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October 1, 2007

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 September 30, 2006, on which we have issued our report dated October 1, 2007, 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) House Bank

A. The accounting department's house bank (petty cash fund) amounting to $2,500 was increased to $3,500, without the petty cash accountability form. Further, the subsidiary ledger did not reflect the change immediately. The change in petty cash happened subsequent to the audit period.

   Changes in petty cash should be made upon approval of the authorized persons, after which the subsidiary ledger should be adjusted to the approved level. Evidence of the approval should exist and be on file.

Auditee Response: The check for the additional petty cash fund of $1,000 was properly approved and signed by the General Manager and the Chief Financial Officer. This was made to cover the need for additional change during heavy traffic. The corresponding entry to reflect the increase was made in December 2006, the same month when the check was drawn. However, the corresponding Accountability Form was signed by the General Cashier at a later date.

B. An overage of $310 was noted during the cash count. The overage may be due to washer/dryer income collections. There was no evidence that washer/dryer collections were made prior to the cash count.

   The custodian should ensure that petty cash is not commingled with other funds or sources of income. The account should be periodically reconciled to the authorized amount to reduce possibility of fraud or error.

   Revenue collected from other sources, such as the washer/dryers should be accounted for, be supported by proper documents and be immediately deposited intact.

Auditee Response: The reason of the overage was not determined at this time. Moving forward, we have implemented surprise cash counts on a more regular basis and the results of the cash counts will be documented. Any differences between the results of the cash count and their accountabilities will be properly investigated and disposed of in a timely manner.

(2) Reconciliation between Subsidiary Ledger and General Ledger

A difference of $2,366 was noted between the AR – direct bill general ledger account and the subsidiary ledger; while a difference of $3,956 was noted between the AP - trade general ledger and the subsidiary ledger. The difference was discussed with the Financial Controller, who indicated that the differences may be due to timing differences.

We recommend that reconciliations between the general ledger and subsidiary ledger be performed every month-end to ensure that differences are resolved in an orderly manner.

Auditee Response: Based on our review of the differences, the differences between the Subsidiary Ledger and the General Ledger is brought by timing differences in posting collections or payments and adjustments in the Accounts Receivable and Accounts Payable module of the System. In addition, certain entries affecting the Accounts Receivable and the Accounts Payable modules were made through the General Ledger Module in the past which brought the differences. Ideally, all entries for Accounts Receivable and Accounts Payable should be made to the appropriate modules so that the balances between the General Ledger and the Subsidiary Ledgers are in agreement. Moving forward, we will ensure that entries are properly posted to the appropriate modules and that the different Modules should be closed at the end of each month to ensure that postings and adjustments are reflected in the proper period.

(3) Right of Offset

A general principle of accounting requires that offset of assets and liabilities occur only when a right to offset exists.

MRI should obtain written evidence authorizing the right of offset. Otherwise, the verbal agreement between the parties may not be enforceable.

Auditee Response: At present, we have offsetting arrangements with two (2) of our suppliers. Management has agreed the offsetting arrangements with the Company Owners verbally only. However, we will consider obtaining a written agreement for these offsetting arrangements.

(4) Fixed Assets

Fixed assets are not tagged and inventoried. Also, purchase of assets occurred in the current year to replace existing assets; however, no corresponding disposal was recorded. There is no current process whereby the accounting department is notified of disposals. Furthermore, there is no documentation or procedure in place to document that assets have been received and have been placed is in use.

We recommend that fixed assets be tagged and inventoried. Disposals should properly be approved and documented and be recorded. Documentation to evidence that assets were received and in place should be available for review.

Auditee Response: We have not performed physical property count since the opening of the Hotel. Further, our capital assets are not also tagged. The cost and benefit to conduct property count will be properly considered.

(4) Fixed Assets, Continued

Certain capital equipments were purchased during the year to replace damaged equipments due to wear and tear. The net book values of these assets were zero at the time of replacement, being purchased 7-to 10 years ago. The procedure to relieve the cost and accumulated depreciation in the Lapsing Schedule is not done currently but will be followed in the future.

All newly acquired capital equipment are immediately put into use. Thus, the need to document the use of these assets is deemed not necessary.

(5) Payroll Expenses and Documents

From sample paychecks tested, the following was noted:

- 7 authorization forms, evidencing employee approval of allotment deductions, were missing
- 6 timecards were discarded (therefore not reviewed) due to molds
- 5 authorization forms, evidencing approval of salary increased, were missing
- 1 PAF reflects a higher salary than compared to the current rate the employee receives

Personnel files should contain all requisite important information. All documents supporting changes in personnel data, salary structure/changes or other information the Hotel deems important, should be maintained on file.

An additional average of $5 per pay period was received by 13 employees. It appears that the withholding taxes deducted from the employees were less than what it should be, resulting the noted $5 average difference. The reason for the incorrect computation is unknown. Management may want to discuss the matter, after consideration of cost and benefit, with the service provider to understand the cause of the observation and its resolution.

Auditee Response: We have discussed appropriate housekeeping procedures with the Payroll in-charge and we will ensure that all employee files are kept complete and in order. Further, all accounting files are now stored in plastic containers to secure it from molds and termites.

On the other hand, the difference between the manual and system computation of the employee withholding taxes has been discussed with the software provider. The differences will be carefully reviewed and evaluated and any errors will be properly corrected.

(6) National Government Tax

An additional $70k was added to the sales account. The amount refers to the aggregate national local tax billed to guests but was unpaid to the Government. Per inquiry, it is understood that this practice was implemented since the Hotel is a RepMar affiliate, and therefore the Hotel is not subject to National taxes.

The practice above may affect the presentation of future revenue, as MRI does not have a formal agreement with RepMar to provide future funding. A Memorandum of Agreement between Pacific International, Inc. (PII) and RepMar should be finalized to understand the terms and conditions to be implemented by MRI.

(6) National Government Tax, Continued

Auditee Response: Discussions have been held to finalize the agreement between PII and RepMar for the past years already. After a series of meetings chaired by the Chief Secretary in 2005, the final agreement has been submitted to Cabinet for action. We have not received any development yet after that.

Currently, Management has suspended imposing tax on hotel rooms pending the finalization of the MOA between RepMar and PII.

(7) Gross Profit Percentage

The Food and Beverage Gross Profit for the past 3 years is as follows:

	2006	2005*	2004
Revenue ($)	$ 889,721	$ 757,224	$ 763,651
Cost of Sale ($)	986,993	745,930	752,175
Gross Profit ($)	(97,272)	11,294	11,476
Gross Profit %	(9.86%)	1.51%	1.53%

* amount is for 9 months, due to a change in accounting period.

The decrease in GP % was discussed and it was represented that this occurred due to fixed costs charged to the Hotel.

Management should review the controls implemented around the Food and Beverage section.

Auditee Response: Management is aware of the decrease in Food and Beverage (F&B) gross profit, from 1.51% in 2005, to -9.86% in 2006. Management believes that the current internal controls for F&B are appropriate. However, Management intends to review the F&B operations, including the current internal controls.

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We have communicated certain matters noted during our audit of the financial statements of MRI for the year ended September 30, 2006, which we considered to be reportable conditions, in our report to the Board of Directors dated October 1, 2007.

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,

Deloitte & Touche LLP