

COCO BEACH GOLF & COUNTRY CLUB

ANNUAL REPORT 2012





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FINANCIAL INFORMATION

The Golf Club

The Golf Club, which operates under the name Trump International Golf Puerto Rico, is a golf club that serves as the principal amenity to the Resort. The Golf Club's income is derived from tournament and event fees, membership dues, and the sale of rounds of golf, food and beverage and golf sporting retail goods. The Borrower has no other source of income and does not foresee developing new sources of income in the near future.

The Golf Club also offers memberships upon application and payment of a one-time refundable membership deposit and membership dues, the amounts of which are determined by the Borrower from time to time. Members of the Golf Club have privileges with respect to tee times at the golf courses and the use of the facilities of the Golf Club. Purchasers of units at the Trump Residences are required to become members of the Golf Club, and a portion of the initial purchase price for a unit is applied to the payment of the membership deposit. In any subsequent sale of the unit, membership in the Golf Club is transferred with title to the unit. As of December 31, 2012, the Golf Club had 63 members, 4 of which are unit owners at Trump Residences. Membership deposits are refundable no later than 30 years from the date of the member's admission to the Golf Club and, accordingly, have been presented as deposits in the audited financial statements attached hereto. Future hotel developments planned for the Resort should increase revenues of the Borrower by increasing the use of the Golf Club and sales to tourists. Future residential developments should increase the number of Golf Club members and the use of the Golf Club.

As of December 31, 2012, approximately 86% of the total client mix of the Golf Club represents local players and approximately 14% represents tourists, including Hotel guests. The Borrower does not expect this distribution to vary significantly in the near future.

The following table summarizes the revenues of the Borrower for the last five fiscal years by the various categories and their respective percentages of the total revenues.

**Table I - Summary of Total Revenue
For the Fiscal Years Ended December 31**

	2008		2009		2010		2011		2012	
	\$	%	\$	%	\$	%	\$	%	\$	%
Golf	\$ 1,586,932	58.5	\$ 1,365,719	56.0	\$ 1,629,739	57.8	\$ 1,690,256	59.1	\$ 1,650,692	58.5
Food and beverage	739,459	27.3	773,857	31.8	869,099	30.8	834,679	29.2	880,717	31.2
Pro shop	386,762	14.3	298,129	12.2	322,829	11.4	335,606	11.7	288,597	10.3
TOTAL	\$ 2,713,153	100.0	\$ 2,437,705	100.0	\$ 2,821,667	100.0	\$ 2,860,541	100.0	\$ 2,820,006	100.0

The main sources of golf revenue of the Golf Club are the membership dues, the fees charged for playing golf and tournament and event fees ("Golf Revenues"). Golfers usually play one round of eighteen holes (a "Round"). Since 2008 Golf Revenues have fluctuated from \$1,586,932 in 2008, decrease to \$1,365,719 in 2009, increased \$1,629,739 in 2010 and increase to \$1,690,256 in 2011 because of an increase in the sale of Rounds. Golf Revenue decreased slightly for 2012 to \$1,650,692 due to decrease in rounds.

As to the other Golf Club revenue sources, revenues from the sale of food and beverage remained stable since 2007 in spite of the decrease in the Rounds sold, and decreased to \$834,679 in 2011 but

increased for 2012 down to \$880,717. As to the sales in the pro shop, which include sales of golf equipment and clothing and equipment rental, revenues have fluctuated from \$386,762 in 2008, a decrease to \$298,129 in 2009, increase to \$322,829 in 2010, increase to \$335,606 in 2011 and decrease in 2012 to \$288,597. This fluctuation has mainly been due to the fluctuations in the sale of Rounds.

During the *Puerto Rico Open*, the Golf Club had total revenues of \$247,330 in 2009, \$246,479 in 2010, \$210,113 in 2011 and \$164,888 for 2012, which include pro shop sales, food and beverage sales, and the \$40,000 annual facility fee.

The following table shows the Rounds sold at the Golf Club broken down by type of players, and the number of Golf Club Members, on an annual basis since 2007.

Table II – Rounds Summary & Membership

Type of Round	Fiscal Year ended December 31				
	2008	2009	2010	2011	2012
Member	1,299	1,514	1,780	1,800	1,640
Member Guest	2,758	3,228	4,540	4,109	5,015
Local	2,761	3,693	3,798	3,067	3,080
Tournament	6,285	4,519	6,130	6,830	6,398
Outside Hotel	727	613	685	585	659
Gran Melia Hotel	2,265	1,460	2,058	2,642	2,283
Other	2,152	2,387	2,088	2,057	1,877
Total Rounds	18,247	17,414	21,079	21,090	20,952
Membership	50	51	66	75	63

The number of Rounds sold declined steadily from 2008 to 2009. From 2009 to 2010, the number of Rounds sold increased by 21% and from 2010 to 2011 remained relatively the same. For 2012 the rounds decreased slightly to 20,952.

The following table illustrates the total operating expenses of the Borrower for the last five fiscal years.

**Table III – Historical Direct and Operating Expenses
For the Fiscal Years Ended December 31,**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Golf	\$ 2,758,076	\$ 2,547,816	\$ 2,397,292	\$ 2,151,417	\$ 2,287,209
Food and beverage	799,508	745,869	737,336	621,500	623,575
Pro shop	242,957	191,136	193,852	196,573	151,658
Total direct expenses	\$ 3,800,541	\$ 3,484,821	\$ 3,328,479	\$ 2,969,490	\$ 3,062,442
Selling, general, and administrative	1,965,051	2,366,361	2,414,811	1,802,809	2,485,209
Management fees	117,260	109,731	126,982	128,730	126,904
Depreciation and amortization*		1,793,307	1,684,539	1,671,282	1,485,919
Total operating expenses	\$ 2,082,311	\$ 4,269,399	\$ 4,226,332	\$ 3,602,821	\$ 4,098,032
TOTAL	\$ 5,882,852	\$ 7,754,220	\$ 7,554,811	\$ 6,572,311	\$ 7,160,474

* As a result of a change in the independent auditors used by the Borrower for the year ended 2009, depreciation and amortization on property and equipment was treated as an operating expense instead of as a fixed charge in the audited financial statements for the year ended 2009.

Total expenses of the Golf Club, excluding depreciation and amortization expenses, increased by 1.33% between 2008 and 2009. Such expenses decreased in 2010 by 1.6%, in 2011 decreased by 16.5% and increased by 9% in 2012.

Golf expenses have steadily decreased from 2008 to 2011, with a slight increase in 2012.

Selling, administrative and operating expenses have fluctuated during the past five years. In 2009, these expenses increased again to the highest levels since the commencement of operations due to an increase in the minimum wage and costs related to maintaining the golf course to PGA's standards. From 2010 to 2011, these expenses decreased because of management's cost reduction efforts. There was an increase for 2012 of \$588,163 due mainly to TDF fees on the guarantee draws.

The following table sets forth the net losses of the Borrower for the past five fiscal years.

**Table IV – Net Losses
For the Fiscal Years Ended December 31**

	2008	2009	2010	2011	2012
Net loss before interest and other income and fixed charges	\$ 3,169,699	\$ 5,316,515	\$ 4,733,144	\$ 3,711,765	\$ 4,340,468
Interest and other income	(280,188)				
Fixed charges	3,363,844	1,894,402	1,222,012	2,681,813	1,415,271
NET LOSS	\$ 6,253,355	\$ 7,210,917	\$ 5,955,156	\$ 6,393,578	\$ 5,755,739

* As a result of a change in the independent auditors used by the Borrower for the year ended 2009, depreciation and amortization on property and equipment was treated as an operating expense instead of as a fixed charge in the audited financial statements for the year ended 2009. Likewise, interest and other income were not included in total fixed charges in the audited financial statements for the year ended 2008, whereas such amounts were included in total fixed charges for the year ended 2009. The unaudited financial statements for the year ended 2011 were prepared in the same method as the audited financial statements for the year ended 2009 and 2010.

The Golf Club's net losses increased by 15.3% between 2008 and 2009, this was caused by a decrease in Golf Revenues, another payroll increase due to the increase of minimum wage and the cost related to maintaining the golf courses to the highest standards. In 2010, the net loss decreased by 17.4%, in 2011 increased by 7.5% and in 2012 decreased by 10%. The Borrower's net losses during the past five fiscal years have been covered by loans from its partners and affiliates. As of December 31, 2012, such loans and other amounts due to affiliates of the Borrower totaled \$37,539,780. Between 2007 and 2008, fixed charges were relatively stable. From 2009 to 2010, these decreased due to a change in the accounting methodology. In 2011 the increase in fixed charges was due to the refinancing of the AFICA loan and resulting loss of \$1,144,899 on the debt extinguishment. See footnote under Table IV.

Additional Financing

Loans by Partners and Affiliates

As of December 31, 2012, loans and other amounts due by the Borrower to its partners and affiliates, other than the CBDC Note (defined below), totaled \$35,965,883. Neither the partners nor other affiliates of the Borrower have any legal obligation to make capital contributions or extend credit to or on behalf of the Borrower, and therefore may cease to do so at any time. Pursuant to the Partnership Agreement, loans granted by the partners bear interest at 2% over the U.S. prime rate and are repaid from available cash flow prior to any distributions to the partners on account of their relative percentage partnership interests. The Borrower currently does not have any available cash flow for the repayment of the loans made by its partners.

Outstanding Long Term Debt

On March 30, 2011, the Borrower entered into a loan agreement with the Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority ("AFICA") for \$26,355,000. In connection with the loan agreement, AFICA issued the Tourism Revenue Refunding

Bonds, 2011 Series A. The Tourism Revenue Refunding Bonds are payable solely from revenues derived by AFICA under the loan agreement with the Borrower and from other monies pledged for payment under the trust agreement dated March 30, 2011 between AFICA and Banco Popular de Puerto Rico, as trustee (the "Trustee"). The Tourism Revenue Refunding Bonds are secured by an irrevocable, transferable standby letter of credit issued by TDF under a Letter of Credit and Reimbursement Agreement dated March 30, 2011 between the Borrower and TDF.

Revolving Line of Credit and Golf Carts Lease

As of December 31, 2012, the Borrower had a line of credit with CBDC secured by a note payable to CBDC (the "CBDC Note"). The CBDC Note has a maturity date of December 31, 2015, and bears interest at 2% over the U.S. prime rate. CBDC originally authorized a line of credit in the amount of \$1 million and subsequently authorized an increase in the available line of credit for operational purposes. As of December 31, 2012, the outstanding principal balance under the line of credit amounted to \$1,573,897. The CBDC Note is subordinated to the Borrower's obligations under the loan agreement with AFICA and to the Borrower's obligations to TDF under the Reimbursement Agreement.

The Borrower also has a capital lease with Popular Auto in the original principal amount of \$710,000. The loan has a maturity date of March 1, 2012, and bears interest at an annual rate of 8.5%. The proceeds of such lease were used to purchase golf carts for the Golf Club. The Borrower refinanced the residual value of the capital lease with Popular Auto on May 24, 2012. As of December 31, 2012, the lease had an outstanding principal amount of \$72,188.

Prepayment Agreement

Pursuant to that certain Prepayment Agreement and Amendment Number 3 to the Letter of Credit and Reimbursement Agreement (the "Existing Prepayment Agreement") by and among CBDC, the Borrower, R-3 Development, Holdings and TDF, within 30 days of the closing of the sale of any unit developed by an affiliate of the Borrower at the Resort, such affiliate is required to deposit \$85,000 with the trustee for the redemption of the Bonds, except that in the case of the closing of the sale of a unit in the Trump Residences, R-3 Development may defer depositing with the trustee \$45,000 with respect to each unit until the repayment of the construction facility for the Trump Residences. After the repayment of the construction facility, R-3 Development must apply any excess cash flow after the payment of certain closing costs and other fees to the payment of such deferred amounts. As of December 31, 2011, R-3 Development had sold seven units at the Trump Residences. R-3 Development has deposited \$280,000 with the Trustee in accordance with the terms of the Existing Prepayment Agreement.

The Borrower, CBDC, R-3 Development, Holdings, TDF and the Authority have entered into a new Prepayment Agreement (the "Prepayment Agreement") under substantially the same terms and conditions as the Existing Prepayment Agreement. Any funds deposited with the Trustee as per the Prepayment Agreement will be applied towards the mandatory redemption of the Bonds semi-annually on each principal payment date of the Bonds.

These amounts may represent a major source for the payment of the Bonds.

Market Area and Competition

The Resort's and the Golf Club's main competitors in the Municipality of Río Grande are the Río Mar Resort located directly east of the Resort and the St. Regis Bahía Beach Resort located directly west of the Resort, both of which have at least one golf course as an amenity. The Resort also competes with various other resort and golf communities located throughout Puerto Rico, including the Conquistador

Resort in Fajardo, the Palmas del Mar Golf Club in Humacao, and the Dorado Beach Plantation Resort in Dorado.

Although there are several competing golf courses and resorts in Puerto Rico, the Golf Club has the only golf courses in Puerto Rico that meet the PGA Tour's standards for hosting its events, which includes superior drainage capacity to permit its operation during times of greater rainfall. The Golf Club's golf courses have been recognized by *Golf Week* as among the best golf courses in the Caribbean and Mexico, with the International golf course being recognized among the top ten. The International golf course has also been recognized as the "Best Golf Course of Puerto Rico" by the American Academy of Hospitality Services.

The Borrower believes it will capture a greater share of the Puerto Rico market for golf tournaments and events because of the superior quality of its golf courses.

Seasonal Effects

Historically, the Borrower has experienced seasonal variations in revenues due to an increase in visits by tourists during the high season, generally commencing on December 15th and ending on May 15th of each year. The Borrower expects that such seasonal variations will continue in substantially the same pattern or become more pronounced in the future.

Labor

The Borrower currently employs 84 full-time and 2 part-time employees. These employees consist primarily of management, operations and maintenance. The Borrower outsources security to third parties. The Borrower believes that relations with its employees are satisfactory.

The Borrower's employees are participants in a pension plan established in June 2007. Each participant's share in the plan is based on his or her salary.

Litigation

The Borrower has filed a lawsuit against the Municipal Revenue Collection Center (known by its Spanish acronym as "CRIM") and its Executive Director with respect to certain real property taxes that have been assessed, and appraisals that have been issued, with respect to the Golf Parcel. The Borrower does not anticipate that an adverse judgment will have a materially adverse impact on its expenses.

The Borrower is not currently involved in any other lawsuits, or administrative or arbitration proceedings.

Licenses and Permits

The Borrower is subject to the licensing requirements of a number of government agencies and, to the best of its knowledge, is in material compliance with such requirements.

Environmental

The Borrower, to the best of its knowledge, has no environmental compliance problems.

Coco Beach Golf & Country Club
Consolidated Financial Statement
For the Twelve Months Ending December 31, 2012

	Jan Actual	Feb Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	Sept Actual	Oct Actual	Nov Actual	Dec Actual	Total Actual	Total Budget
Income														
Golf Operations	\$222,080	\$252,062	\$244,603	\$202,332	\$136,651	\$158,144	\$117,258	\$130,085	\$95,389	\$115,550	\$117,228	\$147,907	\$1,939,289	\$3,138,201
Food & Beverage	52,228	45,327	206,009	81,708	65,517	71,186	56,351	57,758	47,916	65,029	58,197	73,491	880,717	1,088,569
Other Income	17,509	17,506	17,511	17,522	17,509	17,504	17,509	17,507	17,506	17,509	17,508	17,511	210,112	212,400
Total Income	291,817	314,895	468,123	301,562	219,677	246,834	191,118	205,350	160,811	198,088	192,933	238,909	3,030,118	4,439,170
Cost of Sales														
Merchandise	13,356	20,531	27,963	16,305	9,802	10,021	10,951	8,240	7,789	5,636	9,931	11,134	151,658	240,361
Food & Beverage	17,872	19,952	66,224	20,770	12,806	16,162	17,358	19,275	12,364	11,503	21,327	14,818	249,431	326,308
Total Cost of Sales	31,228	39,483	94,187	37,075	22,608	26,183	28,309	27,515	20,153	17,139	31,258	25,952	401,089	566,669
Payroll & Related														
Golf Operations	142,624	153,801	194,927	126,859	118,274	108,769	97,456	104,760	117,828	106,159	115,465	138,114	1,525,036	1,697,870
Food & Beverage	24,499	23,671	45,223	33,364	27,397	24,673	19,674	20,685	23,385	19,029	26,224	29,966	317,792	325,604
General & Administrative	19,313	20,957	23,990	21,879	27,722	26,814	24,509	24,597	24,626	28,513	28,352	26,868	298,141	260,807
Building Maintenance	9,852	11,157	16,044	11,339	12,644	11,171	10,763	11,774	13,733	10,832	15,256	16,470	151,034	146,411
Total Payroll & Related	196,288	209,586	280,184	193,441	186,037	171,427	152,402	161,816	179,572	164,533	185,297	211,418	2,292,003	2,430,692
Operating Expenses														
Golf Operations	89,647	129,519	86,053	34,111	52,024	29,812	68,566	75,769	68,761	72,541	65,259	(7,072)	764,790	857,820
Food & Beverage	3,609	10,775	12,484	8,397	2,628	3,901	1,959	1,982	1,862	2,780	3,455	4,402	58,232	80,100
General & Administrative	18,699	19,954	20,705	17,279	14,098	17,687	13,687	12,258	30,301	12,637	14,054	98,302	289,661	278,348
Marketing	7,650	11,197	7,936	1,795	(1,414)	3,631	6,168	8,903	4,280	10,473	4,246	10,473	75,779	103,100
Building Maintenance	9,349	6,215	5,544	5,558	6,738	7,102	3,185	3,805	7,870	3,895	8,653	5,909	73,823	107,950
Utilities	39,196	52,049	59,819	53,524	48,820	46,847	55,570	44,000	53,895	47,954	38,872	37,167	577,712	466,960
Total Operating Expenses	168,150	229,709	192,541	120,664	122,894	108,780	149,135	148,727	171,592	144,087	140,766	125,693	1,839,997	1,894,278
Income Before Fixed Charges	(103,849)	(163,883)	(98,789)	(49,618)	(111,862)	(59,556)	(138,728)	(132,708)	(210,506)	(127,671)	(164,388)	(141,415)	(1,502,972)	(452,469)
Fixed Charges														
Common Area Maintenance		(2,565)	3,000						3,543	727		1,454	6,159	14,400
Golf Course Maintenance Land Rent	450	450	450	450	450	450	450	450	450	450	450	450	5,400	5,400
Insurance	7,954	7,954	9,574	7,954	7,832	7,832	7,832	7,832	7,832	7,832	7,832	7,832	96,092	110,400
Management Fee	12,344	13,383	20,278	12,783	9,098	10,320	7,813	8,453	6,449	8,126	7,894	9,963	126,904	190,201
Property Tax												35,828	35,828	36,000
Municipal Tax	1,212	1,138	1,899	1,169	952	1,141	895	974	780	932	829	823	12,743	12,000
Total Fixed Charges	21,960	20,360	35,201	22,356	18,332	19,743	16,990	17,709	19,054	18,067	17,005	56,350	283,126	368,401
Net Operating Income	(125,809)	(184,243)	(133,990)	(71,974)	(130,194)	(79,299)	(155,718)	(150,417)	(229,560)	(145,738)	(181,393)	(197,765)	(1,786,097)	(820,870)
Less Interest Expense Bonds	(124,897)	(124,897)	(124,897)	(124,897)	(124,897)	(124,897)	(124,185)	(124,185)	(124,185)	(124,185)	(124,185)	(124,185)	(1,494,492)	(1,494,486)
Less Interest Expense-Grid Note	(7,018)	(6,565)	(6,791)	(6,943)			(20,827)	(6,942)	(6,773)				(61,859)	(82,621)
Less Bond Issuance Costs	(6,702)	(6,702)	(6,702)	(6,702)	(6,702)	(6,702)	(6,702)	(6,702)	(6,702)	(6,702)	(6,702)		(64,416)	(64,416)
Less Capital Lease Interest Expense	(392)	(261)	(131)									9,306	(5,780)	(783)
Less Depreciation	(140,513)	(140,513)	(140,513)	(140,513)	(140,513)	(140,513)	(140,513)	(140,513)	(140,513)	(140,513)	(140,513)	59,727	(1,485,916)	(1,680,000)
Less TDF Fees		(64,863)	(32,481)	(32,481)	(32,481)	(32,006)	(32,006)	(32,006)	(32,006)	(32,006)	(32,006)	(499,392)	(853,834)	(386,922)

**Coco Beach Golf & Country Club
Consolidated Financial Statement
For the Twelve Months Ending December 31, 2012**

	Jan Actual	Feb Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	Sept Actual	Oct Actual	Nov Actual	Dec Actual	Total Actual	Total Budget
Less Trustee Fees				(4,500)									(4,500)	(6,000)
Add Interest Income/Restricted Funds	171	112	142	173	148	172	145	143	170	188	189	182	1,935	3,600
Add Interest Income FF&E Account							6						6	
Net Profit (Loss)	(405,160)	(528,032)	(445,363)	(387,837)	(434,639)	(383,245)	(479,800)	(460,622)	(539,569)	(448,956)	(484,610)	(757,907)	(5,755,738)	(4,532,498)

Coco Beach Golf & Country Club
Golf Operations
For the Twelve Months Ending December 31, 2012

	Jan Actual	Feb Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	Sept Actual	Oct Actual	Nov Actual	Dec Actual	Total Actual	Total Budget
Income														
Member Dues	\$16,000	\$16,000	\$17,500	\$15,000	\$15,200	\$15,200	\$15,200	\$15,200	\$15,200	\$15,200	\$11,000	\$11,121	\$177,821	\$285,350
Green Fees	106,205	122,429	82,421	89,666	54,887	52,704	39,004	43,552	32,140	42,378	46,270	60,994	772,650	1,445,886
Cart Fees	49,095	58,380	45,350	49,165	41,210	65,145	40,240	49,200	33,330	41,620	33,610	44,515	550,860	830,504
Tournament Fee			40,000										40,000	40,000
Merchandise	32,034	43,613	47,427	31,196	17,746	18,654	18,361	16,912	11,735	13,093	17,922	19,904	288,597	437,020
Other Income	18,746	11,641	11,906	17,306	7,608	6,442	4,452	5,220	2,984	3,259	8,426	11,372	109,362	99,441
Total Income	222,080	252,063	244,604	202,333	136,651	158,145	117,257	130,084	95,389	115,550	117,228	147,906	1,939,290	3,138,201
Cost of Sales														
Merchandise COS	13,356	20,531	27,963	16,305	9,802	10,021	10,951	8,240	7,789	5,636	9,931	11,134	151,659	240,361
Total Cost of Sales	13,356	20,531	27,963	16,305	9,802	10,021	10,951	8,240	7,789	5,636	9,931	11,134	151,659	240,361
Payroll & Related														
Golf Ops Wages	31,302	35,177	49,988	35,444	33,470	26,722	26,959	29,948	30,385	31,713	29,514	41,665	402,287	407,438
Golf Maintenance Wages	81,432	84,476	105,353	60,816	59,860	59,595	50,394	52,496	65,707	53,433	61,727	81,438	816,727	853,670
Employee Taxes	15,561	16,325	20,043	10,816	9,270	8,139	6,579	6,696	7,851	7,182	7,482	11,471	127,415	131,294
Employee Benefits	14,329	17,824	19,543	19,763	15,675	14,313	13,524	15,620	13,885	13,830	16,742	3,542	178,610	305,467
Total Payroll & Related	142,624	153,802	194,927	126,859	118,275	108,769	97,456	104,760	117,828	106,158	115,465	138,116	1,525,039	1,697,869
Operating Expenses														
Golf Operations														
Dues & Subscriptions			235	507	(150)								592	1,500
Meetings & Seminars	178	475								524			1,177	3,500
Handicap Service						3,600						(50)	3,550	1,800
Laundry & Dry Cleaning				530	74	325							1,059	2,400
Linen	1,156		1,925	2,161	1,753			1,164	512			1,664	11,128	6,000
Members Amenities													0	4,800
Supplies - Bag Room	387	3,945	(527)		240	176	163	109	3,963	1,996	360	12	10,824	12,500
Supplies - Golf Shop		646	256			225	1,039					31	2,197	6,000
Supplies- Locker Room	678	118	240		59		91			142			1,819	12,000
Supplies - Range				268		535				600			1,513	9,500
Printing & Stationery	765	139	1,095	621	223	1,063							3,906	4,800
Rental Clubs	202	100	100	424	100	100	100	100	100	100	100	65	1,591	1,200
Rental Shoes	125	125	125	125	125	125	125	125	125	125	125	125	1,500	1,500
Telephone & Pagers				148		526	70	2,033	(1,193)	435	275	323	2,617	2,400
Signage										2,880			2,880	
Uniforms	2,664		124			96	363	87			153	2,813	6,300	13,200
Total Operations Expenses	6,155	5,548	3,573	4,784	2,424	6,771	1,951	3,618	4,249	7,474	1,013	5,093	52,653	83,100
Golf Maintenance														
Consulting & Testing							8,280	3,795	2,402	7,538	2,615	1,500	26,130	
Dues & Subscriptions		390				150							540	700
Contract Labor						750	14,699					5,609	21,058	15,000
Course Supplies		527		86				43	2,207	226			3,089	12,000
Equipment Rentals	10,000	10,000	12,500	6,667	(240)		20,000	6,667	6,667			(72,260)	1	1,000

**Coco Beach Golf & Country Club
Golf Operations
For the Twelve Months Ending December 31, 2012**

	Jan Actual	Feb Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	Sept Actual	Oct Actual	Nov Actual	Dec Actual	Total Actual	Total Budget
Fertilizers	26,578	56,941	34,389	959	17,975	624	3,108	22,291	43,070	31,973	31,179		269,087	356,000
Treatments & Pesticides			1,064										1,064	36,000
Gas & Oil	14,147	13,774	14,420		12,419	10,720	1,028	17,690		7,254	10,225	7,465	109,142	128,400
Generator Maint.													0	2,400
Meetings & Seminars													0	3,000
Mosquito Control													0	3,000
Operating Supplies-Maint Bldg												631	631	4,800
Refuse Removal		752	752	600			252				2,257		4,613	3,600
Repairs & Maint.-Building		179											179	2,400
Repairs & Maint.-Irrigation & Drain			2,552		6,714	264		4,495				4,475	18,500	18,000
Repairs & Maint.-Equip & Machine	22,119	29,347	15,477	3,519	3,219	9,259	7,768	12,575	1,736	16,553	7,008	16,856	145,436	125,000
Repairs & Supplies - Carts	300	1,815	1,107	9,737	1,032	754		467	207	150	10,489		5,468	31,526
Sand, Soil & Stone	6,099	6,166		7,600	7,600		11,400	3,800	8,060				16,422	67,147
Tools & Supplies					840								840	4,500
Plant, Seed, Sod	4,250	4,080								1,128	350	1,548	11,356	3,000
Telephone & Pagers			140	161	40	321	80	329	163	245	122	120	1,721	1,920
Uniforms			80										80	24,000
Total Maintenance Expenses	83,493	123,971	82,481	29,329	49,599	22,842	66,815	72,152	64,512	65,067	64,245	(12,166)	712,140	774,720
Landscape														
Total Operating Expenses	89,648	129,519	86,054	34,113	52,023	29,613	68,566	75,770	68,761	72,541	65,258	(7,073)	764,793	857,820
Net Profit (Loss)	(23,548)	(51,789)	(64,340)	25,056	(43,449)	9,742	(59,716)	(58,686)	(98,989)	(68,785)	(73,426)	5,729	(502,201)	342,151

Coco Beach Golf & Country Club
Food and Beverage
For the Twelve Months Ending December 31, 2012

	Jan Actual	Feb Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	Sept Actual	Oct Actual	Nov Actual	Dec Actual	Total Actual	Total Budget
Income														
Grill & Lounge Food	\$8,214	\$8,153	\$8,210	\$5,368	\$3,824	\$4,815	\$6,177	\$4,427	\$4,865	\$5,242	\$5,067	\$5,070	\$69,432	\$61,310
Catering Food	11,727	5,458	149,151	38,159	32,701	35,494	23,824	28,675	21,447	36,071	26,809	35,151	444,867	586,732
Course Outlet Food	6,543	5,186	7,822	4,001	2,815	2,899	2,928	2,168	2,164	1,680	2,116	3,019	43,341	61,310
Total Food Sales	26,484	18,797	165,183	47,528	39,340	43,208	32,929	35,270	28,476	42,993	33,992	43,240	557,440	709,352
Grill & Lounge Beverage	5,092	5,210	8,058	4,039	3,844	4,146	4,041	4,558	3,897	3,618	4,107	3,382	53,792	91,965
Catering Beverage	611	563	8,286	4,410	4,764	4,848	4,004	3,258	3,491	5,421	3,465	11,168	54,289	30,771
Course Outlet Beverage	19,726	18,485	17,579	19,152	12,040	9,814	9,518	8,053	8,594	6,101	10,733	9,074	148,869	176,267
Total Beverage Sales	25,429	24,258	33,923	27,601	20,448	18,808	17,563	15,869	15,982	15,140	18,305	23,624	256,950	299,003
Grill & Lounge Wine	254	506	1,310	768	72	118	229	258	143	293	205	125	4,281	15,328
Catering Wine	61	200	1,770	1,337	1,564	641	210	481	895	441	737	2,665	11,002	15,386
Total Wine Sales	315	706	3,080	2,105	1,636	759	439	739	1,038	734	942	2,790	15,283	30,714
Other Income		1,565	3,823	4,474	4,095	8,412	5,420	5,880	2,420	6,163	4,958	3,838	51,048	49,500
Total Income	52,228	45,326	206,009	81,708	65,519	71,187	56,351	57,758	47,916	65,030	58,197	73,492	880,721	1,088,569
Cost of Sales														
Food Cost	9,591	12,810	58,565	13,257	9,156	11,159	12,292	14,783	8,463	8,716	12,189	12,208	183,199	248,273
Beverage Cost	8,238	5,673	7,044	7,220	3,393	4,846	4,912	4,294	3,471	2,689	8,554	2,191	62,525	68,771
Wine Cost	44	469	614	293	257	157	154	198	430	98	575	419	3,708	9,264
Total Cost of Sales	17,873	18,952	66,223	20,770	12,806	16,162	17,358	19,275	12,364	11,503	21,328	14,818	249,432	326,308
Payroll & Related														
Wages	9,152	8,024	24,298	14,162	10,333	9,562	9,552	9,199	10,380	9,209	11,464	13,066	138,401	122,032
Front of House Wages	9,760	9,629	13,247	12,402	11,563	11,049	6,188	7,224	9,052	6,308	9,751	11,750	117,923	112,958
Employee Taxes	3,003	2,497	3,822	2,986	2,121	1,821	1,738	1,528	1,835	1,447	1,927	2,578	27,303	34,560
Employee Benefits	2,584	3,521	3,856	3,815	3,380	2,241	2,197	2,734	2,118	2,064	3,081	2,572	34,163	56,054
Total Payroll & Related	24,499	23,671	45,223	33,365	27,397	24,673	19,675	20,685	23,385	19,028	26,223	29,966	317,790	325,604
Operating Expenses														
Bar Snacks													0	2,400
China, Glass, Silver	306	297								1,569		2,055	4,227	8,700
Contract Cleaning	1,688	5,797	3,749								780		12,014	5,700
Equipment Leased													0	3,600
Equipment Repairs		1,658	1,593	380	225			294				521	4,671	3,900
Kitchen Fuel											251		251	2,400
Laundry & Dry Cleaning			247		98	241	133	163	163	131	65	98	1,339	3,600
Licenses & Permits				4,900									4,900	1,300
Linen Rental	193	206	2,832	866	944	1,101	599	821	546		1,726	514	10,348	14,000
Operating Supplies & Expense	1,382	192	3,801	719	97	1,500	246	176	372	184	108	600	9,377	8,700
Paper Products Supplies		2,625	151	845	678	63	233	431	217	608	335	493	6,679	4,800
Printing & Stationery					461	139	692						1,292	2,400

Coco Beach Golf & Country Club
Food and Beverage
For the Twelve Months Ending December 31, 2012

	Jan Actual	Feb Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	Sept Actual	Oct Actual	Nov Actual	Dec Actual	Total Actual	Total Budget
Refuse Removal													0	3,600
Smallwares													0	3,600
Spoilage & Waste				500									500	3,000
Telephone				187		559		390	269	231	122	122	1,880	2,400
Uniforms	40		111		124	297	56			58	67		751	6,000
Total Operating Expenses	3,609	10,775	12,484	8,397	2,627	3,900	1,959	1,981	1,861	2,779	3,454	4,403	58,229	80,100
Net Profit (Loss)	6,247	(8,072)	82,079	19,176	22,689	26,452	17,359	15,817	10,306	31,720	7,192	24,305	255,270	356,557

Coco Beach Golf & Country Club
General and Administrative
For the Twelve Months Ending December 31, 2012

	Jan Actual	Feb Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	Sept Actual	Oct Actual	Nov. Actual	Dec Actual	Total Actual	Total Budget
Payroll & Related														
Wages	\$15,230	\$16,399	\$19,244	\$17,623	\$22,663	\$22,048	\$19,715	\$20,354	\$20,549	\$24,038	\$24,040	\$22,169	\$244,072	\$207,053
Employee Taxes	1,716	1,681	1,859	1,591	2,438	1,909	1,621	1,631	1,645	1,958	1,444	2,059	21,552	18,196
Employee Benefits	2,367	2,877	2,888	2,665	2,621	2,857	3,173	2,612	2,432	2,517	2,869	2,640	32,518	35,557
Total Payroll & Related	19,313	20,957	23,991	21,879	27,722	26,814	24,509	24,597	24,626	28,513	28,353	26,868	298,142	260,806
Operating Expenses														
Accounting & Audit	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	7,500	29,500	24,000
Bank Charges	7,778	7,401	5,781	3,586	4,311	3,761	3,149	4,030	3,202	2,828	3,864	7,188	56,879	92,062
Computer Expense	1,854	2,880	2,852	2,237	1,726	3,575	832	1,119	1,871	724	745	4,918	25,333	12,000
Directors & Officers Expense													0	12,000
Dues & Subscriptions		260											260	600
Employee Relations				278			315					301	894	3,200
Legal Fees		838	3,009	765		2,451			14,343		513	37,191	59,110	36,000
Meetings & Seminars						51	577						628	1,250
Music & Cable	230	230	230	230	230	230	230	230	230	230	417	230	2,947	3,000
Operating Equip Leases	336	567	415	673	450	(460)	463	629	336	784	664	424	5,281	7,548
Office Supplies	523	407	188	161	212	284	674	185	93	198	153	249	3,327	5,400
Operating Expenses	247	85	155	361	250	193	201	16	418	125	452	376	2,879	5,400
Payroll & HR Fee	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	31,200	31,200
Postage	180			314	(59)	26	250	290	(6)	(9)		84	384	2,400
Printing & Stationery					277								361	2,004
Security	275			859		159	422	161	328	163	162	34,577	37,106	6,000
Telephone & Pagers	2,675	2,886	3,314	3,215	1,811	2,779	1,862	998	4,784	2,993	2,401	2,365	31,883	31,884
Uniforms			160		290	40	113		102				705	2,400
Total Operating Expenses	18,698	19,954	20,704	17,279	14,098	17,689	13,688	12,258	30,301	12,636	14,055	98,303	289,663	278,348
Net Profit (Loss)	(38,011)	(40,911)	(44,695)	(39,158)	(41,820)	(44,503)	(38,197)	(36,855)	(54,927)	(41,149)	(42,408)	(125,171)	(587,805)	(539,154)

**Coco Beach Golf & Country Club
Marketing
For the Twelve Months Ending December 31, 2012**

	Jan Actual	Feb Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	Sept Actual	Oct Actual	Nov Actual	Dec Actual	Total Actual	Total Budget
Operating Expenses														
Creative Design													\$0	\$2,400
Collateral Materials													0	4,200
Promotion	1,248	684	500	625	224	699	566	448	542	1,000	777	1,024	8,337	4,800
Public Relations & Advertising	5,842	10,113	6,636	1,020	(2,038)	2,133	5,202	10,065	7,961	2,880	9,696	2,303	61,813	76,500
Member Events	161			150								120	431	3,500
Site Visits													0	6,900
Web Site	400	400	800		400	800	400	400	400	400		800	5,200	4,800
Total Operating Expenses	7,651	11,197	7,936	1,795	(1,414)	3,632	6,168	10,913	8,903	4,280	10,473	4,247	75,781	103,100
Net Profit (Loss)	(7,651)	(11,197)	(7,936)	(1,795)	1,414	(3,632)	(6,168)	(10,913)	(8,903)	(4,280)	(10,473)	(4,247)	(75,781)	(103,100)

**Coco Beach Golf & Country Club
Building
For the Twelve Months Ending December 31, 2012**

	Jan Actual	Feb Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	Sept Actual	Oct Actual	Nov Actual	Dec Actual	Total Actual	Total Budget
Payroll & Related														
Wages	\$7,981	\$8,871	\$13,134	\$9,072	\$10,809	\$9,467	\$9,251	\$9,949	\$11,952	\$9,253	\$13,234	\$14,401	\$127,374	\$114,223
Employee Taxes	751	899	1,414	864	712	432	483	542	684	473	689	928	8,871	10,850
Employee Benefits	1,120	1,387	1,497	1,403	1,123	1,272	1,029	1,283	1,098	1,106	1,333	1,141	14,792	21,337
Total Payroll & Related	9,852	11,157	16,045	11,339	12,644	11,171	10,763	11,774	13,734	10,832	15,256	16,470	151,037	146,410
Operating Expenses														
HVAC			1,760	240	1,125	854			2,029	1,200	735	1,140	9,083	11,400
Operating Supplies & Expense	2,383	1,192	880	31	517	32	1,636	510	1,062	674	27		8,944	6,000
Pest Control			600	200		400			600	200		200	2,400	2,400
Waste Disposal				1,100		752	500						2,352	5,700
Heliport					150	655						655	1,460	
Cleaning & Janitorial Supplies	1,861	3,258	67	833	519	1,179	638	684	1,169	496	2,056	1,920	14,680	6,950
Cleaning Contract				528	1,200								1,728	5,000
Building Repairs	523							(138)		333	1,116	277	2,111	18,000
Decorations and Interior Plants												1,738	1,738	3,600
Dust Control													0	1,200
Electrical and Mechanical		468	186	592	370	918		1,206		64	1,679		5,483	10,800
Elevators	1,946			600		1,643		450	450	450	1,850	(900)	6,289	6,300
Equipment Rental													0	1,800
Fountain & Spa Maintenance	595			605		315		315	740		315		2,885	3,600
Fire Protection			1,206	829		347					876		3,258	2,400
Generator Maint.													0	4,500
Painting & Decorating	892	1,296			2,836		256		471	478		451	6,680	7,200
Permits													0	2,400
Tools & Supplies	1,149					8	154	777	691			364	3,143	4,800
Uniforms			846		21				659			64	1,590	2,400
Housekeeping Uniforms													0	1,500
Total Operating Expenses	9,349	6,214	5,545	5,558	6,738	7,103	3,184	3,804	7,871	3,895	8,654	5,909	73,824	107,950
Net Profit (Loss)	(19,201)	(17,371)	(21,590)	(16,897)	(19,382)	(18,274)	(13,947)	(15,578)	(21,605)	(14,727)	(23,910)	(22,379)	(224,361)	(254,360)

**Coco Beach Golf & Country Club
Utilities
For the Twelve Months Ending December 31, 2012**

	Jan Actual	Feb Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	Sept Actual	Oct Actual	Nov Actual	Dec Actual	Total Actual	Total Budget
Operating Expenses														
Electricity	\$37,031	\$44,077	\$52,318	\$38,340	\$40,471	\$40,106	\$38,119	\$36,884	\$39,835	\$40,176	\$32,228	\$31,651	\$471,245	\$366,000
Gas	2,166	1,972	1,501	1,507	2,349	2,081	1,101	1,116	1,733	1,129	644	1,888	19,187	
Water & Sewer	4,000	4,000	4,000	7,933	4,000	3,005	3,019	4,000	3,013	3,110	4,000	3,072	43,152	54,960
Irrigation Fees		2,000	2,000	5,736	2,000	1,655	13,331	2,000	9,314	3,540	2,000	555	44,130	42,000
Diesel													0	4,000
Total Operating Expenses	39,197	52,049	59,819	53,524	48,820	46,847	55,570	44,000	53,895	47,955	38,872	37,166	577,714	466,960
Net Profit (Loss)	(39,197)	(52,049)	(59,819)	(53,524)	(48,820)	(46,847)	(55,570)	(44,000)	(53,895)	(47,955)	(38,872)	(37,166)	(577,714)	(466,960)

Coco Beach Golf & Country Club
Consolidated Financial Statement
For the Twelve Months Ending December 31, 2012

	YTD 2012	% of Sales	YTD Budget	% of Sales	Variance to Budget
Golf Rounds	20,952		30,655		(9,703)
Income					
Golf Operations	\$1,939,289	64.0%	\$3,138,201	70.7%	(\$1,198,912)
Food & Beverage	880,717	29.1%	1,088,569	24.5%	(207,852)
Other Income	210,112	6.9%	212,400	4.8%	(2,288)
Total Income	3,030,118	100.0%	4,439,170	100.0%	(1,409,052)
Cost of Sales					
Merchandise	151,658	5.0%	240,361	5.4%	(88,703)
Food & Beverage	249,431	8.2%	326,308	7.4%	(76,877)
Total Cost of Sales	401,089	13.2%	566,669	12.8%	(165,580)
Payroll & Related					
Golf Operations	1,525,036	50.3%	1,697,870	38.2%	(172,834)
Food & Beverage	317,792	10.5%	325,604	7.3%	(7,812)
General & Administrative	298,141	9.8%	260,807	5.9%	37,334
Building Maintenance	151,034	5.0%	146,411	3.3%	4,623
Total Payroll & Related	2,292,003	75.6%	2,430,692	54.8%	(138,689)
Operating Expenses					
Golf Operations	764,790	25.2%	857,820	19.3%	(93,030)
Food & Beverage	58,232	1.9%	80,100	1.8%	(21,868)
General & Administrative	289,661	9.6%	278,348	6.3%	11,313
Marketing	75,779	2.5%	103,100	2.3%	(27,321)
Building Maintenance	73,823	2.4%	107,950	2.4%	(34,127)
Utilities	577,712	19.1%	466,960	10.5%	110,752
Total Operating Expenses	1,839,997	60.7%	1,894,278	42.7%	(54,281)
Income Before Fixed Charges	(1,502,971)	-49.6%	(452,469)	-10.2%	(1,050,502)
Fixed Charges					
Common Area Maintenance	6,159	0.2%	14,400	0.3%	(8,241)
Golf Course Maintenance Land Rent	5,400	0.2%	5,400	0.1%	0
Insurance	96,092	3.2%	110,400	2.5%	(14,308)
Management Fee	126,904	4.2%	190,201	4.3%	(63,297)
Property Tax	35,828	1.2%	36,000	0.8%	(172)
Municipal Tax	12,743	0.4%	12,000	0.3%	743
Total Fixed Charges	283,126	9.3%	368,401	8.3%	(85,275)
Net Operating Income	(1,786,097)	-58.9%	(820,870)	-18.5%	(965,227)
Less Interest Expense Bonds	(1,494,490)	-49.3%	(1,494,486)	-33.7%	(4)
Less Interest Expense-Grid Note	(61,859)	-2.0%	(82,621)	-1.9%	20,762
Less Bond Issuance Costs	(64,416)	-2.1%	(64,416)	-1.5%	0
Less Capital Lease Interest Expense	(6,564)	-0.2%	(783)	0.0%	(5,781)
Less Depreciation	(1,485,918)	-49.0%	(1,680,000)	-37.8%	194,082
Less TDF Fees	(853,836)	-28.2%	(386,922)	-8.7%	(466,914)
Less Trustee Fees	(4,500)	-0.1%	(6,000)	-0.1%	1,500
Add Interest Income/Restricted Funds	1,935	0.1%	3,600	0.1%	(1,665)
Add Interest Income FF&E Account	7	0.0%		0.0%	7
Net Profit (Loss)	(5,755,738)	-190.0%	(4,532,498)	-102.1%	(1,223,240)

Coco Beach Golf & Country Club
Golf Operations
For the Twelve Months Ending December 31, 2012

	YTD 2012	% of Sales	YTD Budget	% of Sales	Variance to Budget
Golf Rounds	20,952		30,655		(9,703)
Income					
Member Dues	\$177,821	9.2%	\$285,350	9.1%	(\$107,529)
Green Fees	772,649	39.8%	1,445,886	46.1%	(673,237)
Cart Fees	550,860	28.4%	830,504	26.5%	(279,644)
Tournament Fee	40,000	2.1%	40,000	1.3%	0
Merchandise	288,597	14.9%	437,020	13.9%	(148,423)
Other Income	109,362	5.6%	99,441	3.2%	9,921
Total Income	1,939,289	100.0%	3,138,201	100.0%	(1,198,912)
Cost of Sales					
Merchandise COS	151,658	52.6%	240,361	55.0%	(88,703)
Total Cost of Sales	151,658	52.6%	240,361	55.0%	(88,703)
Payroll & Related					
Golf Ops Wages	402,287	20.7%	407,438	13.0%	(5,151)
Golf Maintenance Wages	816,727	42.1%	853,670	27.2%	(36,943)
Employee Taxes	127,415	6.6%	131,294	4.2%	(3,879)
Employee Benefits	178,610	9.2%	305,467	9.7%	(126,857)
Total Payroll & Related	1,525,039	78.6%	1,697,869	54.1%	(172,830)
Operating Expenses					
Golf Operations					
Dues & Subscriptions	592	0.0%	1,500	0.0%	(908)
Meetings & Seminars	1,177	0.1%	3,500	0.1%	(2,323)
Handicap Service	3,550	0.2%	1,800	0.1%	1,750
Laundry & Dry Cleaning	1,059	0.1%	2,400	0.1%	(1,341)
Linen	11,127	0.6%	6,000	0.2%	5,127
Members Amenities		0.0%	4,800	0.2%	(4,800)
Supplies - Bag Room	10,824	0.6%	12,500	0.4%	(1,676)
Supplies - Golf Shop	2,197	0.1%	6,000	0.2%	(3,803)
Supplies- Locker Room	1,820	0.1%	12,000	0.4%	(10,180)
Supplies - Range	1,513	0.1%	9,500	0.3%	(7,987)
Printing & Stationery	3,906	0.2%	4,800	0.2%	(894)
Rental Clubs	1,591	0.1%	1,200	0.0%	391
Rental Shoes	1,500	0.1%	1,500	0.0%	0
Telephone & Pagers	2,618	0.1%	2,400	0.1%	218
Signage	2,880	0.1%		0.0%	2,880
Uniforms	6,300	0.3%	13,200	0.4%	(6,900)
Total Operations Expenses	52,654	2.7%	83,100	2.6%	(30,446)
Golf Maintenance					
Consulting & Testing	26,130	1.3%		0.0%	26,130
Dues & Subscriptions	540	0.0%	700	0.0%	(160)
Contract Labor	21,057	1.1%	15,000	0.5%	6,057
Course Supplies	3,088	0.2%	12,000	0.4%	(8,912)
Equipment Rentals		0.0%	1,000	0.0%	(1,000)
Fertilizers	269,085	13.9%	356,000	11.3%	(86,915)
Treatments & Pesticides	1,064	0.1%	36,000	1.1%	(34,936)
Gas & Oil	109,142	5.6%	128,400	4.1%	(19,258)
Generator Maint.		0.0%	2,400	0.1%	(2,400)
Meetings & Seminars		0.0%	3,000	0.1%	(3,000)
Mosquito Control		0.0%	3,000	0.1%	(3,000)
Operating Supplies-Maint Bldg	631	0.0%	4,800	0.2%	(4,169)
Refuse Removal	4,615	0.2%	3,600	0.1%	1,015

Coco Beach Golf & Country Club
Golf Operations
For the Twelve Months Ending December 31, 2012

	YTD 2012	% of Sales	YTD Budget	% of Sales	Variance to Budget
Repairs & Maint.-Building	179	0.0%	2,400	0.1%	(2,221)
Repairs & Maint.-Irrigation & Drain	18,499	1.0%	18,000	0.6%	499
Repairs & Maint.-Equip & Machine	145,436	7.5%	125,000	4.0%	20,436
Repairs & Supplies - Carts	31,527	1.6%	6,000	0.2%	25,527
Sand, Soil & Stone	67,148	3.5%	24,000	0.8%	43,148
Tools & Supplies	840	0.0%	4,500	0.1%	(3,660)
Plant, Seed, Sod	11,356	0.6%	3,000	0.1%	8,356
Telephone & Pagers	1,721	0.1%	1,920	0.1%	(199)
Uniforms	80	0.0%	24,000	0.8%	(23,920)
Total Maintenance Expenses	712,138	36.7%	774,720	24.7%	(62,582)
Landscape					
Total Operating Expenses	764,792	39.4%	857,820	27.3%	(93,028)
Net Profit (Loss)	(502,200)	-25.9%	342,151	10.9%	(844,351)

Coco Beach Golf & Country Club
Food and Beverage
For the Twelve Months Ending December 31, 2012

	YTD 2012	% of Sales	YTD Budget	% of Sales	Variance to Budget
Golf Rounds	20,952		30,655		(9,703)
Income					
Grill & Lounge Food	\$69,432	7.9%	\$61,310	5.6%	\$8,122
Catering Food	444,667	50.5%	586,732	53.9%	(142,065)
Course Outlet Food	43,341	4.9%	61,310	5.6%	(17,969)
Total Food Sales	557,440	63.3%	709,352	65.2%	(151,912)
Grill & Lounge Beverage	53,792	6.1%	91,965	8.4%	(38,173)
Catering Beverage	54,289	6.2%	30,771	2.8%	23,518
Course Outlet Beverage	148,869	16.9%	176,267	16.2%	(27,398)
Total Beverage Sales	256,950	29.2%	299,003	27.5%	(42,053)
Grill & Lounge Wine	4,281	0.5%	15,328	1.4%	(11,047)
Catering Wine	11,002	1.2%	15,386	1.4%	(4,384)
Total Wine Sales	15,283	1.7%	30,714	2.8%	(15,431)
Other Income	51,048	5.8%	49,500	4.5%	1,548
Total Income	880,721	100.0%	1,088,569	100.0%	(207,848)
Cost of Sales					
Food Cost	183,199	32.9%	248,273	35.0%	(65,074)
Beverage Cost	62,525	24.3%	68,771	23.0%	(6,246)
Wine Cost	3,708	24.3%	9,264	30.2%	(5,556)
Total Cost of Sales	249,432	28.3%	326,308	30.0%	(76,876)
Payroll & Related					
Wages	138,401	15.7%	122,032	11.2%	16,369
Front of House Wages	117,923	13.4%	112,958	10.4%	4,965
Employee Taxes	27,302	3.1%	34,560	3.2%	(7,258)
Employee Benefits	34,164	3.9%	56,054	5.1%	(21,890)
Total Payroll & Related	317,790	36.1%	325,604	29.9%	(7,814)
Operating Expenses					
Bar Snacks		0.0%	2,400	0.2%	(2,400)
China, Glass, Silver	4,227	0.5%	8,700	0.8%	(4,473)
Contract Cleaning	12,014	1.4%	5,700	0.5%	6,314
Equipment Leased		0.0%	3,600	0.3%	(3,600)
Equipment Repairs	4,671	0.5%	3,900	0.4%	771
Kitchen Fuel	251	0.0%	2,400	0.2%	(2,149)
Laundry & Dry Cleaning	1,339	0.2%	3,600	0.3%	(2,261)
Licenses & Permits	4,900	0.6%	1,300	0.1%	3,600
Linen Rental	10,348	1.2%	14,000	1.3%	(3,652)
Operating Supplies & Expense	9,377	1.1%	8,700	0.8%	677
Paper Products Supplies	6,679	0.8%	4,800	0.4%	1,879
Printing & Stationery	1,292	0.1%	2,400	0.2%	(1,108)
Refuse Removal		0.0%	3,600	0.3%	(3,600)
Smallwares		0.0%	3,600	0.3%	(3,600)
Spoilage & Waste	500	0.1%	3,000	0.3%	(2,500)
Telephone	1,880	0.2%	2,400	0.2%	(520)
Uniforms	751	0.1%	6,000	0.6%	(5,249)
Total Operating Expenses	58,229	6.6%	80,100	7.4%	(21,871)
Net Profit (Loss)	255,270	29.0%	356,557	32.8%	(101,287)

Coco Beach Golf & Country Club
General and Administrative
For the Twelve Months Ending December 31, 2012

	YTD 2012	% of Sales	YTD Budget	% of Sales	Variance to Budget
Golf Rounds	20,952		30,655		(9,703)
Payroll & Related					
Wages	\$244,073		\$207,053		\$37,020
Employee Taxes	21,551		18,196		3,355
Employee Benefits	32,518		35,557		(3,039)
Total Payroll & Related	298,142		260,806		37,336
Operating Expenses					
Accounting & Audit	29,500		24,000		5,500
Bank Charges	56,879		92,062		(35,183)
Computer Expense	25,333		12,000		13,333
Directors & Officers Expense			12,000		(12,000)
Dues & Subscriptions	260		600		(340)
Employee Relations	894		3,200		(2,306)
Legal Fees	59,110		36,000		23,110
Meetings & Seminars	628		1,250		(622)
Music & Cable	2,947		3,000		(53)
Operating Equip Leases	5,281		7,548		(2,267)
Office Supplies	3,327		5,400		(2,073)
Operating Expenses	2,879		5,400		(2,521)
Payroll & HR Fee	31,200		31,200		0
Postage	1,370		2,400		(1,030)
Printing & Stationery	361		2,004		(1,643)
Security	37,106		6,000		31,106
Telephone & Pagers	31,883		31,884		(1)
Uniforms	705		2,400		(1,695)
Total Operating Expenses	289,663		278,348		11,315
Net Profit (Loss)	(587,805)		(539,154)		(48,651)

**Coco Beach Golf & Country Club
Marketing
For the Twelve Months Ending December 31, 2012**

	YTD 2012	% of Sales	YTD Budget	% of Sales	Variance to Budget
Golf Rounds	20,952		30,655		(9,703)
Operating Expenses					
Creative Design			\$2,400		(\$2,400)
Collateral Materials			4,200		(4,200)
Promotion	8,337		4,800		3,537
Public Relations & Advertising	61,813		76,500		(14,687)
Member Events	431		3,500		(3,069)
Site Visits			6,900		(6,900)
Web Site	5,200		4,800		400
Total Operating Expenses	75,781		103,100		(27,319)
Net Profit (Loss)	(75,781)		(103,100)		27,319

**Coco Beach Golf & Country Club
Building
For the Twelve Months Ending December 31, 2012**

	YTD 2012	% of Sales	YTD Budget	% of Sales	Variance to Budget
Golf Rounds	20,952		30,655		(9,703)
Payroll & Related					
Wages	\$127,374		\$114,223		\$13,151
Employee Taxes	8,871		10,850		(1,979)
Employee Benefits	14,792		21,337		(6,545)
Total Payroll & Related	151,037		146,410		4,627
Operating Expenses					
HVAC	9,083		11,400		(2,317)
Operating Supplies & Expense	8,944		6,000		2,944
Pest Control	2,400		2,400		0
Waste Disposal	2,352		5,700		(3,348)
Heliport	1,460				1,460
Cleaning & Janitorial Supplies	14,680		6,950		7,730
Cleaning Contract	1,728		5,000		(3,272)
Building Repairs	2,111		18,000		(15,889)
Decorations and Interior Plants	1,738		3,600		(1,862)
Dust Control			1,200		(1,200)
Electrical and Mechanical	5,483		10,800		(5,317)
Elevators	6,289		6,300		(11)
Equipment Rental			1,800		(1,800)
Fountain & Spa Maintenance	2,885		3,600		(715)
Fire Protection	3,258		2,400		858
Generator Maint.			4,500		(4,500)
Painting & Decorating	6,680		7,200		(520)
Permits			2,400		(2,400)
Tools & Supplies	3,143		4,800		(1,657)
Uniforms	1,590		2,400		(810)
Housekeeping Uniforms			1,500		(1,500)
Total Operating Expenses	73,824		107,950		(34,126)
Net Profit (Loss)	(224,861)		(254,360)		29,499

Coco Beach Golf & Country Club
Utilities
For the Twelve Months Ending December 31, 2012

	YTD 2012	% of Sales	YTD Budget	% of Sales	Variance to Budget
Golf Rounds	20,952		30,655		(9,703)
Operating Expenses					
Electricity	\$471,245		\$368,000		\$105,245
Gas	19,187				\$19,187
Water & Sewer	43,151		54,960		(\$11,809)
Irrigation Fees	44,131		42,000		\$2,131
Diesel			4,000		(\$4,000)
Total Operating Expenses	577,714		466,960		110,754
Net Profit (Loss)	(577,714)		(466,960)		(110,754)

Gran Meliá Occupancy 2012

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD	Projected Annual	BUDGET	DIFF
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual		Actual / Forecast	2012	Actual vs. Budget
Occupancy %	52.5%	67.1%	75.5%	65.0%	52.0%	51.3%	85.9%	57.1%	47.6%	43.7%	55.6%	64.3%	59.8%	59.8%	56.0%	3.8%
Occupied Rooms	7,911	9,452	11,382	9,477	7,834	7,484	12,935	8,596	6,940	6,582	8,109	9,684	106,386	106,386	86,593	19,793
Available Rooms	15,066	14,094	15,066	14,580	15,066	14,580	15,066	15,066	14,580	15,066	14,580	15,066	177,876	177,876	154,062	23,814
Sol Melia Golf Rounds	350	452	259	308	128	114	67	58	25	61	132	329	2,283	2,283	4,025	(1,742)
Capture Ratio Per Occ Rm	4.42%	4.78%	2.28%	3.25%	1.63%	1.52%	0.52%	0.67%	0.36%	0.93%	1.63%	3.40%	2.15%	2.15%	4.65%	-2.50%

Coco Beach Golf & Country Club, S.E.

Financial Statements

December 31, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Partners of
Coco Beach Golf & Country Club, S.E.

We have audited the accompanying financial statements of Coco Beach Golf & Country Club, S.E. (the Partnership), which comprise the balance sheets as of December 31, 2012, and the related statements of operations, partners' deficit, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Partnership's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Partners of
Coco Beach Golf & Country Club, S.E.
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Opinion

In our opinion, the 2012 financial statements referred to in the preceding page present fairly, in all material respects, the financial position of Coco Beach Golf & Country Club, S.E. as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Related Parties

As discussed in Note 1, the Partnership is a member of a group of affiliated companies through common ownership and management. During the years ended December 31, 2012 and 2011, the Partnership had significant transactions with its affiliates at terms and conditions arranged by management of the affiliated group, accordingly, the accompanying financial statements may not necessarily be indicative of the conditions that would have existed or the results of operations if the Partnership had been operated as an unaffiliated entity. These transactions mostly included non-interest bearing cash advances to be used in the regular operations of the Partnership.

Loan Payable

As discussed in Note 8, during 2012 and 2011, the AFICA loan payable principal and interest payments due, were done by transferring funds from the debt service fund account to the loan payable fund account. This situation caused the Partnership to default on the required balance to be maintained on the debt service fund account. The replenishment of the debt service fund account is being made by Tourism Development Fund (TDF). The Partnership had not been able to pay TDF fees amounting as required by the letter of credit agreement.

With the consent of TDF, this event of default gives the undersigned Trustee the right to declare the AFICA loan payable immediately due and payable and to take any action at law or in equity to collect the payments then due and thereafter to become due, and to enforce performance and observance of any obligation, agreement of covenant under the loan agreement and all the related collateral documents. Also, as a result of the event of default for which no waiver has been issued as of and for the years ended December 31, 2012 and 2011 by any of the counterparties, the total outstanding balance of the AFICA loan payable at such dates amounting to \$24,826,894 and \$25,560,114, respectively, was reclassified as a current liability. As required by various agreements related to the AFICA loan payable, the Partnership is required to comply with certain covenants. Due to the event of default on the AFICA loan payable there are certain covenants not being met by the Partnership.

To the Partners of
Coco Beach Golf & Country Club, S.E.
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Other Matters

The financial statements of the Partnership as of December 31, 2011 were audited by other auditors whose report dated July 27, 2012 expressed an unmodified opinion on those statements.

The accompanying financial statements have been prepared assuming that the Partnership will continue as a going concern. As shown in the accompanying financial statements, the Partnership has incurred losses of \$5,755,739 and \$6,393,578 for the years ended December 31, 2012 and 2011, respectively, and as of that date, had a working capital deficiency of \$29,305,844 and \$27,120,726, respectively, and a net worth deficiency of \$17,381,118 and \$11,625,379, respectively. Total cumulative losses as of December 31, 2012 amounted to \$50,821,586 and as described more fully in note 2 of financial statements, the continued operations of the Partnership are dependent upon its ability to attract customers and control operating expenses. The Club Manager has developed a plan to achieve and maintain positive operating cash flows sufficient to allow the Partnership to continue as a going concern. Those conditions raise substantial doubt about the Partnership's ability to continuing as going concern. The financial statements do not include any adjustment that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.



FPU & Galindez

San Juan, Puerto Rico
October 31, 2013

Coco Beach Golf & Country Club, S.E.

Balance Sheets

December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current assets:		
Cash	\$ 87,297	\$ 63,961
Interest bearing deposits held in trust - restricted	636,562	692,877
Accounts and other receivable	130,169	123,763
Inventories	98,789	100,811
Prepaid expenses	104,351	119,973
Total current assets	<u>1,057,168</u>	<u>1,101,385</u>
Property, plant and equipment, net	48,497,211	49,723,581
Debt issue costs	403,646	436,278
Other assets	12,500	12,500
Total assets	<u><u>49,970,525</u></u>	<u><u>51,273,744</u></u>
Liabilities and Partners' Deficit		
Current liabilities:		
Obligations under capital leases	72,188	174,921
Loan payable	24,826,894	25,560,114
Accounts payable	1,095,199	1,071,431
Accrued expenses	228,006	523,168
Accrued interest on note payable to partner	954,336	892,477
Other liabilities	3,186,389	-
Total current liabilities	<u>30,363,012</u>	<u>28,222,111</u>
Due to partner	26,705,907	26,566,223
Note payable to partner	1,573,897	1,573,897
Due to affiliates	8,305,640	6,096,744
Deposits	403,187	440,148
Total liabilities	<u>67,351,643</u>	<u>62,899,123</u>
Partners' deficit	<u>(17,381,118)</u>	<u>(11,625,379)</u>
Total liabilities and partners' deficit	<u><u>\$ 49,970,525</u></u>	<u><u>\$ 51,273,744</u></u>

See notes to financial statements

Coco Beach Golf & Country Club, S.E.

Statements of Operations

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenue:		
Golf	\$ 1,650,692	\$ 1,690,256
Food and beverage	880,717	834,685
Pro shop	<u>288,597</u>	<u>335,605</u>
Total revenue	<u>2,820,006</u>	<u>2,860,546</u>
Direct costs and expenses:		
Golf	2,287,209	2,151,417
Food and beverage	623,575	621,500
Pro shop	<u>151,658</u>	<u>196,573</u>
Total direct costs and expenses	<u>3,062,442</u>	<u>2,969,490</u>
Gross loss	<u>(242,436)</u>	<u>(108,944)</u>
Operating expenses:		
Selling, general, and administrative	2,485,209	1,802,809
Management fees	126,904	128,730
Depreciation and amortization	<u>1,485,919</u>	<u>1,671,282</u>
Total operating expenses	<u>4,098,032</u>	<u>3,602,821</u>
Loss before other income (expenses)	<u>(4,340,468)</u>	<u>(3,711,765)</u>
Other income (expenses):		
Interest income	2,054	18,496
Other income	210,000	295,000
Interest expense	(1,562,913)	(1,781,911)
Amortization of debt issue costs and loan discount	(64,412)	(68,499)
Loss on refunded debt	<u>-</u>	<u>(1,144,899)</u>
Total other expenses, net	<u>(1,415,271)</u>	<u>(2,681,813)</u>
Net loss	<u>\$ (5,755,739)</u>	<u>\$ (6,393,578)</u>

See notes to financial statements

Coco Beach Golf & Country Club, S.E.

Statements of Partners' Deficit

Years Ended December 31, 2012 and 2011

	Coco Beach Development Corporation	Decedent's estate of Arturo Díaz, Jr.	Total
Partners' deficit, December 31, 2010	\$ (4,425,803)	\$ (805,998)	\$ (5,231,801)
Net loss	<u>(5,754,220)</u>	<u>(639,358)</u>	<u>(6,393,578)</u>
Partners' deficit, December 31, 2011	(10,180,023)	(1,445,356)	(11,625,379)
Net loss	<u>(5,180,165)</u>	<u>(575,574)</u>	<u>(5,755,739)</u>
Partners' deficit, December 31, 2012	<u>\$ (15,360,188)</u>	<u>\$ (2,020,930)</u>	<u>\$ (17,381,118)</u>

See notes to financial statements

Coco Beach Golf & Country Club, S.E.

Statements of Cash Flows

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Net loss	\$ (5,755,739)	\$ (6,393,578)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,485,919	1,671,282
Loss on refunded debt - unamortized debt issue costs	-	877,707
Loss on refunded debt - unamortized loan discount	-	267,192
Amortization of debt issue costs	32,632	40,080
Amortization of loan discount	31,780	28,419
Decrease (increase) in assets:		
Accounts and other receivables	(6,406)	63,649
Inventories	2,022	52,599
Prepaid expenses	15,622	(2,259)
Increase (decrease) in liabilities:		
Accounts payable	23,768	280,687
Accrued expenses	(295,162)	(147,591)
Accrued interest on note payable to partner	61,859	82,630
Deposits	(36,961)	24,836
Net cash used in operating activities	<u>(4,440,666)</u>	<u>(3,154,347)</u>
Cash flows from investing activities:		
Withdrawal from the debt service reserve fund, net	2,257,555	663,188
Additions of property plant and equipment	<u>(259,549)</u>	<u>(31,485)</u>
Net cash provided by investing activities	<u>1,998,006</u>	<u>631,703</u>
Cash flows from financing activities:		
Principal payments under capital leases	(102,733)	(167,487)
Advances from partners	139,684	279,760
Advances from affiliates	2,208,896	2,426,393
Proceeds from loan	-	746,965
Loan principal payments	(765,000)	(370,000)
Debt issue costs of new debt issuance	-	(460,039)
Other liabilities	985,149	-
Net cash provided by financing activities	<u>2,465,996</u>	<u>2,455,592</u>
Net change in cash	23,336	(67,052)
Cash, beginning of year	<u>63,961</u>	<u>131,013</u>
Cash, end of year	<u>\$ 87,297</u>	<u>\$ 63,961</u>

See notes to financial statements

Coco Beach Golf & Country Club, S.E.

Notes to Financial Statements

December 31, 2012 and 2011

Note 1 - Organization and Summary of Significant Accounting Policies

Coco Beach Golf & Country Club, S.E. (the Partnership or the Club) is a special partnership organized on December 30, 1999 under the laws of the Commonwealth of Puerto Rico to acquire, develop, construct, own, use, sell, lease, operate, and manage two 18 holes championship golf courses, a clubhouse, and related facilities in the municipality of Rio Grande, Puerto Rico. During February 2008, the Club changed its name to the Trump International Golf Club Puerto Rico (the Club Manager). The property was developed in two phases, the first one entailed the construction of the first 18 holes championship golf course, a clubhouse for the two golf courses, and the installation of the land and irrigation system for the second golf course. This phase was completed during 2004. The second phase, which was completed in April 2005, consisted of the construction of the second 18 holes golf course. The partners of the Partnership are Coco Beach Development Corporation (CBDC or the Managing Partner) and Mr. Arturo Díaz, Jr. (Díaz), owner of CBDC, who passed away in October 2012.

The Partnership is a member of a group of affiliated companies through common ownership and management. During the years ended December 31, 2012 and 2011, the Partnership had significant transactions with its affiliates at terms and conditions arranged by management of the affiliated group, accordingly, the accompanying financial statements may not necessarily be indicative of the conditions that would have existed or the results of operations if the Partnership had been operated as an unaffiliated entity. These transactions mostly included non-interest bearing cash advances to be used in the regular operations of the Partnership.

The following is a summary of significant accounting policies followed by the Partnership:

Use of Estimates

The preparation of the financial statements requires the Partnership to make estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Significant item subject to such estimate and assumptions include the carrying amount of property and equipment. Actual results could differ from those estimates.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined principally using the first in, first out (FIFO) method.

Coco Beach Golf & Country Club, S.E.

Notes to Financial Statements

December 31, 2012 and 2011

Note 1 - Organization and Summary of Significant Accounting Policies – (Continued)

Property, Plant and Equipment

Property plant and equipment are stated at cost less accumulated depreciation and amortization. Equipment under capital leases is initially recorded at the present value of minimum lease payments. Depreciation and amortization is calculated on the straight-line method over the estimated useful lives of the assets as follows:

<u>Description</u>	<u>Estimated useful lives (in years)</u>
Buildings and structures	30 - 40
Land improvements	15
Furniture, fixtures, and equipment	4 - 10

Equipment under capital leases is amortized on the straight-line method over the shorter of the lease term or estimated useful life of the asset.

Maintenance and repair costs are recorded as expenses as incurred while improvements and renewals to the property are capitalized.

Income Taxes

The Partnership has elected special partnership status and operates under Subchapter K of the Puerto Rico Internal Revenue Code of 1994, as amended. As a special partnership, the Partnership is not subject to income taxes, but rather, the income or loss of the Partnership is reportable by the partners in their tax returns, so long as the Partnership complies with certain provisions of Subchapter K. Management of the Partnership believes the Partnership complied with the provisions of the Subchapter K. Accordingly, no provision for Puerto Rico income taxes has been made in the accompanying financial statements.

Discount on Loan and Debt Issue Costs

Discount on loan and debt issue costs related to the Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority (AFICA) loan payable has been deferred and is being amortized over the terms of the debt using a method, which approximates the interest method. Amortizations of discount and debt issue costs were capitalized as financing costs during the construction period. Subsequent to the construction period, such amortization is recognized as expense in the accompanying statements of operations. The amortization of discount and debt issue costs at December 31, 2012 and 2011 amounted to \$64,412 and \$68,499, respectively.

Notes to Financial Statements

December 31, 2012 and 2011

Note 1 - Organization and Summary of Significant Accounting Policies – (Continued)

Impairment of Long-Lived Assets

Long-lived assets, consisting of property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimate undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

During 2012 and 2011, the management of the Partnership has evaluated the circumstances that may trigger an impairment of its long lived assets that are principally associated with the golf courses as to their ability to recover its current carrying amount. Although external conditions have changed during the past years, management still believes that such changes have not been yet enough to the extent that the carrying value of the assets of the Partnership may not be recoverable during the remaining useful lives of such assets. In deed, management still have active other development projects plans that will come to interact along with the existing facilities of the Partnership and that new businesses might develop in the future. Nevertheless, the result of such projects could not be presently determined. Management will closely monitor on a year-to-year basis the upcoming events as to their effect, if any, over the Partnership operations and the recoverability of its long lived assets.

Membership Deposits

Any person who wishes to become a member of the Club will be required to pay a one-time membership deposit, the amount of which will be determined by the Partnership from time to time at its sole discretion.

Membership deposits will be refunded no later than 30 years from the date of the member's admission to the Club and, accordingly, have been presented as deposits in the accompanying balance sheets.

Revenue Recognition

Golf revenue is recognized when the rounds are paid. Food and beverage and pro shop revenue is recognized when the services are performed or at the point of sale.

Coco Beach Golf & Country Club, S.E.

Notes to Financial Statements

December 31, 2012 and 2011

Note 1 - Organization and Summary of Significant Accounting Policies – (Continued)

Subsequent events

The Partnership has evaluated the impact of subsequent events through October 31, 2013 which is the date these financial statements were issued, except for the matters discussed in Note 15, no events have occurred subsequent to the balance sheet date and to the date the financial statements were available to be issued, that would require adjustments to, or disclosure in, the financial statements.

Reclassifications

Certain reclassifications have been made in the prior year figures to conform with the current year presentation.

Note 2 - Operations

The Partnership's financial statements for the years ended December 31, 2012 and 2011 have been prepared on a going concern basis, which contemplates the realization of assets and liabilities and commitments in the normal course of business. The Partnership has incurred losses of \$5,755,739 and \$6,393,578 and negative working capital of \$29,305,844 and \$27,120,726 for the years ended December 31, 2012 and 2011, respectively. Total cumulative losses as of December 31, 2012 amounted to \$50,821,586.

The continued operations of the Partnership are dependant upon its ability to attract customers and control operating expenses. The Club Manager has developed a plan to achieve and maintain positive operating cash flows sufficient to allow the Partnership to continue as a going concern. In particular, the Club Manager has developed programs to attract members, while containing operating costs. Also Betterroads Asphalt Corp. and Empresas Díaz Inc., which are affiliated entities of the Partnership, are under negotiations with local governmental entities to expedite certain payments in arrears on behalf of Betterroads Asphalt Corp. Such monies would be used to pay all AFICA installments payments in arrears including principal and interests thereof, to make the funds reimbursement to the Puerto Rico Tourism Development Fund (TDF), to replenish the debt service reserve fund, to pay the payments in arrears regarding the TDF letter of credit fees and finally to continue making current and prospective required payments as scheduled originally. Negotiations are on the way with representatives from TDF to solve the event of default. Also negotiations are on the way with the Puerto Rico Aqueduct and Sewer Authority with respect to the operation of the used water treatment plant belonging to Coco Beach Utility Co. Inc., another affiliated entity. Management expects a cash surplus from this transaction which would be reassigned to the operations of the Partnership. Should, these transactions fail to end with a favorable outcome as managements expects, Betterroads Asphalt Corp. will assume full responsibility to fulfill all operating needs of the Partnership along with its liabilities and debts up to January 1, 2013.

Notes to Financial Statements

December 31, 2012 and 2011

Note 2 - Operations – (Continued)

The success of management's plans described earlier cannot be assured, as it is dependent upon future events and circumstances whose outcome cannot be anticipated.

Note 3 - Operations Agreements

a) Tournament Facilities Agreement

On January 24, 2007 the Partnership entered into a tournament facilities agreement with Puerto Rico Golf Foundation, Inc. (the Host Organization) and PGA Tour, Inc. to host a PGA tour event in Puerto Rico named Puerto Rico Open, a four day, 72 holes competition. On March 1, 2011 the Partnership obtained an extension of the term of the agreement up to 2017. Under the tournament facilities agreement, the Partnership shall have the exclusive right to produce, market, and retain all gross revenues derived from the sale of merchandise bearing the Golf facility logo. Notwithstanding, the Host Organization shall have the right to produce, market, and sell merchandise bearing the event logo at locations other than golf facilities and agreed to pay the Partnership a royalty at the rate of ten (10%) percent of the wholesale price of each item sold. The rental fee for use by the Host Organization of the golf facility and the member clubhouse shall be a flat fee of \$40,000 for each year which shall be paid on or before the conclusion of the event. The Host Organization shall provide, at its sole expense, commercial general liability insurance coverage for the injury or damage.

b) Service Agreement

The Partnership entered into a service agreement with Betterroads Asphalt Corp., Parent Company of CBDC, for certain predevelopment and development services, including among others, the negotiation of certain agreements, applying for permits, and authorizations for the construction of the Club, arranging for an AFICA loan, receiving and approving all requisitions to be submitted by the construction manager, monitoring the construction manager's compliance with its obligations, and maintaining records of the Club. On the date of the issuance of the AFICA loan, the Partnership paid Betterroads \$150,000 as consideration for the AFICA loan services presented as debt issue costs and a fee of \$50,000 as consideration for other development services included in property and equipment. No commitment is outstanding under the service agreement except for reimbursement of expenses to be incurred by Betterroads in performing its obligation there under.

Coco Beach Golf & Country Club, S.E.

Notes to Financial Statements

December 31, 2012 and 2011

Note 3 - Operations Agreements – (Continued)

c) Club Management Agreement

Effective January 2008, the Club entered into a management agreement with the Club Manager. Under the agreement, the Partnership shall pay a management fee equal to 4.5% of the annual operating revenue (as defined in the agreement) and 12.5% of the annual net profits of the Club. Management fees amounted to \$126,904 and \$128,730 for the years ended December 31, 2012 and 2011, respectively. In addition to the management fee, the Partnership shall reimburse the Club Manager for costs incurred in performing its obligation thereunder, which are approved and qualify as reimbursable expenses under the agreement.

d) Use and Access Agreement

During 2000 the Partnership and its Club Manager entered into a ten (10) year term use and access agreement with the owner and the manager of Gran Meliá Hotel, formerly known as Paradisus Puerto Rico Hotel (the Hotel). This agreement shall be automatically renewed for successive terms of one (1) year each, unless otherwise notified by either party. Such agreement permit guests staying at the Hotel to have access to the Club facilities and certain tee times for golf play, and to permit members of the Club and their guests to have access to the Hotel facilities in accordance with the terms of the agreement.

e) Prepayment Agreement

The Partnership has a prepayment agreement with certain of its affiliates in which within 30 days of the closing of the sale of any unit developed by an affiliated of the Partnership at its facilities, such affiliate is required to deposit \$85,000 with the trustee for the redemption of the loan payable with AFICA, except that in the case of the closing of the sale of a unit in the Trump Residences, the affiliates may defer depositing with the trustee \$45,000 with respect to each unit until the repayment of the construction facility for the Trump Residences. After the repayment of the construction facility, the affiliates must apply any excess cash flow after the payment of certain closing costs and other fees to the payment of such deferred amounts. For the year ended December 31, 2011, the affiliates had sold one unit, at the Trump Residences, from which \$85,000 was derived and recorded as other income. No unit was sold during the year ended December 31, 2012.

Coco Beach Golf & Country Club, S.E.

Notes to Financial Statements

December 31, 2012 and 2011

Note 4 - Interest Bearing Deposit Held in Trust - Restricted

At December 31, 2012 and 2011, trust funds amounting to \$636,562 and \$692,877, respectively, were held in interest bearing deposits to satisfy debt service reserve fund and loan payable fund requirements (See note 8). The type and outstanding amount of such interest bearing deposits are as follows:

<u>Type</u>	<u>2012</u>	<u>2011</u>
Debt service fund	\$ 635,051	\$ 648,645
Loan payable bond fund account	<u>1,511</u>	<u>44,232</u>
	<u>\$ 636,562</u>	<u>\$ 692,877</u>

Note 5 - Concentrations

Credit Risk

Financial instruments that potentially expose the Partnership to concentrations of credit risk consist principally of cash deposits and accounts receivable. As scheduled, the unlimited insurance coverage for noninterest-bearing transaction accounts provided under the Federal Deposit Insurance Corporation (FDIC) expired on December 31, 2012. Deposits held in noninterest-bearing transaction account, since January 1, 2013, are aggregated with any interest bearing deposits held in the same ownership category, and the combined total insured is up to \$250,000. As of December 31, 2012 the balances in excess of \$250,000 amounted to \$387,111. As of December 31, 2011 the Partnership had \$448,419 in interest bearing accounts in excess of \$250,000. The Partnership has not experienced any losses in such accounts in the past.

Financing

During the years ended December 31, 2012 and 2011, the Partnership received cash advances from partners amounting to \$139,684 and \$279,760, respectively. Also for the same periods, the Partnership received cash advances from affiliates amounting to \$2,208,896 and \$2,426,393, respectively. Given the reliance of the Partnership on this financing by its related parties, any change or curtailment of existing businesses between them would materially and adversely affect the Partnership's operations.

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Coco Beach Golf & Country Club, S.E.

Notes to Financial Statements

December 31, 2012 and 2011

Note 6 - Inventories

Inventories as of December 31, 2012 and 2011 consist of:

	<u>2012</u>	<u>2011</u>
Golf shop merchandise	\$ 68,870	\$ 70,024
Food	9,505	9,296
Beverage	16,059	14,436
Others	<u>4,355</u>	<u>7,055</u>
Total inventories	<u>\$ 98,789</u>	<u>\$ 100,811</u>

Note 7 - Property, Plant and Equipment

Property, plant and equipment as of December 31, 2012 and 2011 consist of:

	<u>2012</u>	<u>2011</u>
Land	\$ 28,728,977	\$ 28,728,977
Land improvements	9,584,651	9,584,651
Building and structures	16,243,891	16,243,891
Furniture, fixtures, and equipment	<u>5,440,443</u>	<u>5,180,894</u>
	59,997,962	59,738,413
Less accumulated depreciation and amortization	<u>(11,500,751)</u>	<u>(10,014,832)</u>
Total property, plant and equipment, net	<u>\$ 48,497,211</u>	<u>\$ 49,723,581</u>

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Coco Beach Golf & Country Club, S.E.

Notes to Financial Statements

December 31, 2012 and 2011

Note 8 - Loan Payable

The Partnership entered into an \$18 million loan agreement with AFICA to finance a portion of the Club. In connection with the loan agreement, AFICA issued the same principal amount in Tourism Revenue Bonds, 2000 Series A. The bonds were purchased by the underwriters with an aggregate original discount of \$437,430 and are payable solely from revenue derived by AFICA under the loan agreement with the Partnership and from other moneys pledged for payment under the indenture of trust. The AFICA bonds are secured by an irrevocable and unconditional letter of credit of TDF, a subsidiary of the Government Development Bank for Puerto Rico (GDB) (an instrumentality of the Commonwealth of Puerto Rico). During 2004, the Partnership amended the loan agreement with AFICA to provide for an additional issuance of \$7.5 million of Tourism Revenue Bonds, 2004 Series A. The bonds were purchased by the underwriters with an aggregate original discount of \$56,234. The additional bonds issue will be entitled to the same benefits and security as the other bonds then outstanding under the trust agreement.

On March 28, 2011, the Partnership entered into a new plan of financing regarding a Tourism Revenue Refunding Bonds, 2011 Series A (the Bonds) amounting to \$26,355,000 with AFICA which has determined to issue the Bonds and to lend the proceeds thereof to the Partnership for the purpose of providing funds, together with other available funds, to: (i) refund \$16,150,000 of outstanding 2000 Bonds (including a reimbursement of any draw made under the outstanding letter of credit securing the 2000 Bonds to refund such bonds); (ii) refund \$9,010,000 of outstanding 2004 Bonds (including a reimbursement of any draw made under the outstanding letter of credit securing the 2004 Bonds to refund such bonds) (i and ii together, the Refunded Bonds); (iii) pay the interest due on the Bonds during the first three interest payment dates after their issuance; and (iv) pay certain costs and expenses incurred in connection with the authorization, issuance and sale of the Bonds. The Refunded Bonds will be redeemed in full by the Banco Popular de Puerto Rico (the Trustee) with funds drawn on the letter of credit issued by TDF to secure the Refunded Bonds (the Existing TDF Letter of Credit).

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Coco Beach Golf & Country Club, S.E.

Notes to Financial Statements

December 31, 2012 and 2011

Note 8 - Loan Payable – (Continued)

The bond type, interest rate yield, original maturity, outstanding amount, and unamortized original issue discount are as follows:

Bond type	Interest rate/yield (%)	Original maturity	Outstanding amount at December 31, 2012
Serial	2.25 - 6.10	December 20, 2011 - June 20, 2026	\$ 14,535,000
Term	6.50	December 20, 2030	7,965,000
Term	6.60	December 20, 2034	2,720,000
			<u>25,220,000</u>
		Unamortized discount	<u>(393,106)</u>
			<u>\$ 24,826,894</u>

During 2012 and 2011, the AFICA loan payable principal and interest payments due totaling \$2,259,490 and \$495,591, respectively, were done by transferring funds from the debt service fund account to the loan payable fund account. This situation caused the Partnership to default on the required balance to be maintained on the debt service fund account. The replenishment of the debt service fund account is being made by TDF, however for 2012 and 2011, the Partnership had not been able to pay TDF fees amounting to \$853,836 and \$131,312, respectively.

With the consent of TDF, this event of default gives the undersigned Trustee the right to declare the AFICA loan payable immediately due and payable and to take any action at law or in equity to collect the payments then due and thereafter to become due, and to enforce performance and observance of any obligation, agreement of covenant under the loan agreement and all the related collateral documents. Also, as a result of the event of default for which no waiver has been issued as of and for the years ended December 31, 2012 and 2011 by any of the counterparties, the total outstanding balance of the AFICA loan payable at such dates amounting to \$24,826,894 and \$25,560,114, respectively, was reclassified as a current liability. As required by various agreements related to the AFICA loan payable, the Partnership is required to comply with certain covenants. Due to the event of default on the AFICA loan payable there are certain covenants not being met by the Partnership.

Coco Beach Golf & Country Club, S.E.

Notes to Financial Statements

December 31, 2012 and 2011

Note 8 - Loan Payable – (Continued)

Under the loan agreement, the Partnership is required to maintain a loan payable and debt service reserve funds. The funds deposited with a Trustee are restricted and will be used to pay debt service (principal and interest). The Trustee has deposited the proceeds of the issuance in several interest bearing accounts with commercial banks in Puerto Rico. The Partnership does not have required collateral or other security to support the deposits, nor are these guaranteed or insured by any authority, agency, or instrumentality of the United States or the Commonwealth of Puerto Rico, except for deposits under \$250,000 held by the commercial bank, which are insured by the FDIC. Accordingly, in the event of insolvency, receivership, or conservatorship, the Partnership may not be able to access the funds.

Concurrent with the loan agreement, the Partnership entered into a guaranty and reimbursement agreement with TDF, which provides that the Partnership will reimburse TDF for any amounts funded by them pursuant to the above mentioned agreement. This agreement is secured by liens on substantially all the assets of the Partnership, including a pledge of a mortgage note for \$26,355,000 (the amount equal to the principal amount of the 2011 AFICA loan payable). The mortgage note is secured by a first mortgage on substantially all the personal property of the Partnership and a first priority security interest on substantially all the personal property of the Partnership, including the Partnership's rights under various agreements and funds held in various accounts.

In consideration of the aforementioned guaranty and reimbursement agreement, the Partnership agreed to pay to TDF, on each interest payment date, a letter-of-credit fee of 1.5 % of the outstanding principal amount of the AFICA loan, payable monthly on each interest payment date (provided the Partnership complies with debt coverage ratio requirements). The monthly fee shall be payable by the Partnership in advance, in immediately available funds. On the date of issuance, the Partnership paid TDF the portion of the monthly fee due for the period from the date of issuance to August 20, 2011.

In addition, the Partnership shall pay to TDF an amount equal to \$3,000 for each interest, principal, or reserve fund deficiency drawing made by the Trustee under the guaranty and reimbursement agreement. The Partnership has agreed, under the loan agreement that during each of its taxable years while the AFICA loan payable are outstanding it will comply with certain source of income requirements. Should the Partnership fail to comply with any of these requirements, it will be required to pay additional interest, subject to certain limitations, to each qualifying bondholder.

Coco Beach Golf & Country Club, S.E.

Notes to Financial Statements

December 31, 2012 and 2011

Note 8 - Loan Payable – (Continued)

The AFICA loan payable is subject to redemption, at the option of the Partnership, in whole or in part, as directed by the Partnership, at any time on or after June 20, 2016. To exercise such optional redemption, the Partnership will be required to deposit with the Trustee moneys necessary to effect such redemption not later than the 94th day immediately before the date on which the corresponding redemption price is due and payable. The written consent of TDF issuer shall be required for any optional redemption in whole or in part, if there exists an event of default or an event has occurred, which if not cured would constitute an event of default under the guaranty and reimbursement agreement. The guaranty and reimbursement agreement does not cover any premium payable in connection with any such optional redemption; TDF may, in its sole discretion, elect to cover such premiums.

Should the Partnership obtain a waiver and the AFICA loan continues to be paid at the current terms the aggregate maturities of the loans payable for the next five years and thereafter would be as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2013	\$ 780,000
2014	810,000
2015	840,000
2016	885,000
2017	930,000
Thereafter	20,975,000
Total	<u>\$ 25,220,000</u>

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Coco Beach Golf & Country Club, S.E.

Notes to Financial Statements

December 31, 2012 and 2011

Note 9 - Other Liabilities

Other liabilities of \$3,186,389 consist of certain payments on behalf of the Partnership made by TDF to the loan payable debt service reserve fund, which in turn makes the required payments to the Trustee to pay the loan payable debt service. Total balance includes loan payable principal and interests, the letter-of-credit and late fees to TDF in consideration for the guaranty and reimbursement agreement.

Note 10 - Related Party Transactions

Due to related parties as of December 31, 2012 and 2011 consists of:

	<u>2012</u>	<u>2011</u>
Due to partner		
Coco Beach Development Corp.	<u>\$ 26,705,907</u>	<u>\$ 26,566,223</u>
Note payable to partner		
Coco Beach Development Corp.	<u>\$ 1,573,897</u>	<u>\$ 1,573,897</u>
Due to (from) affiliates		
Betterroads Asphalt Corp.	5,704,826	3,676,558
Empresas Díaz, Inc.	849,067	818,454
Coco Beach Utility Co., Inc.	728,770	641,437
Coco Beach Development, R3 Development, LLC, and others	(21,466)	127,896
Betterrecycling	1,044,443	832,399
	<u>\$ 8,305,640</u>	<u>\$ 6,096,744</u>

The note payable to partner, as amended during 2006, consists of a revolving line-of-credit agreement in excess of \$1 million, which was the original amount established by the Partnership with CBDC on December 30, 1999. Such line of credit bears interest at 2% over the U.S. prime rate and has a maturity date of December 31, 2015. This note is subordinated to TDF, and the interest under this note may only be paid from excess cash flow, as defined in the guaranty and reimbursement agreement. Interest is payable on the last day of each month for the actual number of days elapsed. U.S. prime rate at December 31, 2012 and 2011 was 3.25%. Interest incurred on such debts as of December 31, 2012 and 2011 amounted to \$61,859 and \$82,630, respectively. The outstanding principal balance of the note payable as of December 31, 2012 and 2011 amounted to \$1,573,897 each year.

The above related party balances are the result of advances made by the affiliates to the Partnership which have been mostly used for the repayment of the AFICA loan payable outstanding balance and for the regular operations of the Partnership. Also certain services are provided between the affiliates which are also charged to the related parties accounts.

Coco Beach Golf & Country Club, S.E.

Notes to Financial Statements

December 31, 2012 and 2011

Note 11 - Partnership Allocations and Distributions

Pursuant to the amendment and restatement of the Partnership agreement, the interest of the partners in the Partnership is as follows: CBDC - 90% and Díaz - 10%. The Partnership agreement does not provide for the allocation of book net profit or loss. The allocation for the years ended December 31, 2012 and 2011 in the accompanying financial statements has been made in accordance with the percentage of interest of each partner.

For income tax purposes, each partner shall include in its gross income, for each taxable year, its distribution share in the net income of the Partnership. All losses generated by the Partnership shall be allocated to CBDC.

All tax credits generated pursuant to the tax concession issued under the Tourism Development Act of 1993, as amended, shall be allocated between Díaz and CBDC; such allocation shall be made in the following proportions: 19% for Díaz and 81% for CBDC.

The Partnership shall distribute, from time to time, in such amounts as partners representing the majority of the Partnership interest agreed, any available cash flow (as defined in the Partnership agreement) to the partners according to their respective Partnership interest from time to time in the following priority: (a) to pay the Puerto Rico income tax liability of CBDC and Díaz arising solely by reason of its Partnership interests; (b) to repay the partners on a pro rata basis any contribution loan made by them in accordance with the provisions of the partners' agreement; (c) to repay the partners on a pro rata basis any additional capital contributions (as defined in the partnership agreement) made by them in accordance with the provisions of Partnership agreement; (d) 90% to CBDC and 10% to Díaz, provided that distribution of available cash flow to CBDC under the first item mentioned above shall be set off against the distributions to be made. Additionally, the Partnership agreement provides for certain put and calls rights among the partners.

The above represents a summary of the most significant provisions of the Partnership agreement (as amended); therefore, such agreement should be referred to for a more complete description of allocations and distributions.

Note 12 - Leases

The Partnership is obligated under capital leases covering certain golf carts that expired in April 2012. The residual value of the lease was refinanced on May 2012 into a new lease expiring in November 2013. The gross amount of equipment under capital leases amounts to \$710,000 at December 31, 2012 and 2011, and related accumulated amortization amounts to \$710,000 and \$665,412 at December 31, 2012 and 2011, respectively. Amortization of assets held under capital leases is included in depreciation and amortization expense.

Coco Beach Golf & Country Club, S.E.

Notes to Financial Statements

December 31, 2012 and 2011

Note 12 - Leases – (Continued)

Future minimum lease payment under future minimum capital lease payments as of December 31, 2012 is as follows:

Year ending December 31:

2013	\$ 75,467
Less amount representing interest (at rate of 8.0% per annum)	<u>3,279</u>
Present value of net minimum capital lease payments	<u><u>\$ 72,188</u></u>

Note 13 - Other Income

Other income for the years ended December 31, 2012 and 2011 consist of:

<u>Description</u>	<u>2012</u>	<u>2011</u>
Prepayment agreement of sale of residencial units	\$ -	\$ 85,000
Maintenance contract	<u>210,000</u>	<u>210,000</u>
	<u>\$ 210,000</u>	<u>\$ 295,000</u>

Note 14 - Tax Concession

The Puerto Rico Tourism Company has granted the Partnership a tax concession for a period of ten (10) years commencing in the year in which the Partnership commences its exempted tourism activity with respect to income generated from the golfers who come from the Hotel as follows:

	<u>Exemption rate</u>
Municipal, personal, and real property taxes	90%
Income taxes expenses	90%
License fees, excise taxes, and other municipal taxes	100%
Municipal construction excise taxes	100%
Excise tax assessed on articles for use and consumption	100%

Notes to Financial Statements

December 31, 2012 and 2011

Note 14 - Tax Concession – (Continued)

The tax concession requires the Partnership to comply with the provisions of, and the regulations issued pursuant to, the Tourism Development Act, the Puerto Rico Internal Revenue Code (the Code), the terms of the tax concession granted to the Partnership, and certain filing requirements provided by the Code. Failure of the Partnership to comply with these requirements could result in the revocation of the tax concession and the elimination of all the exemptions provided by the Tourism Development Act.

During October 2010, the Tourism Company of Puerto Rico issued the fourth amendment of the Concession of the Tax Credit and Tax Exemption which requires that the Partnership must maintain an aggregate average annual employment requirement of a minimum of 90 direct employees. The Partnership maintained an aggregate average annual employment of approximately 92 and 103 employees for the fiscal years ended December 31, 2012 and 2011, respectively.

Note 15 - Subsequent Events

On January 31 2013, February 27, 2013 and March 27, 2013, the Trustee notified the Partnership that an unscheduled draw on debt service reserve, unscheduled draw on credit enhancement and no-replenished on debt service reserve occurred for the year ended December 31, 2012 and also for the months of January, February and March 2013.

On February 19, 2013, the Trustee notified the Partnership that additional \$123,222 shall be deposited into the debt service reserve fund to cure the debt service reserve fund deficiency. On February 27, 2013, the Trustee notified TDF the certificate for debt service reserve fund deficiency drawing upon the Irrevocable Stand-by Letter of Credit from TDF.

On March 6, 2013, April 4, 2013 and May 3, 2013, the Partnership notified the Municipal Securities Rulemaking Board (MSRB) of the occurrence of unscheduled draws on the debt service reserve and on credit enhancement fund reflecting financial difficulties and non-payment related defaults.

GDB requested the Partnership for the reimbursement of the \$2,201,240 drawn from the letter of credit. Also, GDB notified the Partnership that the TDF letter of credit fees from October 2011 through December 2012 totaling \$517,281 were not paid. GDB stated that failure by the Partnership to reimburse these balances constituted an event of default under the agreement that would entitle TDF to declare the AFICA loan payable due and payable. On August 23, 2013, the Trustee notified the Partnership that this event of default along with the consent from TDF, gave them the right to declare the AFICA loan payable immediately due and payable and to notify the bondholders and rating agency of the failure to comply with the covenants. Such notifications to the bondholders and rating agency have been performed by the Partnership through the MSRB.

Coco Beach Golf & Country Club, S.E.

Notes to Financial Statements

December 31, 2012 and 2011

Note 16 - Supplemental Cash Flow Information

During 2012, TDF paid \$2,201,240 to the debt service reserve fund on behalf of the Partnership. Such amount was included as other liabilities within these financial statements.

During 2012 and 2011, the Partnership paid interests amounting to \$1,501,054 and \$1,699,281, respectively.

During 2011, the Partnership entered into an advance refunding of the AFICA Revenue Bonds 2000 and 2004 Series A (the refunded bonds) through the issuance of new AFICA Revenue Refunding Bonds 2011 Series A (the refunding bonds). Total proceeds withheld within this transaction from the refunding bonds proceeds amounted to \$25,160,000. From the total proceeds, the Partnership cancelled a net outstanding balance of the refunded bonds amounting to \$24,568,778.

* * * * *



November 26, 2013

FPV & Galíndez, CPAs, PSC
No.19 Ponce Street,
Urb. Pérez Morris
San Juan, PR 00917

We are providing this letter in connection with your review of the financial statements of *Coco Beach Golf & Country Club, SE, (the Organization)*, which comprise the balance sheet as of September 30, 2013, and the related statement of operations and partners' deficit for the twelve-months period ended September 30, 2013, for the purpose of obtaining limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with *accounting principles generally accepted in the United States of America (GAAP)*. We confirm that we are responsible for the fair presentation of the financial statements in accordance with GAAP and the selection and application of the accounting policies.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person using the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of November 26, 2013, the following representations made to you during your review.

1. The financial statements referred to previously are fairly presented in conformity with GAAP.
2. We have made the following available to you:
 - a. Financial records and related data.
 - b. Minutes of the meetings of stockholders, directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. No material transactions exist that have not been properly recorded in the accounting records underlying the financial statements.
4. We acknowledge our responsibility for the preparation and fair presentation of the financial statements in accordance with GAAP.
5. We acknowledge our responsibility for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.



6. We acknowledge our responsibility to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the entity involving management or others where the fraud could have a material effect on the financial statements, including any communications received from employees, former employees, or others.
8. We have no plans or intentions that may materially affect the carrying amounts or classification of assets and liabilities.
9. No material losses exist (such as from obsolete inventory or purchase or sales commitments) that have not been properly accrued or disclosed in the financial statements.
10. None of the following exist:
 - a. Violations or possible violations of laws or regulations, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion that must be disclosed in accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 450, Contingencies*.
 - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450.
11. The Organization has satisfactory title to all owned assets, and no liens or encumbrances on such assets exist, nor has any asset been pledged as collateral, except as disclosed to you and reported in the financial statements.
12. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
13. The following have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the company is contingently liable.
 - c. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with FASB ASC 275, *Risks and Uncertainties*. Significant estimates are estimates at the balance sheet date that could change materially with the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
14. We have fulfilled our responsibilities, as set out in the terms of the review engagement letter dated November 25, 2013, including our responsibility for the preparation and fair presentation of the financial statements.



15. Note 2 to the financial statements discloses all of the matters of which we are aware that are relevant to the Organization's ability to continue as a going concern, including significant conditions and events, and management's plans.
16. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. Such disclosure is captured in note 15 to the financial statements "Subsequent Events", which discloses all events subsequent to the date of the financial statements for which U.S. GAAP requires adjustment or disclosure.
17. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of assets might not be recoverable and have appropriately recorded the adjustment.
18. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements as disclosed in Notes 8 and 15, "Loan Payable" and "Subsequent Events", respectively.

To the best of our knowledge and belief, no events have occurred subsequent to the balance-sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

We have responded fully and truthfully to all inquiries made to us by you during your review.

Signature: _____

Name: Marisel Rivera

Title/Position: Vice President of Finance

Signature: _____

Name: Sergio Méndez

Title/Position: Comptroller

Coco Beach Golf & Country Club, S.E.

Report on Borrower's Certificate Pursuant to
Section 5.10(c) of the Loan Agreement dated March 30, 2011
Between Coco Beach Golf & Country Club, S.E. and the
Puerto Rico Industrial, Tourist, Educational, Medical and
Environmental Control Facilities Financing Authority

INDEPENDENT ACCOUNTANTS' REPORT

To the Partners of
Coco Beach Golf & Country Club, S.E.

We have examined Coco Beach Golf & Country Club, S.E.'s (the Partnership) assertion about compliance with the covenants of section 5.10(a) and 5.10(b) and the representation of Section 2.02(g) of the loan agreement dated March 30, 2011, with the Puerto Rico Industrial Tourist, Educational, Medical and Environmental Control Facilities Financing Authority (the Authority) during the year from January 1, 2012 through December 31, 2012, as included in the accompanying Borrower's Certificate dated November 26, 2013. Management is responsible for the Partnership's compliance with those requirements. Our responsibility is to express an opinion on the Partnership's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Partnership's assertion about compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Partnership's compliance with specified requirements.

In our opinion, the Partnership complied, in all material respects, with the aforementioned covenants and representation during the year from January 1, 2012 through December 31, 2012.

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



FPV & Galindez

San Juan, Puerto Rico
November 26, 2013



Borrower's Certificate Pursuant to Section 5.10(c) of the Loan Agreement dated March 30, 2011 between Coco Beach Golf & Country Club, S.E. and the Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority

November 26, 2013

Banco Popular de Puerto Rico
Att: Janet Rosas
209 Muñoz Rivera Avenue
Fifth Floor
San Juan, Puerto Rico 00918

Puerto Rico Tourism Development Fund
Att: Mr. Rafael M. Arrillaga – Romany
Executive Director
Stop 22, De Diego Avenue
Centro Gubernamental Minillas
San Juan, Puerto Rico 00942-2001

FPV & Galíndez, CPAs, PSC
Att : Mr. Rafael Nieves Pérez, CPA
Audit Partner
Urb. Pérez Morris
Ponce Street #19
San Juan, PR 00917-4152

Puerto Rico Industrial, Tourist, Educational,
Medical, and Environmental Control Facilities
Financing Authority
Att: Mr. José R. Coleman-Tío, Esq.
Executive Director
Stop 22, De Diego Avenue
Centro Gubernamental Minillas
San Juan, Puerto Rico 00942-2001

Ladies and Gentlemen:

This borrower's certificate is made pursuant to Section 5.10(c) of the loan agreement dated March 30, 2011 (the Loan Agreement; all capitalized terms used herein shall have the meaning set forth in the Loan Agreement unless otherwise defined herein) between Coco Beach Golf & Country Club, S.E. (the Partnership) and the Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority (the Authority). We certify the following:





The percentage of the Partnership's gross income during the year from January 1, 2012 through December 31, 2012 (the taxable year 2012) that was derived from sources outside Puerto Rico under the general sourcing rules of the Code as in effect on the date of issuance of the Bonds was 0%.

The percentage of the Partnership's gross income during the year from January 1, 2012 through December 31, 2012 that was derived from sources within Puerto Rico under the sourcing rules of the Code as in effect on the date of issuance was 100%.

The percentage of the Partnership's gross income during the year from January 1, 2012 through December 31, 2012 (the taxable year 2012) that was, or was treated as, effectively connected with, or attributable to, the active conduct of its trade or business in Puerto Rico under the general sourcing rules of the Code as in effect on the date of the issuance was 93%.

The percentage of the Partnership's gross income during the year from January 1, 2012 through December 31, 2012 (the taxable year 2012) that was, or was treated as, effectively connected with, or attributable to, the active conduct of its trade or business outside of Puerto Rico under the general sourcing rules of the Code as in effect on the date of the issuance was 0%.

The Partnership has complied with each of the covenants of Section 5.10(a) and 5.10(b) and the representation of Section 2.02(g) of the Loan Agreement dated March 30, 2011 and, accordingly, an Event of Taxability has not occurred.

Coco Beach Golf & Country Club, S.E.

By: 
Jorge Luis Díaz
President and CEO Coco Beach Development Corporation