782	-	46,826
Pacific Wheels	-	-	-	2,138
Other	60,097	-	13,251	268
	$ 337,187	$ 768,565	$ 144,617	$ 402,742

	December 31, 2004			
	Revenues	Expenses	Receivables	Payables
RepMar	$ 49,587	$ -	$ 17,230	$ 12,917
Air Marshall Islands, Inc.	22,970	-	128	-
Marshalls Energy Company, Inc.	-	339,511	1,417	68,083
Marshall Islands National Telecommunications Authority	-	79,452	180	26,633
Marshall Islands Social Security Administration	-	-	-	97,076
Majuro Water and Sewer Company, Inc.	-	43,555	-	8,453
PII	-	-	4,781	56,953
Triple J/Payless Supermarket	-	-	540	39,559
Pacific Wheels	-	-	-	2,138
Other	11,822	-	2,206	16
	$ 84,379	$ 462,518	$ 26,482	$ 311,828

Receivables from affiliates are uncollateralized, interest free and have no set repayment terms.

On April 2, 2004, MRI entered into a promissory note agreement with the Marshall Islands Social Security Administration for the repayment of certain delinquent payroll taxes and related penalties and interest in the amount of $90,774. The note is due on or before April 30, 2007 and is payable in monthly installments of $3,000. As of September 30, 2005 and December 31, 2004, the balance of the note amounted to $45,213 and $66,619, respectively.

Changes in long-term liabilities for the nine months ended September 30, 2005 and for the year ended December 31, 2004, are as follows:

	Balance January 1, 2005	Additions	Deductions	Balance September 30, 2005	Due within one year
MISSA promissory note	$ 66,619	$ -	$ (21,406)	$ 45,213	$ 31,904

(5) Related Party Transactions, Continued

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004	Due within one year
MISSA promissory note	$ 28,650	$ 90,774	$ (52,805)	$ 66,619	$ 48,668

As of September 30, 2005 and December 31, 2004, MRI maintained demand deposit accounts with a related financial institution with a bank balance of $3,247 and $59,563, respectively.

On February 20, 2004, Outrigger Pacific, Inc., terminated their management contract with MRI. RepMar entered into a Memorandum of Agreement with Pacific International, Inc. (PII) effective February 19, 2004 for the purpose of assuming the management and operation of the hotel. The agreement includes the forgiveness of certain taxes payable by MRI. As of December 31, 2004, these taxes payable amounted to $545,112, which is recorded in other income/(expense) in the accompanying financial statements. Forgiveness of these taxes is contingent upon the negotiation of a formal Joint Venture Agreement with the third party. As of January 27, 2006, no formal Joint Venture Agreement has been executed; however, management has reflected such taxes as a subsidy from RepMar in accordance with the Memorandum of Agreement in the accompanying financial statements.

(6) Commitment and Contingencies

Commitment

MRI leases the land on which the hotel is situated at the rate of $10,212 per year plus 2.5% of gross revenue earned. These payments are suspended until such time as any person or entity other than RepMar or any agency thereof holds 75% of the ownership of the lessee, or its successor in the interest in the hotel. The lease agreement also requires that 5% of the initial outstanding shares of the lessee or its successor be issued to the lessor. Either MRI or RepMar has issued no shares to the lessor at September 30, 2005 and December 31, 2004.

Contingencies

MRI has incurred net losses since inception. RepMar has provided funding in the past; however, MRI does not have a formal agreement with RepMar to provide funds in the future. Management believes that the continuation of MRI's operations and its ability to provide working capital is dependent upon the final settlement of the terms and conditions of the Memorandum of Agreement between PII and RepMar, significant improvements in operations and future financial support by RepMar, if required.

As of January 27, 2006, there is no management agreement between PII and RepMar. Management has estimated that a total of $119,126 is due to PII for management fees based on the management contract with Outrigger Hotel. RepMar is currently negotiating a final agreement with PII and therefore, has not recorded the management fees.