



Itapúa Palace
RESORT & SPA

ESTATE INFORMATION & BUSINESS PLAN

EXECUTIVE SUMMARY

The following summary is provided for Ixtapa Palace Resort, an approved and built five & three store mid-rise Resort and Spa in Ixtapa, Guerrero, Mexico, containing 210 for sale / long term / short term lease rooms, in one, two and three bedroom suites. The project is fully developed and clear and free of any lien or encumbrances. Owners are looking for selling property ownership rights. As of December 2011, the project is 100% built and all amenities fully developed. The property is situated in Ixtapa - Zihuatanejo, a high end tourist destination on the Golden Pacific coast of Mexico. The Resort development is located along the east side of Ixtapa Boulevard, on the tourist and commercial zone in town. The site has an area of 10.264 +-acres. The Developer group has maintained high quality standards in the Resort's operation and are experienced in all areas of real estate including development, construction, hotel management, marketing and sales.

Project Description

Ixtapa Palace Resort and Spa, is a full-service, fully amenitized Resort, whose suites are furnished with luxury style finishes and modern fixtures. All units will come with kitchenettes. These features will compare very favorably to other condo-hotels which are selling at higher price points and lack some of these amenities.

With the exception of the fifteen family suites, which are 1184 and 1453 sq. ft., the second largest units at Ixtapa Palace are 980 sq. ft., in line with the units offerings at competing properties.

Ixtapa Palace offers multiple activities and amenities at the Resort; three swimming pools, the top equipment on health clubs in the area, Spa services and treatments, on-site activities, mini-golf, tennis, the best Night Club in town and Magic World water park, one of the major attractions in Ixtapa and Zihuatanejo city.

Location

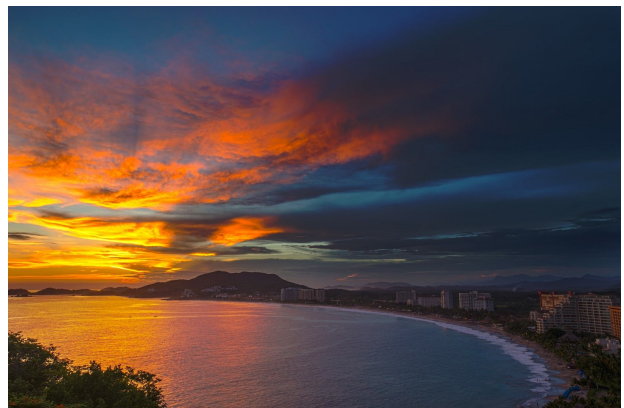


Located just east of Ixtapa Boulevard , the Development is just north of the major Shopping Mall in the area and south of the Marina Ixtapa and one of the Golf Courses in town. Ixtapa Palace enjoys a direct link to the area resort attractions:

- 1 mile from Marina Ixtapa and Situr Beach Club.
- 1.5 miles from Robert Trent Jones Golf Course and 1 mile from Marina Golf Course
- located just one quarter of a mile from the major Hotels and Resorts in the area; Barcelo, Four Seasons, Radisson and some of the best Condos and Private Club Resorts in the area.
- 15 Minutes away from Ixtapa Palace is Zihuatanejo, an old fisherman Mexican town, with all the flavor and folklore of Mexico.

Key Highlights

- **Good Location** - Favorable location dynamics with proximity to major area attractions, restaurants and shopping malls, a number of attractions are just at walking distance.
- **Strong General Contractor / Fully Bonded GMP Construction Contract** - A Stipulated Sum Contract, fully bonded by Safeco, has been secured. The INSW Company has been in business as a contractor for 45 years and has performed several condominium buildings during the past years.
- **Diminished Construction Risk** - The property has been topped out quality materials reducing the construction risk both as to timing and potential cost overruns.
- **Good Long Term Market** - Ixtapa is positioned to continue experiencing strong growth in both population and employment over the next five to ten years due to the explosive increase in the tourist markets, travel memberships, convention business and resort accommodations that is currently taking place.



IXTAPA MEXICO... A RESORT DESTINATION

Ixtapa-Zihuatanejo, Mexico.



Aaaaaah !... I X T A P A

Unlike any other Mexican Beach Resort destination, Ixtapa-Zihuatanejo comprises two entirely different places with distinct lifestyles.

In Ixtapa-Zihuatanejo you will get TWO DESTINATIONS for the price of one vacation.



Zihuatanejo and Ixtapa are 8 miles apart from each other connected by a four lane freeway that extends all the way up to the International Airport. Ixtapa has a year round tropical climate with an average of 300 sunny days a year and temperatures ranging from 75 to 93° Fahrenheit.

Zihuatanejo



Zihuatanejo is a small town, which nowadays still conserves the typical characteristics and the friendly atmosphere of an old fishing village with a True Mexican Flavor. Many of the downtown streets are still cobblestones paved and the remodeled ones, with an imitation of these stones. The surrounding construction has a tropical-coastal look (even new buildings are developed in such a manner to help preserve the old town appearance). There are many cozy restaurants, boutiques, jewelry stores, bars, hotels (from one to five stars), tourist markets, and much more. In order to conserve the town's look, City Legislation does not permit any tall buildings (four stories maximum).

Every year the picturesque and sheltered Zihuatanejo bay, only 1.8 miles wide, is visited by more than 80 Pleasure Cruise Ships, sailboats and private yachts from many nations. Zihuatanejo is also famous for its great fishing, diving and snorkeling, and the perfect place where you can practice most water sports.

Ixtapa



Ixtapa is a modern world-class resort destination that was created from the ground-up beginning in 1968 by Fonatur (National Tourism Development Fund, a federal bureau that is in charge of developing and urbanizing new tourist destinations, being Cancun and Los Cabos one of them). Ixtapa was developed with all-modern constructions, vast and well kept gardens and a large residential area that is located away from the hotel zone. Its bay is wide and it is one of the places to admire a spectacular sunset. There, you'll find many restaurants, bars, boutiques, shops, grocery markets, drug stores, etc.

On the other side of the street from the malls are the luxurious beachfront hotels with their restaurants and bars. Ixtapa has many high-rise hotels of four and five stars; most hotels are of well known international and national chains.

At the end of the main road, you'll find "La Marina de Ixtapa" with capacity for more than 100 yachts, a golf course, luxury condominiums and a promenade with charming restaurants overlooking the area.



Imagine a condo in a tropical town, beaches with crystalline water, colorful fish and exotic drinks. Ixtapa Palace Resort welcomes its guests to a distinctive Resort to relax and enjoy the tropical surroundings or take part in the many amenities Ixtapa Palace has to offer.



The resort has all the benefits you expect from its location on the Pacific coast of Mexico with perpetual sunshine, a walking distance from Main Shopping Malls and Restaurant Areas in Ixtapa, to its multiple activities and amenities at the Resort; its three swimming pools, a large health club and Spa, on-site activities, tennis, mini-golf, the best Night Club in town and Magic World water park, one of the major attractions in the city.

Additional pictures and information may be found at the resort's website:

www.ixtapapalaceresortandspa.com



Activities in Ixtapa Area

There is a wealth of activities Ixtapa Palace guests may enjoy outside the Resort for both singles and families:

- Golf
- Sailing
- Deep Sea Fishing
- Scuba Diving
- Jet ski
- Surfing, WindSurfing
- Banana Boat Rides, Parasailing
- Mopeds & Bi-cycles
- Horseback riding
- Handcrafts Shopping
- Dinning
- Marina
- Restaurants & Shops
- Nightlife
- Excursion to Zihua and Ruins
- Ixtapa Island
- Local Tours





Ixtapa Palace
RESORT & SPA

The proposed development is expected to help meet the increasing need for full time, fractional condominiums and hotel services to accommodate business and leisure travelers. The current condominium fractional-market in Ixtapa is expected to grow exponentially throughout the next decade.

Ixtapa Palace boasts fully equipped executive, one, two and three bedroom suites at attractive price points. These units are ideal for families traveling to Ixtapa to visit the local attractions. Since the units accommodate between four and eight persons, large families are able to limit the number of hotel rooms they need to rent, while enjoying the benefits of comfortable resort accommodations offered at Ixtapa Palace.

Ixtapa Palace is a full-service, fully amenitized Resort, whose suites are furnished with quality finishes and modern fixtures. All units come with kitchenette, living / dining room space. These features will compare very favorably to other condominiums and condo-hotels which are selling at higher price points and lack some of the multiple amenities offered at the Resort.

Following is the unit mix break-down for Ixtapa Palace:

Unit Mix Breakdown			
Room Type	Number of Rooms	Area (sq. foot)	Includes
Hotel Suite	56	350	
Studio	57	376	
Junior Suite	30	484	Kitchenette
Senior Suite	24	731	Kitchenette
Master Suite	20	968	Kitchenette, lock-off
Penthouse Suite	7	980	Kitchenette, 2 story
Royal Suite	7	980	Kitchenette, 2 story
Family Suite	6	1184	Kitchenette, lock-off
Flexivilla	3	1453	Kitchenette, lock-off
TOTAL	210 rooms		

Amenities at the Resort

There are a variety of amenities and activities that Ixtapa Palace has prepared specially for its guests:

AMENITIES AND SERVICES

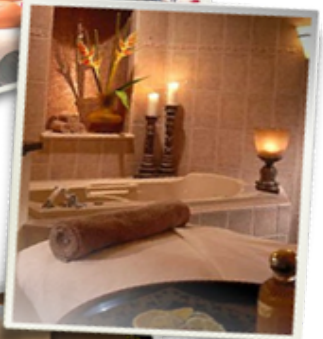
- Spa Treatments & Fitness Center
- Cardio Machines and Free-weights
- Aerobics room
- Locker room
- Sauna and Hot tub
- Spa Services
- Nail & Hair Salon
- Boutique
- Miniature Golf
- Tennis
- 2 Raquetball courts
- Basketball court
- 2 Swimming Pools with waterfalls
- Children's swimming pool
- 6 story water slide with pool
- Jacuzzi
- Full service Pool bar
- Hotel Bar
- Hotel Restaurant
- Mini-mart
- Emilio's - Italian restaurant
- El Alebrije – discotheque nightclub
- Children's Play Area
- Additional Commercial Space
- Parking lots

MAGIC WORLD WATER PARK

- Wave Pool
- Toboggans
- Lazy River
- Kids Pirate ship with water slides
- 2 Hot Tubs
- Variety of commercial space for food, drinks, snacks and small shops.

FULLY FURNISHED SUITES AND SERVICES

- Daily maid service and 24hr Security
- Flat screen HD televisions
- Digital cable
- Kitchen appliances
- Clubhouse
- Lush landscaping
- Formal dining facility
- Lobby and reception area
- Concierge services
- Gift shop



Location

Located just east of Ixtapa Boulevard, north of the Main Shopping Area. Ixtapa Palace enjoys a direct link to Golf Courses, Beach Club and Marina attractions.

The explosive growth in the tourist markets, convention business and resort developments, has caused considerable new activity in the area. In response to the strong demand, land values have shown a sharp increase and there have been several acquisitions in the immediate area of the property for development of retail, hotel and commercial projects and the growth is expected to continue.



The subject's neighborhood has undergone dramatic changes in the last five years and more changes are expected as recently purchased sites are developed. Major change in the neighborhood is exemplified by the extension of Paseo de las Garzas Avenue, to the additional development of the Ixtapa II Development. A 200,000 sq. ft. Bus Terminal and International Airport expansions anchored a new tourist entertainment venue. The opening of the expanded Playa Linda Beach, will add additional exposure and traffic to the neighborhood. As this area continues to develop, it is expected that land prices will continue to increase northward as fewer and fewer properties become available for development.

Population

The population of Ixtapa MSA increased at a compounded annual rate of 3.91% from 2010 to 2015. For the same time period, the State of Guerrero grew at a compounded annual rate of approximately 2.185%. Over the last ten years Ixtapa MSA's average annual compound change was 2.8%, compared to 1.985% for the State of Guerrero.

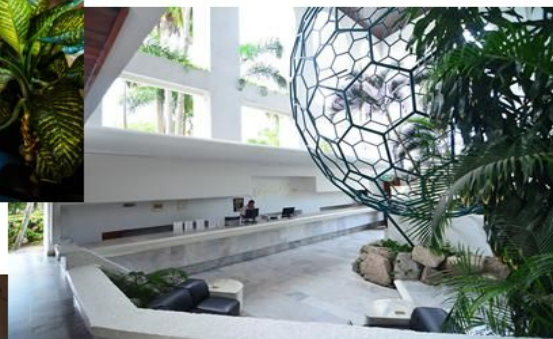
Looking ahead, both Ixtapa MSA and the State of Guerrero are anticipated to experience continued growth, with future population estimates reflecting growth rates similar to those experienced in the past. For the period 2015 to 2020, the populations of Ixtapa MSA and the State of Guerrero have increased by an average annual compound rate of 4.498% and 1.966%, respectively. For the next five years, the population of Ixtapa MSA should grow even higher than the ten year average.



Main Entrance and Reception Area



Lobby & Front Desk





Swimming Pools &
Outdoors



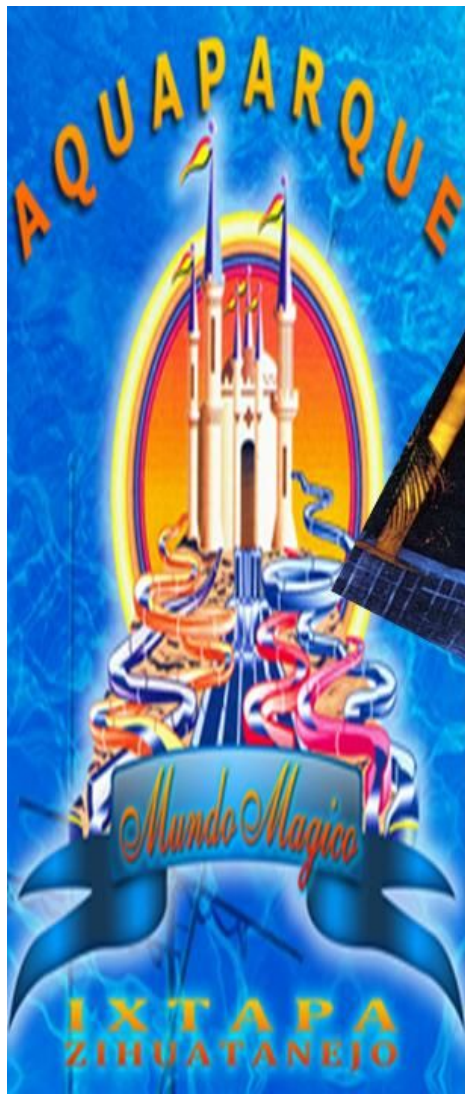
El Tiburon – Seafood Restaurant



One & Two Bedroom Suites



Hotel & Studio Suites



MAGIC WORLD Aquapark





Night Club



Summary

Ixtapa continues to remain healthy for well located projects that offer the right product type. Sales has maintained a steady speed in the area, most of the projects that are under construction or near completion have achieved sales above the 90% level and have been holding units off the market, thus artificially reducing the market's average sales speed. The strong demand for hotel-condominium services is evident by the success of the other two properties within a mile of the Property. Both are located just around the corner on Ixtapa Boulevard, the closest of which is a Ixtapa Condo-Resort which is almost sold out of Phase one's 375 units. The other property on Paseo del Rincon, which sold out all 60 units that were put on the market within 5 months of marketing. The demand for fractional condo units is being driven primarily by Canadians and Europeans who are enjoying the benefits of an appreciating currency. Latin Americans have also continued to show a healthy appetite for this type of product.

Demand

The bulk of the demand for the fractional condo product in Ixtapa comes from foreign investors who are looking for a vacation home where they can take their children and at the same time generate income to offset the cost of ownership, or in some cases even make a profit. Leading the charge have been the Canadians and Europeans, specifically the British who are benefiting greatly from the falling dollar relative to their currencies. A primary reason that this product is so popular among Europeans is because the units are income producing, they are able to use their pension and other tax deferred accounts to purchase them. This basically allows them to buy a secondary vacation residence with money that would otherwise not be available to spend on a vacation home. Due to activities offered by Ixtapa as a family destination, the demand for condominium units is from couples looking to vacation with their children. As a result, they are looking for larger units with multiple bedrooms, located in close proximity to the attractions. Ixtapa Palace, located directly across from the Ixtapa Shopping Area, close proximity to other attractions and large floor plans, caters very well to the demand.

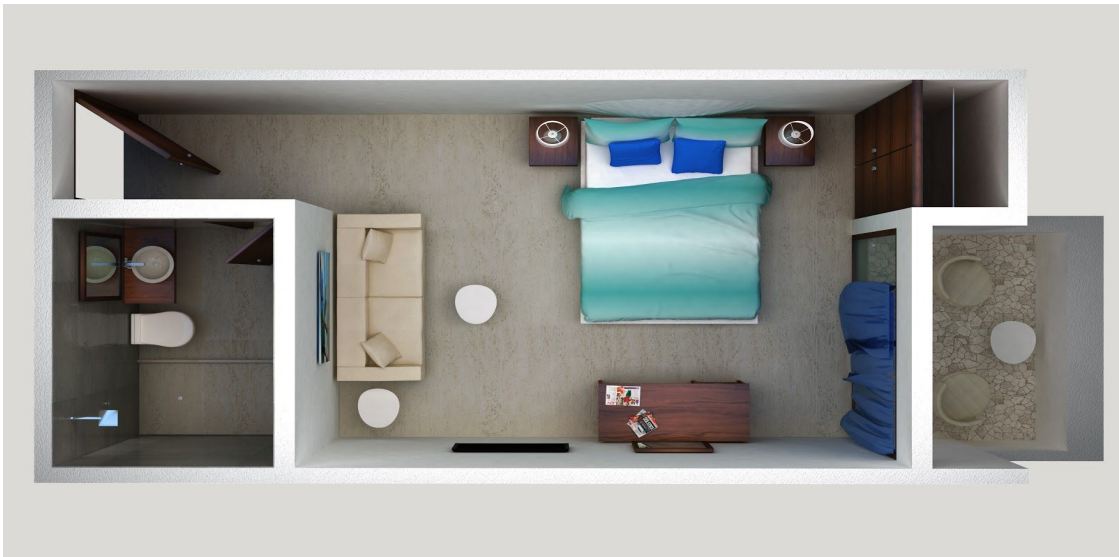
Hotel Market Overview

Ixtapa hotel market continues to lead the State of Guerrero, with superior visitor numbers, room rate and occupancy figures, particularly in the "Golden Pacific" area, where Ixtapa Palace is located. During the last five years the destination has experienced increments of more than 200% in the business market due to Expos and Conventions promoted by the State Government and Tourism Department.

Reservations for Hotel Accommodations and Condo Rentals have doubled rental fees in the last two years due to major activities organized by International organizations promoting re-known events like the Marathon Ixtapa - Zihuatanejo and the Triatlón. International and National Deep Sea Fishing competitions take place twice a year nowadays. Mountain Bike Racing and national events for Cycling Races have increased popularity year after year. As well as new events like Black Friday Getaways with increasing demand every year.

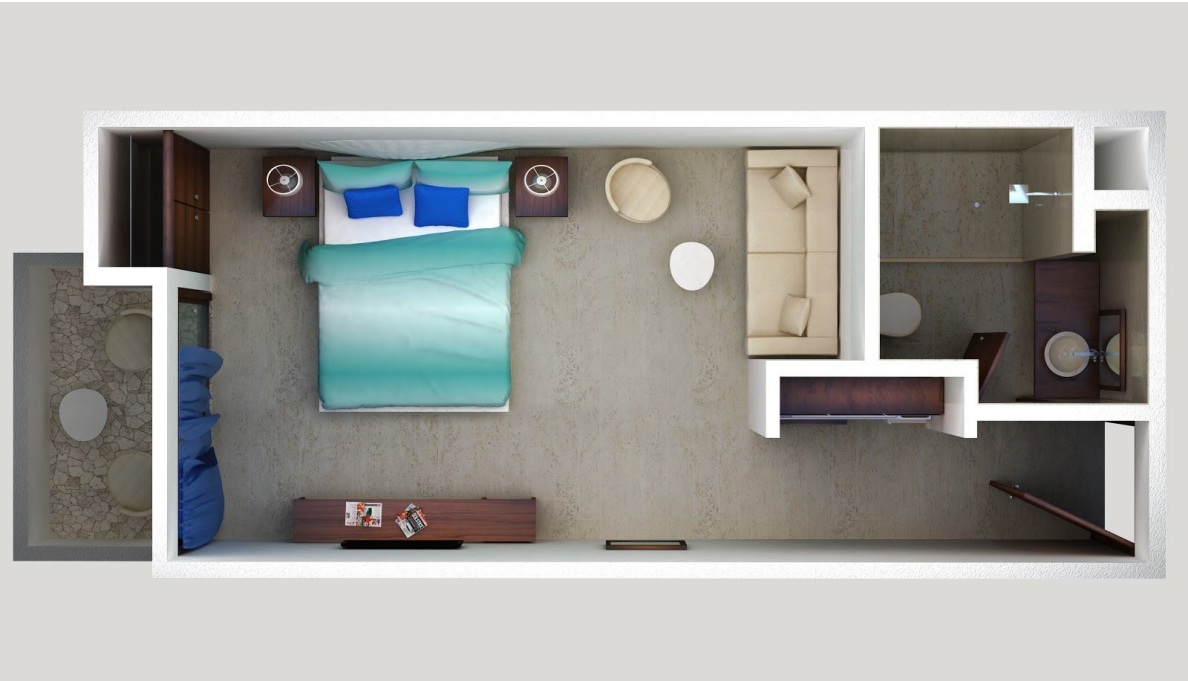
Mini Suite

Mini Suite			
Bed	Bath	SF	# of Rooms
1	1	350	56



Junior Suite

Junior Suite			
Bed	Bath	SF	# of Rooms
1	1	484	30



Senior Suite

Senior Suite			
Bed	Bath	SF	# of Units
1	1	731	24



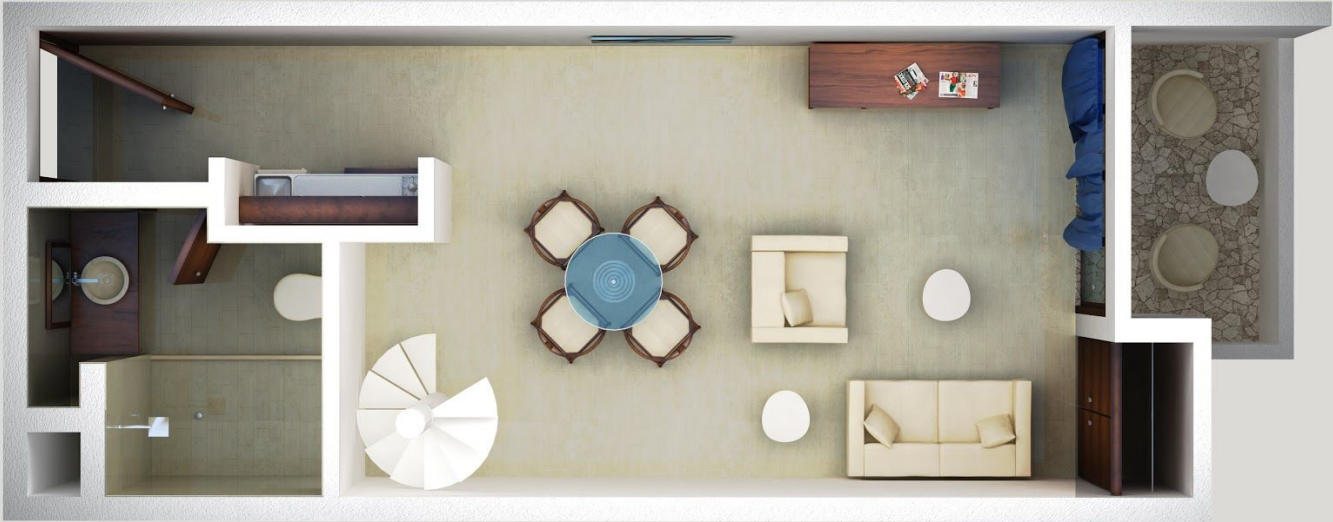
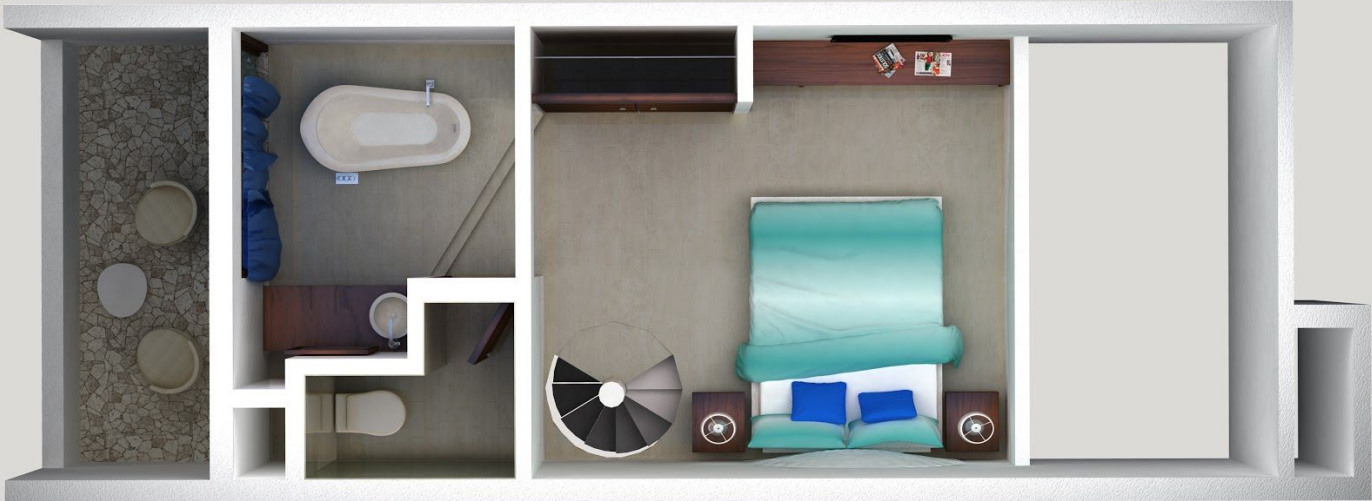
Family Suite

Family Suite			
Bed	Bath	SF	# of Units
3	2	1184	6



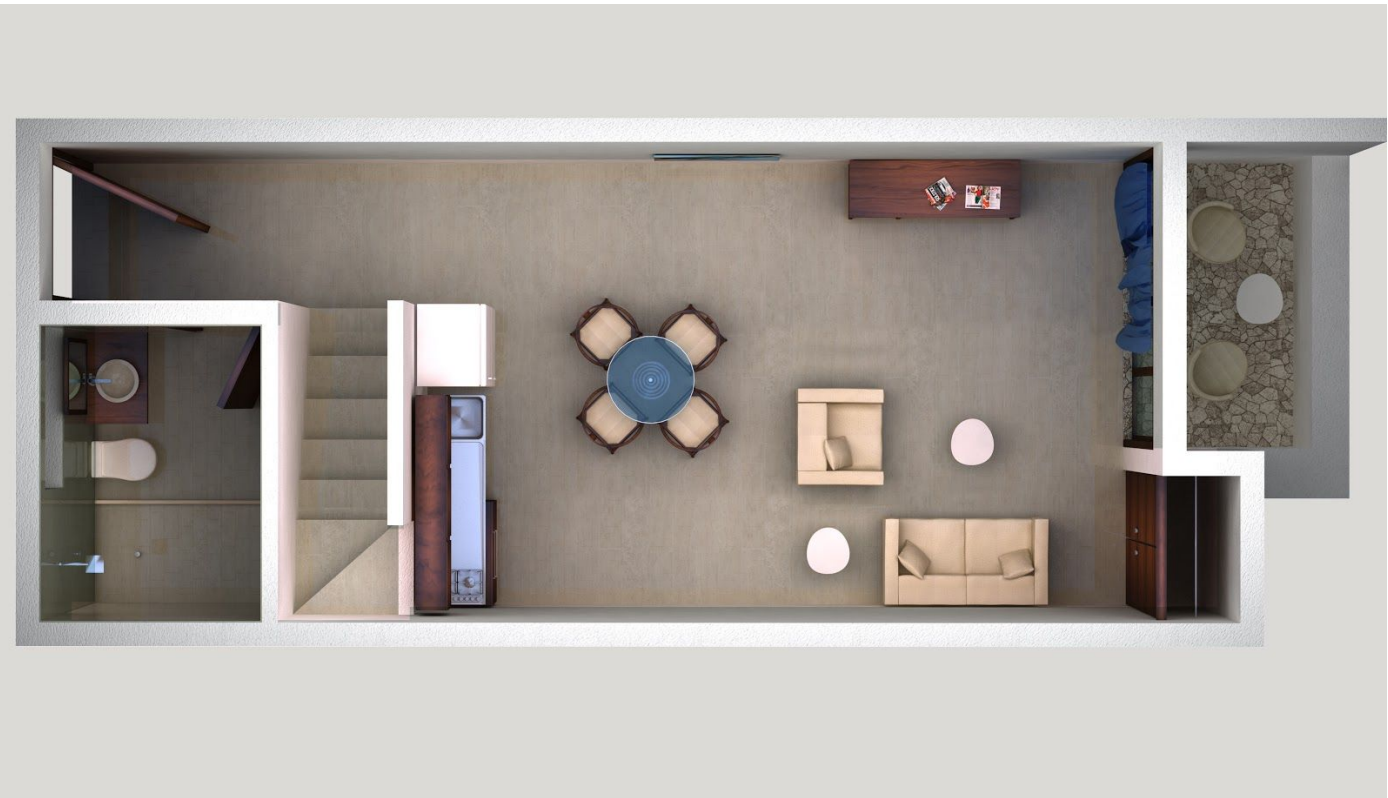
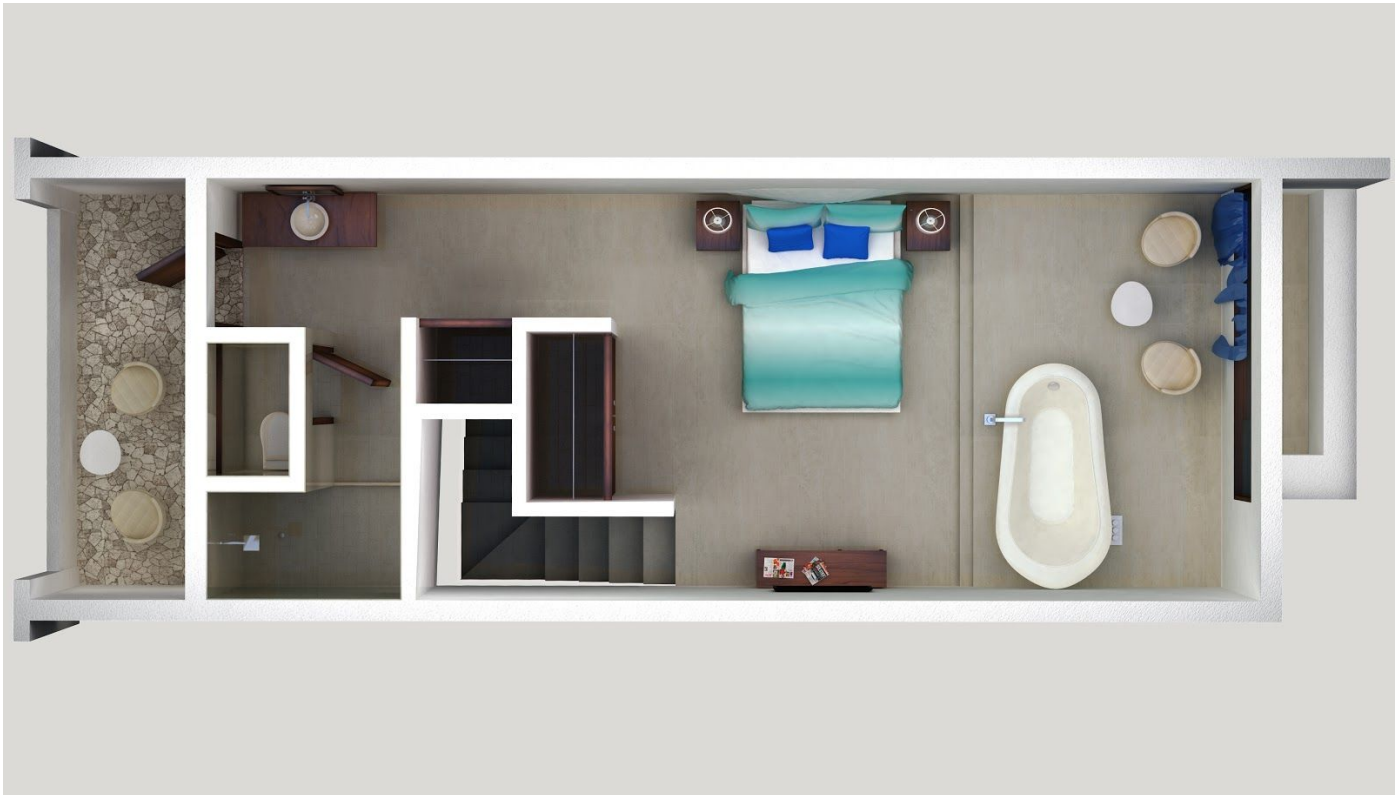
Penthouse

Penthouse			
Bed	Bath	SF	# of Units
1	2	980	7



Royal Suite

Royal Suite			
Bed	Bath	SF	# of Units
1	2	980	7



Family Suite

Family Suite			
Bed	Bath	SF	# of Units
3	2	1184	6



CONCEPT AND MANAGEMENT

Condominium Hotel Concept and Buyer's Extras

Ixtapa Palace is a full-service, fully amenitized hotel, whose suites have been furnished with luxury style finishes including European-style cabinetry, hand made countertops, stainless steel appliances, flat-screen plasma TV's and modern, luxurious fixtures. A number of amenities on site compare very favorably to other condominiums and hotels which are selling at higher price points and higher rental fees per night, and lack some of the activities offered at the Resort. The developer's goal has been to emphasize promotions rather than attempting to squeeze the last sales dollar out of each unit. The developer has been successful in raising prices on rentals several times, albeit modestly, by competitive standards.

There is no length of stay restriction imposed on Fractional Owners at Ixtapa Palace. These Owners will be allowed to extend their stays for additional fees, at any time and for whatever time they please, based on their preference of which they advise the Hotel Manager on a year-to-year basis. As a Hotel-Fractional development, the developers and the hotel management company for Ixtapa Palace do not share in any hotel operation profits. All such net proceeds accrue exclusively to the benefit of the Resort, thereby increasing the revolving reserve for maintenance costs.

Ixtapa Palace also has a strategic alliance with Interval International, <https://www.intervalworld.com> representing more than 3,000 locations in over 50 countries. This partnership will allow Unit Owners affiliated to the exchange program, for the first 3 years of their ownership, the ability to trade in 2 weeks of their time at Ixtapa Palace in exchange for equal time, for an exchange fee at any of the Interval affiliated resorts.

Hotel Management Company

A. I. Turistica Group has been engaged into the management of Ixtapa Palace. AITG is an independent, hotel management company with over fifteen (15) years experience, specializing in hotel operation in conjunction with other management companies. Headquarters in Mexico City with a separate office in Ixtapa.

The developer involved the principals of AITG with the architects and engineers early on in the development process to ensure that building and its amenities could be built and operated with the greatest efficiency. AITG worked closely with the project's interior designers, in selecting the entire FF&E package for all of the project's suites and common areas.

GENERAL CONTRACTOR

General Contractor

The INSW Company, General Contractor for Ixtapa Palace, headquartered in Mexico City, Mexico. with a regional office in Ixtapa . The costs for Ixtapa Palace were based on a Stipulated Sum Contract (AIA Form), fully bonded by Safeco.

INSW Company has been in business as a contractor for 40 years, incorporated on January, 1975 in Mexico City, Mexico, The history of the company is rich with pride, tradition, and success. The Partners have been actively involved in national construction projects for over 50 years. The company specializes in the design/build of other commercial and residential developments, retail, health care, multi-family housing and hotels.

The INSW Company's in-house design and engineering department, provides the following services:

- Complete site investigations, advising of development problems;
- Preliminary engineering design, and provide estimates at an early stage in a project;
- Complete civil engineering design, suitable for permitting and construction;
- Permitting assistance through the various governmental agencies;
- Engineering of existing design in order to find more cost-effective engineering solutions.

General Contractor Experience

The Company's work experience has included numerous construction management and design/build construction projects. Completed projects involving the renovation of historical residential sites, construction management of a hospital, apartment complexes and commercial facilities across a wide geographic area. INSW Company has the ability to perform concrete, masonry, carpentry, excavation, miscellaneous ironwork, direct supervision and general labor. The average amount of construction work performed during the past five years exceeds the usd \$73,142,000.

CONSTRUCTION SUMMARY

The General Contractor for Ixtapa Palace is The INSW Company, headquartered in Mexico City, Mexico with a regional office in Ixtapa . The original General Contract was a Stipulated Sum Contract (AIA Form), fully bonded by Local Regulations.

The developer secured the construction permit and commenced construction at the end of 1999. Construction is now completed.

ECONOMIC OVERVIEW

Employment

Employment trends for both Ixtapa MSA and the State of Guerrero should follow a pattern similar to the population trends for these areas, although at higher rates of increase. From 2010 to 2015, Ixtapa MSA employment grew at an average annual compound rate of 4.3% compared to 3.27% for the State of Guerrero. These figures indicate that the Ixtapa MSA surpassed the State of Guerrero in employment growth over the last five years. Looking back ten years, Ixtapa MSA employment grew at an average annual compound rate of 3.86%, compared to the State of Guerrero growth rate of 2.63%.

Over the next five and ten years Ixtapa MSA employment growth should exceed the State of Guerrero growth rate. From 2020 to 2025, Ixtapa MSA should grow by a 3.44% average annual growth rate, while the long term projection to 2028, is for a 4.09% increase. For the same periods, employment in the State of Guerrero is expected to grow at average annual compound rates of 2.62% and 2.35%, respectively. Employment gains are a strong indicator of economic health and generally correlate with real estate demand. Historically, Ixtapa MSA has exceeded the State of Guerrero's growth rate, suggesting that Ixtapa MSA's relative position is strengthening.

By comparison, the State of Guerrero's largest employment sectors are Services (46.4%), Retail Trade (12.0%), Government (11.6%), and Construction (9.7%). Over the past three years, the largest meaningful percentage gains in employment within Ixtapa MSA occurred within the Services and Retail Trade sectors with annual average compound growth rates of 4.90% and 4.36% respectively. For the State of Guerrero, the largest meaningful gains in employment over the past three years occurred within the Construction and Services sectors with annual average compound growth rates of 3.27% and 3.92% respectively. Ten year projections for Ixtapa MSA show Transport, Info, Util related employment leading all other sectors with Construction second. The forecast for the State of Guerrero has Construction related employment leading all other sectors with Services second.

Infrastructure



Income

Personal income is a significant factor in determining the real estate demand in a given market. From 2010 to 2018, Ixtapa MSA's income grew at an average annual compound rate of 3.77%, compared to the State of Guerrero average annual compound growth rate of 2.89%. The two market areas displayed a similar pattern in per capita income growth over the last ten years. Ixtapa MSA's average annual compound growth rate was 1.90% as compared to 2.03% for the State of Guerrero. Projections for the next five and ten year periods reflect growth rates for Ixtapa MSA that are less than the anticipated gains for the State of Guerrero. An examination of income per household reveals that, historically, Ixtapa MSA has experienced a higher growth rate than the State of Guerrero. Future projections predict similar growth for Ixtapa MSA compared to the State of Guerrero. In absolute dollars, Ixtapa MSA's personal income historically has been above that of the State of Guerrero, both on per capita and per household bases.

Overall, the economic outlook for Ixtapa MSA is positive. Total population is projected to increase slightly. More importantly, the area is projected to experience increasing employment growth. Based on this analysis, it is anticipated that Ixtapa MSA will continue to grow and prosper. The expected growth should provide an economic base that supports demand for real estate in the subject neighborhood and for the subject property. These conditions should stimulate increases in general property values within the foreseeable future.

Following a You-tube video link is provided, to show current indoor and outdoor IXTAPA, Mexico areas :

<https://www.youtube.com/watch?v=u3O24S9-GYo&feature=youtu.be&list=UUG3kah5Gk7wd8h8eHEqnAEg>



Aaaaaah !... I X T A P A