



EL DIABLO TRANQUILO
HOSTEL & BAR

SALES BOOK



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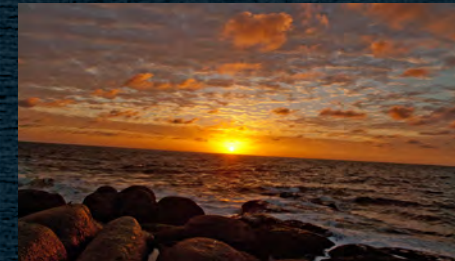
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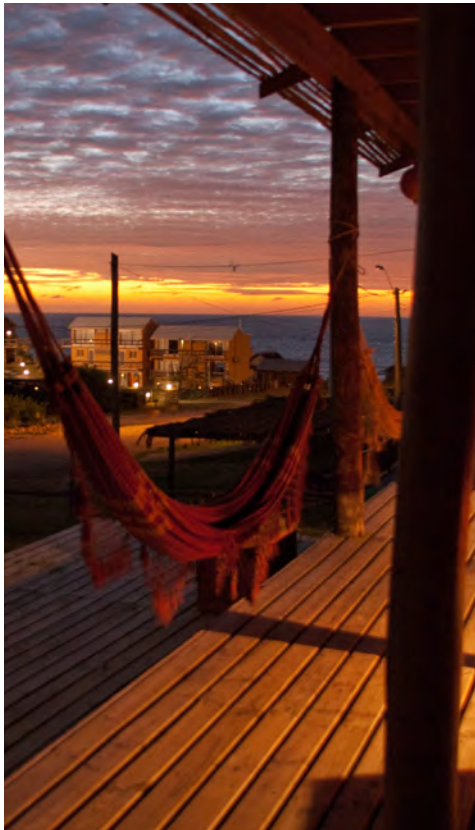
EL DIABLO TRANQUILO

IS A PURPOSE-BUILT BOUTIQUE
HOSTEL WITH FULL RESTAURANT
FACILITIES LOCATED ON THE
BEACH OF PUNTA DEL DIABLO,
URUGUAY. AFTER FIVE YEARS AS
A FLAGSHIP CONTRIBUTOR TO THE
GROWTH OF PUNTA DEL DIABLO,
I AM PLEASED TO BE OFFERING
THE RARE OPPORTUNITY TO ENTER
AN EMERGING MARKET THROUGH
ACQUISITION OF AN EMBLEMATIC
ESTABLISHMENT IN ITS PRIME. IN
THE FOLLOWING PAGES I WELCOME
YOU TO LEARN MORE ABOUT
OUR STRONG LEGACY, CURRENT
SUCCESS, AND AN EXCITING
DESTINATION WELL POSITIONED
FOR CONTINUED GROWTH.



HISTORICAL OVERVIEW

WHEN WE OPENED IN NOVEMBER OF 2007 OUR CHALLENGE WAS TO AUGMENT TRADITIONAL SUMMER TOURISM BY DISPLAYING THE MAGIC OF THIS SEASIDE VILLAGE TO AN ENTIRELY NEW CONSUMER. WE LAUNCHED WITH A BANG — OFFERING A FULL RANGE OF ACCOMMODATIONS AS WELL AS A RESTAURANT AND CONCERT VENUE. WE HELPED PROVIDE PUNTA DEL DIABLO THE INFRASTRUCTURE AND VISIBILITY NECESSARY TO BECOME THE ESTABLISHED DESTINATION IT UNQUESTIONABLY IS TODAY.



We garnered a place on Lonely Planet's annual "Blue List"; a compilation of twelve must see destinations worldwide. Meanwhile, we fortified the nascent perception of boutique hostels and graced lists of the world's best as guidebooks and periodicals picked up on the trend. Both upscale hosteling and Punta del Diablo would be gaining traction for years to come. Supporting this claim, the departmental Tourism Ministry states that 36,000 foreign tourists arrived in 2002, climbing to 52,000 by 2007. In the four years since we opened our doors, that number has nearly quadrupled, to 196,000 in 2011. Over the same timeframe, the hostelling industry - non-existent prior to our arrival - grew to constitute 3.78% of all tourism receipts in Rocha, reported at over \$4,920,000 annually.

After our second year we created El Diablo Tranquilo Playa Suites by adding lodging in the beachfront building previously containing our restaurant. With that major amplification and the incremental additions of employee housing at the Hostel location we arrived at our current setup.

Operating together, El Diablo Tranquilo and El Diablo Tranquilo Playa Suites have continued to shape the tourism landscape of Punta del Diablo and meet the needs of travelers from the world over. We have enjoyed a privileged position as our seaside village has become a vacation hotspot. This brings us to today, our trajectory is sound and growth opportunities exist within each property. Though my time at the helm is coming to an end, I believe the legacy of El Diablo Tranquilo is just beginning.



PROPERTY HIGHLIGHTS > PHYSICAL LOCATION

PHYSICAL LOCATION

PUNTA DEL DIABLO IS LOCATED IN THE SOUTHEASTERN CORNER OF URUGUAY, 38KM FROM THE BRAZILIAN BORDER TOWN OF CHUY AND JUST 450KM AS THE CROW FLIES FROM BUENOS AIRES. TO THE WEST, MONTEVIDEO'S CARRASCO INTERNATIONAL AIRPORT IS APPROXIMATELY 270KM AWAY AND CAN BE REACHED BY CAR IN LESS THAN THREE HOURS.



During summer months, December through February, Laguna del Sauce International Airport in Punta del Este provides additional access for those coming from Buenos Aires or Sao Paulo. However, most of our guests arrive by bus as they make their way along the travel corridor between Rio de Janeiro and Buenos Aires overland. Highway 9 is a major bus route, and CYNSA, Rutas del Sol, and COT all provide daily service while on their way from Montevideo to Chuy throughout the year, with as many as 300 buses arriving per day in peak season. Within town, each of our buildings enjoy unique locational advantages.



Playa Suites sits on Playa Rivero and is accessed by our own boardwalk, officially at 4860 Camino Costanera. This makes us one of less than a dozen lots within 200m of the sea that will never have to cross a thoroughfare to reach the ocean. Furthermore, the thousands who use our boardwalk for beach access pass by the deck of the restaurant and directly through our beach barcito. This makes a captive market of the fastest growing and most densely populated sector of town.

El Diablo Tranquilo Hostel is situated on two hectares spanning from Avenida Central to 7th Street. This gives us room to grow in a prime district just one block from the beach on a principal boulevard entrance into town. Away from the beach, Avenida Central is also the main thoroughfare to the discotheques that draw tens of thousands of revelers each night during January. This location is the ideal combination of accessibility, transit volume, and natural beauty.

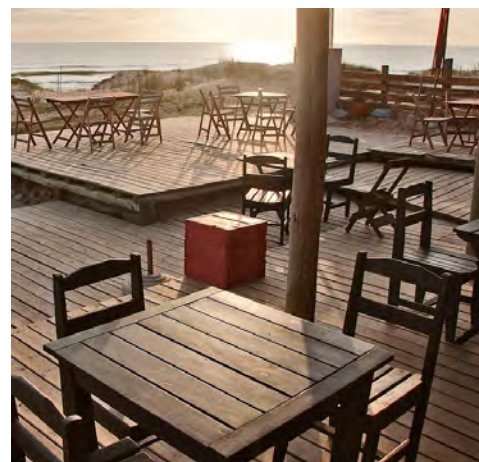




PROPERTY HIGHLIGHTS

IMPROVEMENTS

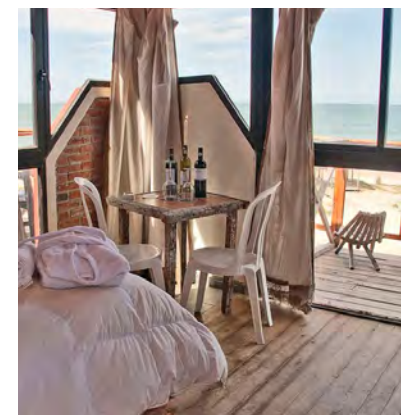
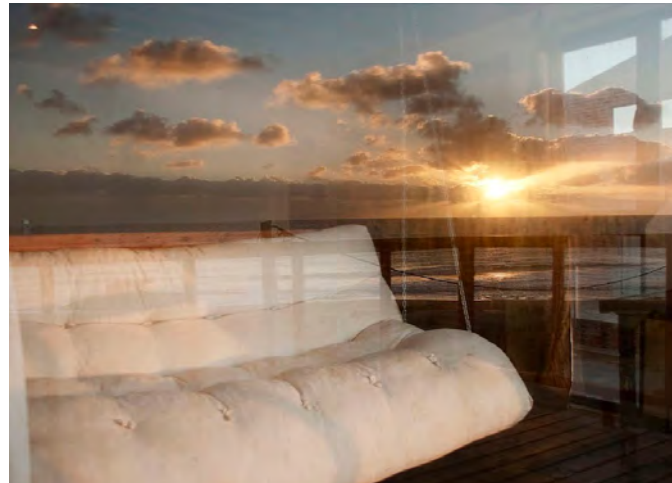
EL DIABLO TRANQUILO CONSISTS OF TWO SEPARATE COMMERCIAL BUILDINGS, AN ANCILLARY THIRD DEVELOPMENT CURRENTLY ALLOCATED TO EMPLOYEE HOUSING AND ADJOINING LAND FOR FUTURE USE. FOR FURTHER DETAIL, PLEASE SEE THE BUILDING PLANS ACCOMPANYING THIS MEMORANDUM.

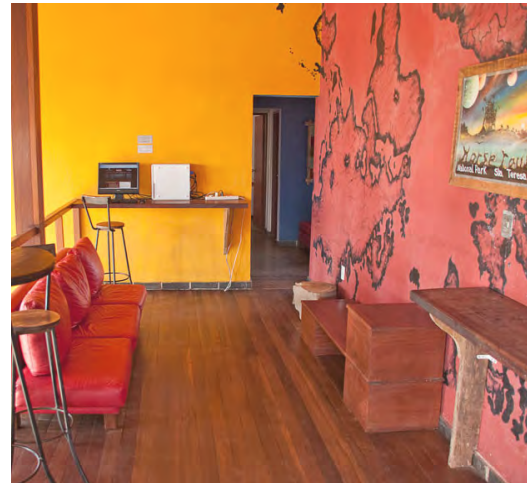


PROPERTY HIGHLIGHTS > IMPROVEMENTS

EL DIABLO TRANQUILO PLAYA SUITES & BAR

- 500m2 of beachfront property at solar 7 of manzana 16.
- 358m2 of brick and concrete construction in three stories.
- The restaurant is located on the first floor with full lobby facilities and shared dormitories on the second and four penthouse suites above.
- Restaurant includes:
 - 83m2 indoor dining area including two bathrooms
 - Full indoor/outdoor bar and service area
 - Walk in refrigeration unit
 - Wood fired oven as well as conventional kitchen amenities
- 240m2 of wooden deck
- Boardwalk entrance and beach access
- Mini-bar and additional sales point located directly on Playa Rivero
- Electric or solar water heating options with installations ready for gas





PROPERTY HIGHLIGHTS > IMPROVEMENTS

EL DIABLO TRANQUILO HOSTEL

- Built on 1000m2 just 140m from Playa Suites at solar 17 and 18 of manzana 21
- 384m2 of brick and concrete construction in two stories covered with traditional thatch roof
- Grand entry hall and full lobby facilities
- 3 private rooms en suite with fireplaces, 4 basic private rooms, 5 shared dormitories
- 4 full and 3 communal bathrooms
- Kitchen facilities
- Employee Housing
 - Constructed on the property shared with El Diablo Tranquilo Hostel
 - 72m2 of block and concrete construction
 - 1 private apartment en suite and 4 shared dormitories
 - 4 full bathrooms
 - Full kitchen facilities
 - 81 m2 of wooden construction
 - 1 apartment en suite and 6 private accommodations
 - Laundry and storage facilities
- Adjoining properties constitute an additional 1000m2 of adjoining real estate.
 - Provides street access to the front and back between Avenida Central and Calle 7.
 - Since the time of our purchase in late 2006 for less than \$35m2, comparable properties, including adjacent lots sold within the last year, have maintained 35%+ year over year price increases, with most recent sales averaging \$150 per m2.
 - The value of these properties as additional accommodation under the El Diablo Tranquilo banner far outweighs their resale price – as will be explained in detail further on in this memorandum.
- Gas and electric water heating installations



PROPERTY HIGHLIGHTS

REVENUE SOURCES

ACCOMMODATION

- Net income of the hostels has exceeded \$250,000 in each year since the opening of Playa Suites.
- Marginal profit of accommodation revenue has never dropped below 60% in five years of operation.
- Gross rental revenue exceeded \$460,000 last year.
- Assuming revenue opportunities limited only to the peak 40 days, commercial use of the employee housing would add additional revenues over \$50,000.
- Even assuming a drop in occupancy and 40 day limit to use, basic construction on the adjoining real estate would lead to net revenues in excess of \$400,000 per year.

RESTAURANT

- Last year, we operated the restaurant exclusively for hostel guests and generated revenues over \$12,000.
- In 2010-11 the restaurant was leased, resulting in revenues over \$50,000.
- Our full last year open to the public, 2008-09, F&B revenue was just short of \$200,000, adjusted for inflation, without considering the growth of Punta del Diablo and El Diablo Tranquilo in particular, that would translate to about \$270,000 for the upcoming 2012-2013 season.

ADDITIONAL REVENUE

- The rental of surf gear and lessons
- Organization and sale of horse tours as well as trips to regional attractions
- Commissions charged on cash withdrawals and currency exchange for guests (Punta del Diablo boasts no year round ATM or banking facilities)



PROPERTY HIGHLIGHTS

SEASONALITY

- The majority of local F&B operations begin their year after Christmas and close after Carnaval.
- The largest clubs, which attract up to 14,000 people per night in January, open only for 40 days per year.
- Easter – Semana Turismo – marks the official end of high season, after which the presence of even a single restaurant open in town can be an uncertainty.
- Due to our ability to attract a unique market, our highly profitable season extends from December through March, which traditionally accounts for 70-75% of our revenue.
- October, November, and April are also very worthwhile and provide a seven month season with adequate time to train before peak traffic arrives.
- Including November and April, six months bring 85-90% of our revenue annually.
- Though we account for a majority of the pueblo's tourism receipts in very low months, the bulk of our business is unquestionably in high season and investors should consider the attractiveness of generating a full year's return in six to seven months of operation.



UNIQUE PROPERTY, UNIQUE DESTINATION

BRADT TRAVEL STATES THAT "FOR MANY PEOPLE, VISITING PUNTA DEL DIABLO IS SYNONYMOUS WITH STAYING IN THIS BEAUTIFULLY DESIGNED BOUTIQUE HOSTEL, WHICH HAS BECOME A DESTINATION IN ITSELF."

We have played an integral role in establishing our village as an anchor point for travelers in the region, essentially inventing an industry that now accounts for over 4% of bookings within our state and 3.78% of gross tourism receipts. Owning El Diablo Tranquilo means taking advantage of our status as a "world's best" boutique hostel, enjoying a prestigious position as one of only two Uruguayan destinations to crack the National Geographic Traveler's "South American Stay List" (along with the decadent Estancia Vik in Jose Ignacio), and benefitting from buzz that reaches travelers' ears long before they arrive in Uruguay.



LOCATION OVERVIEW

THE EMERGENCE OF PUNTA DEL DIABLO AS A REGIONAL TRAVEL HUB HAS BEEN DRIVEN BY CONSUMERS WITH DOMESTIC, REGIONAL, AND EXTRA- REGIONAL ORIGINS. THE TOWN BEGAN ITS ASCENT WITHIN URUGUAY WITH THE NATIONAL TOURISM MINISTRY'S FOCUS ON 'URUGUAY NATURAL' AND A TOURISM IDENTITY NO LONGER FOCUSED EXCLUSIVELY ON THE CONTRIVED GLAMOUR OF PUNTA DEL ESTE. SOON, PUNTA DEL DIABLO BECAME A STATEMENT AGAINST "BEING SEEN IN THE RIGHT PLACES" AND IN FAVOR OF THE ENJOYMENT OF SIMPLICITY.

For a town with less than 1,000 permanent residents, it is astonishing to walk the streets of Montevideo and notice the prevalence of bumper stickers, mate gourds, clothing and even graffiti identifying many as devotees of Punta del Diablo's unique mysticism. Across the Rio de la Plata, a new wave of travelers also sought alternatives to the increasingly crowded and concrete-laden Argentine beaches. Rocha has been their answer, a bohemian respite that fosters a unique mix of nature's purity as well as dancing until sunrise. The last group consisted of foreign nationals arriving in a region where Uruguay was an afterthought. Punta del Diablo was an obvious destination as soon as the whispers reached their ears. Pick up a guide book in any foreign language, and I am confident that Punta del Diablo is highlighted as an authentic destination – the adjective of highest value to the independent traveler – and El Diablo Tranquilo is noted as a favored option therein.

These visitors have brought with them two important elements to the real estate market. Regional travel has provided accelerating rental incomes and demand for lodging and services, while those arriving from abroad have given the town exposure and opened the market to a wide new array of potential purchasers. As recently as five years ago, pursuing real estate in Punta del Diablo implied making contact with limited group of large landholders. More than fifty years since the original zoning, the market was still virgin. Five years later, the secondary market is active and prices set by demand from abroad in accordance with popular bohemian resorts across the globe.

As a whole, Uruguay has avoided the turmoil affecting global real estate markets and enjoyed impressive and sustainable development. From village to regional levels, reasons abound to be excited about recent growth as well as future prospects.

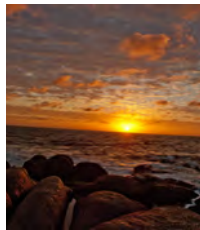
PUNTA DEL DIABLO



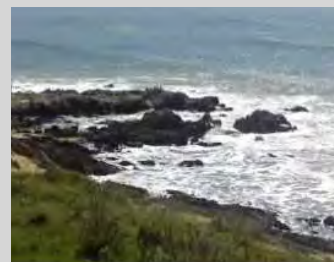
Not long ago our town was similar in stature to regional destinations like Aguas Dulces, La Coronilla, and Barra de Valizas. This past year, however, Punta del Diablo was home to nearly 40,000 visitors per day in January, easily the most visited destination in Rocha. Much of the boom has been fueled by the advent of hostelling as a popular lodging selection. In 2007 we christened the first hostel in the department catering to an international clientele and available all year round. This year there were as many as 30

establishments within our town and over 50 in the department labeling themselves as hostels. If imitation is the sincerest form of flattery, we're very flattered. This has allowed us to focus on the most profitable segment of the market and Punta del Diablo to secure its position as an anchor destination for international travelers. This in turn allows us to maintain a profitable market not only during the traditionally short peak season but for six strong months and be financial viability all year round.

CELEBRATED FOR ITS ROOTS AS A VILLAGE FISHING FOR SHARK AND SALTING BACALAO, THE REALITY IS THAT TOURISM HAS BEEN THE BACKBONE OF THE TOWN FOR DECADES. HOWEVER, ITS ASCENDANCE TO THE MOST POPULAR DESTINATION WITHIN ROCHA COINCIDES WITH THE ARRIVAL OF EL DIABLO TRANQUILO IN 2007.



ROCHA



FOREIGN ENTRANTS TO ROCHA HAVE CLIMBED AN INCREDIBLE 370% INCREASE SINCE 2007.

Though our city is the primary recipient, it is a blessing to be buttressed by unique destinations like the environmentally protected sanctuary of Cabo Polonio and the national park of Santa Teresa. The most favorable trend, however, has been the continued eastward march of investment dollars and the most avant-garde elements of Punta del Este. It is also worth noting that while Punta del Este's season is shortening as travelers clamor to be seen during the most fashionable dates, Rocha's season has grown steadily every year – a meaningful change from profitable weeks to profitable months of regional tourism.



LOCATION OVERVIEW

URUGUAY

Uruguay claims the lowest crime and corruption, and highest literacy and life expectancy rates, in all of South America. This means a high standard of living in an affordable environment.

Lack of consumer debt exposure has shielded the domestic economy from the effects of the international credit crunch and kept asset values stable. The dollarization of durable goods prices also provides insulation from regional currency shifts.

The government is stable and takes its role as a buffer between the behemoths of Argentina and Brazil seriously, realizing the benefits of relative steadiness.

Some estimates state an impressive 70% of the populace own their homes outright, a remarkable statistic in capital divided Latin America.

Tourism expenditures have not only rebounded since the 2001, but arrivals have grown 14% year over year since 2007 and total expenditures have reached nearly three times their pre-crisis levels.

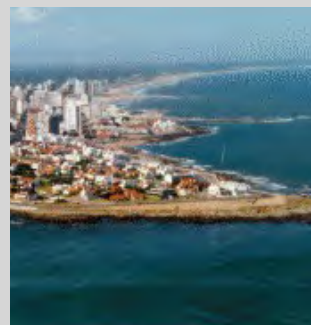
Punta del Este and its surroundings have long been established as a destination of note for a jet-set crowd of regional elite and international celebrities. Not only has this blazed a trail for tourism along the coast, it has also set a benchmark for real estate values. Over \$2.25 billion poured into Punta del Este development alone in the twelve months trailing April 2011.

A decade long rise in commodities prices has been an unquestioned boon for this export based agricultural country and infrastructure has benefited substantially.

INTEREST IN THIS TINY COUNTRY HAS SKYROCKETED OVER THE LAST FEW YEARS THANKS TO NUMEROUS WESTERN PUBLICATIONS. URUGUAY HAS COME TO BE SEEN AS A SAFE HAVEN FOR INVESTMENT AND RETIREMENT DOLLARS AS BABY BOOMERS AGE AND A SPECULATIVE BUY FOR THOSE RELOCATING FUNDS FROM THE QUAGMIRE OF THE SOVEREIGN DEBT CRISIS. THE COUNTRY BOASTS ATTRACTIVE FUNDAMENTALS TO BACK ITS INVESTMENT GRADE STATUS (STANDARD & POOR'S LIFTED URUGUAY'S RATING TO BBB- THIS PAST APRIL).



TOURISM EXPENDITURES IN URUGUAY FROM 1988-2011 (IN THOUSANDS OF DOLLARS)					
YEAR					
1988	202,8	1996	716,8	2004	493,9
1989	227,9	1997	826,8	2005	594,4
1990	238,2	1998	761,4	2006	597,8
1991	332,5	1999	704,2	2007	808,9
1992	381,3	2000	712,8	2008	1051,4
1993	446,8	2001	610,5	2009	1312,1
1994	632,2	2002	350,9	2010	1,639,00
1995	610,9	2003	344,7	2011	2,048,75



LOCATION OVERVIEW

REGION

URUGUAY OWES ITS
ROOTS TO FOREIGN
INTERVENTION
CREATING A BUFFER
STATE BETWEEN
HEGEMONS
ARGENTINA AND
BRAZIL. SITTING
BETWEEN THE TWO
MAJOR POWERS OF
THE CONTINENT
OBVIOUSLY AFFECTS
THE DIMINUTIVE
NATION AND THE WAY
THEY PLAY IT, THAT
LOOKS TO BE A
GOOD THING.

Over 60 million tourists arrive in South America per year, 6 million of those stay at least 30 days. Amongst this group of independent travelers, the average stay is over 74 days - leading to a standing population of 1.2 million long term travelers on the continent any given day. Of this group, 86% visit either Rio de Janeiro or Buenos Aires and 74% will visit both metropolises. The flow of people between these two poles provides the core of our extra-regional market.

Along with visitors passing through the preeminent destination in South America, residents of Buenos Aires continue to flock to Uruguay each summer like New Yorkers to the Hamptons and we receive more Argentine guests than any other nationality.

With international tourism expected to be one of the few industries that thrives through the coming years in Argentina, Uruguay will continue to benefit from its drawing power.

Meanwhile, the Brazilian success story continues and both tourism expenditures and investment from that country continue to climb steadily with investors increasingly looking abroad as domestic real estate markets grow flush.

A growing middle class is more able than ever to travel and with solid fundamentals and a natural resource base second to none, Brazil is just discovering its impact as the region's most important consumer market.

LOCATION OVERVIEW

COMING ATTRACTIONS



A FURTHER BOON TO THE ENTIRE REGION IN THE YEARS TO COME, BRAZIL HAS WON THE RIGHTS TO HOLD BOTH SOCCER'S 2014 WORLD CUP AND THE 2016 SUMMER OLYMPICS. THESE TWO EVENTS PROVIDE A FANTASTIC OPPORTUNITY FOR THE REGION TO GET IN FRONT OF THE EYES AND INTO THE HEADS OF BILLIONS OF TRAVELERS-TO-BE.

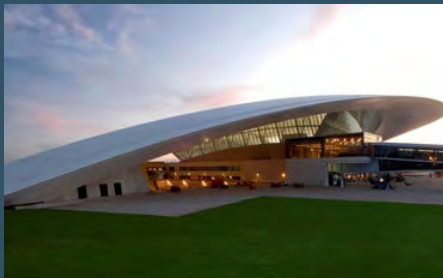


The World Cup alone will bring US\$70 Billion in impact and 600,000 foreign travelers to Uruguay's northern neighbor.

Meanwhile, the Olympics are estimated to create a 15% boost to national tourism expenditures all by themselves.

In preparation, Brazil is awarding private contracts to overhaul its airports, improve overland travel, and make arrival to the country easier in every sense.

The real winner of these games? Uruguay and its new airport and well maintained overland infrastructure. Without any additional investment the country will derive massive benefits from the increases in regional travel over the 2+ years between two of the world's grandest events.



LOCATION OVERVIEW

SOUTH AMERICAN TRENDS

WHILE THESE EVENTS WILL PROVIDE A JOLT FOR THE CONTINENT IN THE FUTURE, THE REGION HAS BEEN GAINING GROUND AS A TOURISM DESTINATION OVER THE LAST DECADE.

The continent as a whole has seen a 40% growth in its relative share of the world travel market over that span, culminating in 23.5 million arrivals in 2010. I believe that this trend will continue, as much of this growth is due to changes rooted in an evolution in global labor trends over the last 25 years that show no signs of slowing.

Workers today will hold many more positions during their lifetime than their predecessors. We may work more fervently at each position, but every gap between posts presents an opportunity for an extended vacation and people are taking advantage en masse. Today we take fewer trips than the generation before, but the duration of those trips has increased. This benefits off the map, authentic, locations that are relatively hard to reach but hold vast opportunities upon arrival, such as South America and especially those destinations outside of the major cities.



INDUSTRY OVERVIEW

URUGUAY CONTINUES TO INCREASE ITS FOOTPRINT IN THE NOW TRILLION DOLLAR GLOBAL TOURISM INDUSTRY AND HAS A POSITIVE OUTLOOK FOR BOTH FOREIGN AND DOMESTIC TOURISM OVER THE NEXT DECADE. THIS TINY NATION NOW ACCOUNTS FOR 12.5% OF THE ARRIVALS ON THE CONTINENT AND JUST ABOVE 10% OF THE \$20B SPENT ANNUALLY BY TRAVELERS WITHIN SOUTH AMERICA.

Uruguay is also leading the impressive growth within the hostel sphere, where Web Reservations International (owners of hostelworld.com and affiliated websites) has reported booking increases of 24% and 27% respectively over the last two years for the continent as a whole and 36% and 31% for the country in specific. As previously illustrated, the market for El Diablo Tranquilo is spread between two typical profiles: summer beachgoers from Uruguay and Argentina and independent travelers from outside of the region.



Local tourism provides the backbone of Punta del Diablo's explosive peak season, filling the beaches and clubs with tens of thousands each day. This spike in demand allows for exceptionally high rental

margins and the increased popularity of hosteling in the region has come thanks to unprecedented adoption within local markets.

Visitors from outside of the region arrive throughout the year and allow us to sustain profitability all year round. Expenditures by foreigners visiting Rocha have increased over 40% since 2007 to \$677 per visit, perfect for our position as an upscale and full service destination with a strong advantage in the international market.

Taken together, these markets have helped Punta del Diablo increase tourism receipts tenfold in just five years, from an estimated \$5,000,000 in 2007 to over \$50,000,000 this past year. According to the state tourism ministry, receipts for the Rocha coast over the same time frame have increased from \$22,300,000 to \$130,380,000 – implying that Punta del Diablo's share has grown from 22% to 38%. This increase in revenue generated has translated into real estate appreciation within Punta del Diablo, where rental incomes and an expanded consumer market have driven a median price increase of roughly 400%. This influx of capital has laid the groundwork for a region only scratching the surface of its potential.

In absolute terms, the most significant growth in town has been in the prevalence of the rental cabanas that make up the bulk of accommodation offerings here. However, in relative terms that does not hold a candle to the growth of hostels. Without a full-fledged hotel in the pueblo, 30 hostels have sprung up following our lead, below we compare prices throughout seasons and reviews recorded on HostelWorld.com, the principal booking engine for our industry.

	BEDS:	SUMMER/ WINTER MEDIAN DORM PRICES:	SUMMER/WINTER MEDIAN PRIVATE PRICES:	HOSTELWORLD REVIEWS:
HOSTEL LA VIUDA	26	\$30 - \$11	\$80/\$40	26
CASA DE LAS BOYAS	110	\$40 - \$16	\$120/\$50	31
EL DIABLO TRANQUILO	83	\$54 - \$20	\$150/\$60	155
ALL OTHERS	380	\$20 - Π/A	\$65 - Π/A	26

This information helps defray concerns about the effect of the competition. Our town has the potential to resemble Brazil's Jericoacoara, a beach paradise with a decidedly international feel and clientele. Here, however, we also enjoy the benefit of its strong regional tourism that Jericoacoara lacks.



A few posada offerings have also arrived, though not in large numbers like the hostels. The competition in this space would apply mostly to Playa Suites in the event of a conversion into a boutique hotel and includes La Viuda del Diablo, Posada Nativos, and Posada Rocamar. Again we will apply the comparison in reviews for an extremely rough estimate of market presence and using the industry leader for reviews, TripAdvisor.

	PRIVATE ROOMS:	SUMMER MEDIAN PRICES:	WINTER MEDIAN PRICES:	TRIPADVISOR REVIEWS:
LA VIUDA DEL DIABLO	8	\$230	\$170	31
POSADA NATIVOS	5	\$170	\$80	4
POSADA ROCAMAR	10	\$140	\$40	15
EDT PLAYA SUITES	4	\$190	\$65	56 (146 WITH EDT)

VALUE ENHANCEMENT OPPORTUNITIES

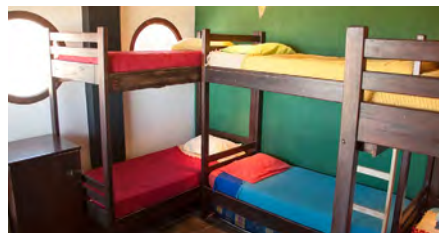
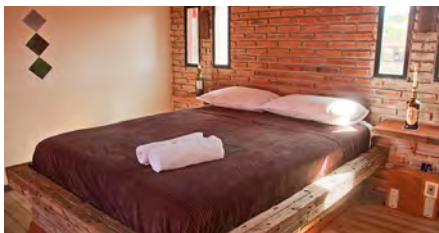
I FULLY ANTICIPATE THE NEXT OWNER OF EL DIABLO TRANQUILO TO INCREASE ITS PROFITABILITY THROUGH BOTH OPERATIONAL AND PHYSICAL CHANGES. MANY BASIC CHANGES WILL ARRIVE WITH A SHIFT TOWARDS PROFIT SEEKING FROM THE CURRENT EXPERIENCE DRIVEN APPROACH.

A FEW OF THESE CHANGES ARE MORE EASILY QUANTIFIABLE AND PRO FORMAS HAVE BEEN CREATED TO DISPLAY THE CHANGES TO INCOME AND EXPENSES. THESE INCLUDE SEVERAL PHYSICAL IMPROVEMENTS AS WELL AS A DECISION OWNERSHIP WILL UNDOUBTEDLY WISH TO REVISIT - WHETHER THE RESTAURANT OUGHT TO BE OPERATED EXCLUSIVELY FOR GUESTS, OPENED TO THE PUBLIC, OR FOOD AND BEVERAGE OPERATIONS LEASED TO A THIRD PARTY.

“ EL DIABLO TRANQUILO HOSTEL IS CONSTRUCTED ON ONLY TWO OF FOUR CONTIGUOUS LOTS PURCHASED AT THE TIME OF OUR FOUNDING; THIS LAND REPRESENTS THE MOST IMMEDIATE EXPANSION OPPORTUNITIES.

ACCESSIBLE PHYSICAL IMPROVEMENTS WHICH SHOULD BE CONSIDERED INCLUDE:

- Improve accessibility and parking capacity at by completing the extension of our boardwalk connecting 3rd and 5th streets, an improvement that will also ease the delivery of supplies to our locale.
- Convert Playa Suites into an independent 10 bed boutique hotel, free of hostel association.
 - The existing structure remains perfectly adaptable and for those hoping to enter the emerging market of up-scale travel to Punta del Diablo, the location and precedent provide unmatched potential.
- An indirect approach not requiring further construction would be to create and staff an information desk at the bus terminal.
 - This leverages our reputation as the leaders in international perception of Punta del Diablo, we may be the only business with the clout to approach the intendencia with such a plan.
 - Combining our brand advantage with assistance in English and Spanish would level the playing field with those competitors who focus exclusively on competition within the pueblo.



PROJECTIONS

I HAVE ASSEMBLED PROJECTIONS FOR THE FOLLOWING POSSIBILITIES BASED ON OUR OPERATING HISTORY AND CURRENT ASSUMPTIONS; THESE CAN BE FOUND IN THE APPENDIX.

- Additional accommodations can be geared towards new market segments or tailor made for the busiest parts of the year when extra space is most readily sold.
- Most accessible is the conversion of our permanent staff quarters to income generating accommodations. With relatively minor finishing expenses these rooms are attractive rentals and staff can be relocated to rental properties for a fraction of the income generated.
- Seasonal accommodations built for summer use can be economically constructed upon the back lots. These would provide a revenue stream very likely to reconstitute full investment costs in the first year of operations.
- Year round use is also an intriguing option. The size of the land is adequate for up to six cabanas or a mixed use facility.
- The benefit of a complete staff, established brand and combined social and common areas implies that the full El Diablo Tranquilo project could house over 160 guests without eliminating the restaurant or acquiring additional real estate.

CLOSING

EL DIABLO TRANQUILO HAS GIVEN ME ALL THAT I COULD HAVE HOPED FOR; I HAVE BEEN ABLE TO LIVE A DREAM, EXPAND HORIZONS, AND ENJOY THE STABILITY TO INVEST IN A NEW PROJECT. MORE THAN THAT, HOWEVER, THIS PROJECT HAS BEEN AN AMAZING PLATFORM FOR SHARING OPPORTUNITIES, TOUCHING LIVES, AND CREATING MEMORIES.

If these walls could talk they would tell stories of the engagements and marriages of employees who met here, the countless guests who came for a weekend and stayed for a season, the growth of a city, the lives changed. I hope that the information within this book has been of interest and that the thought of owning El Diablo Tranquilo fills you with the excitement and eagerness it has always brought me. Saying goodbye is bittersweet, but here's to the next great thing life brings – and here's to this being yours.



APPENDIX A - BUILDING PLANS



EL DIABLO TRANQUILO
HOSTEL & BAR

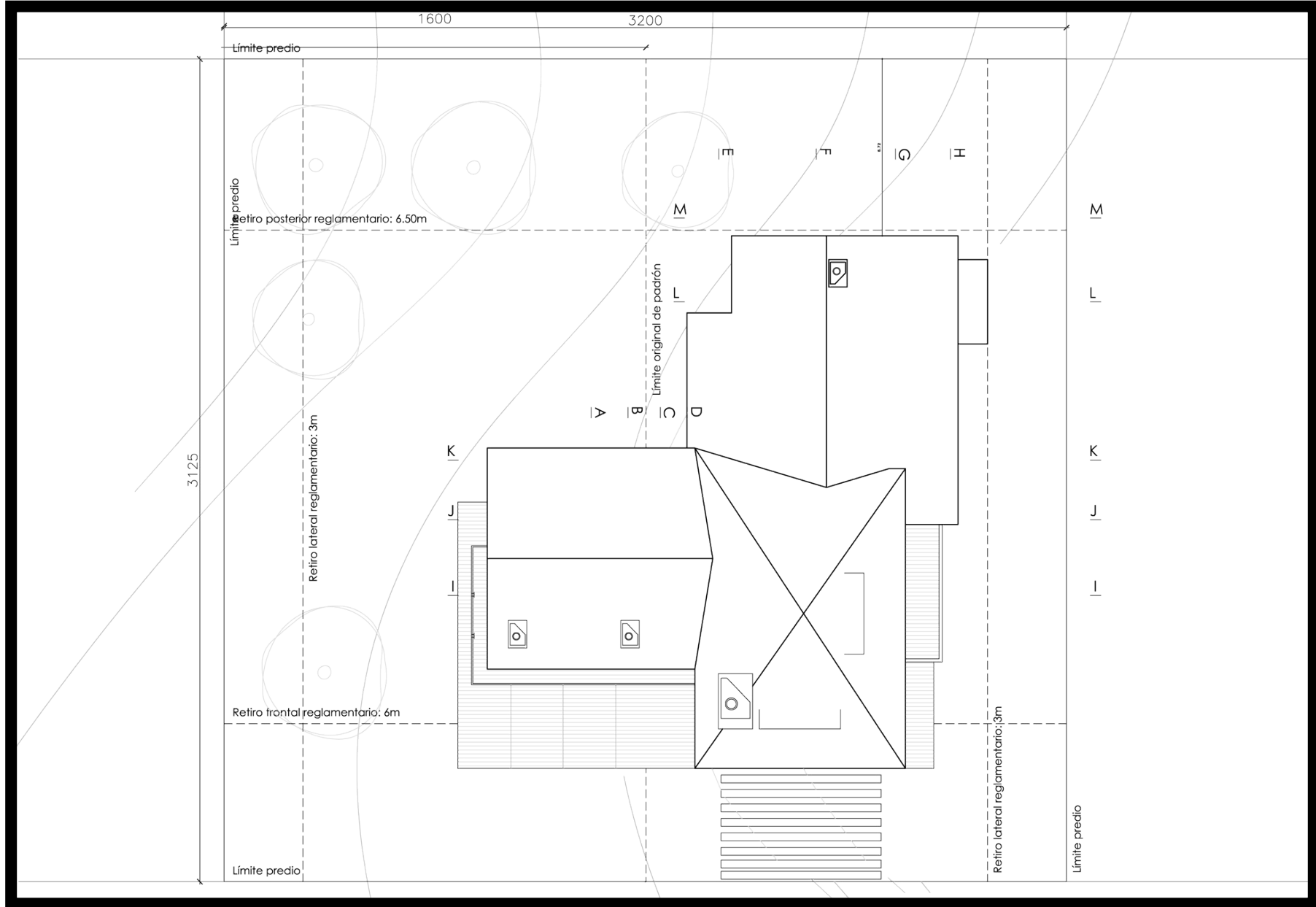
SALES BOOK



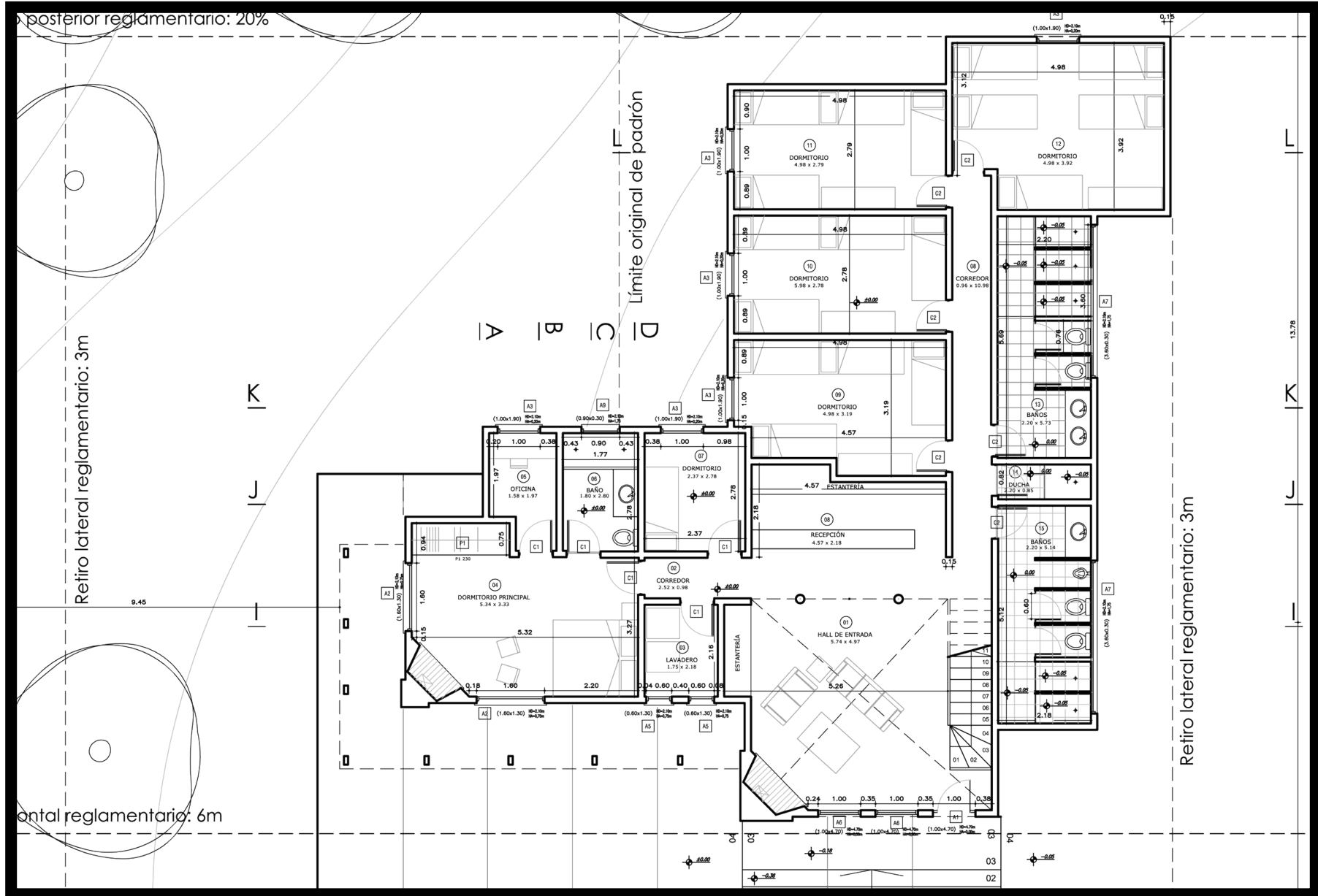
Comercializa:

REPLUS® Servicios Inmobiliarios
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Tel: +54 2355 431222
Cel: +54 9 2355 649552

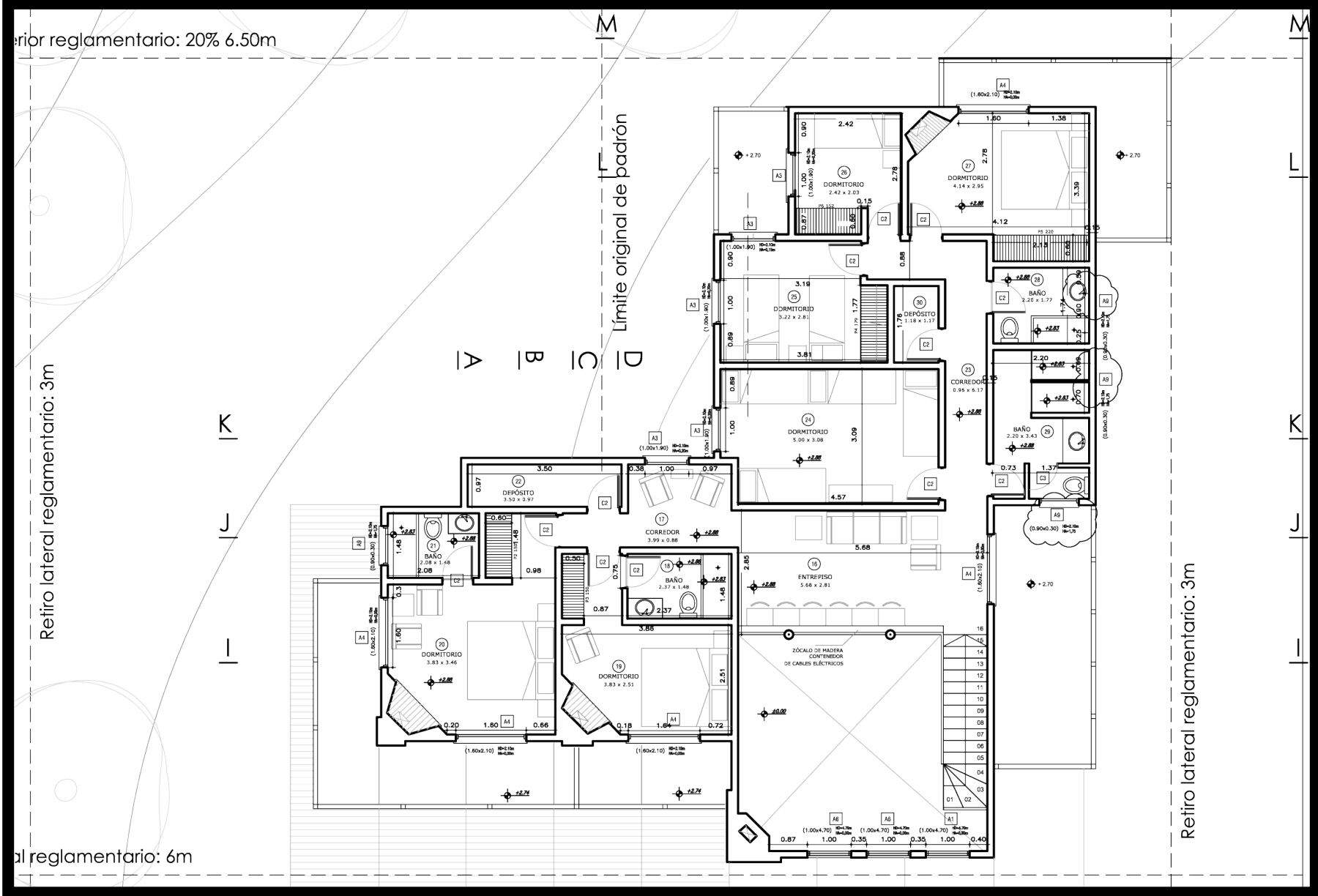
EDT HOSTEL (UBICACIÓN)



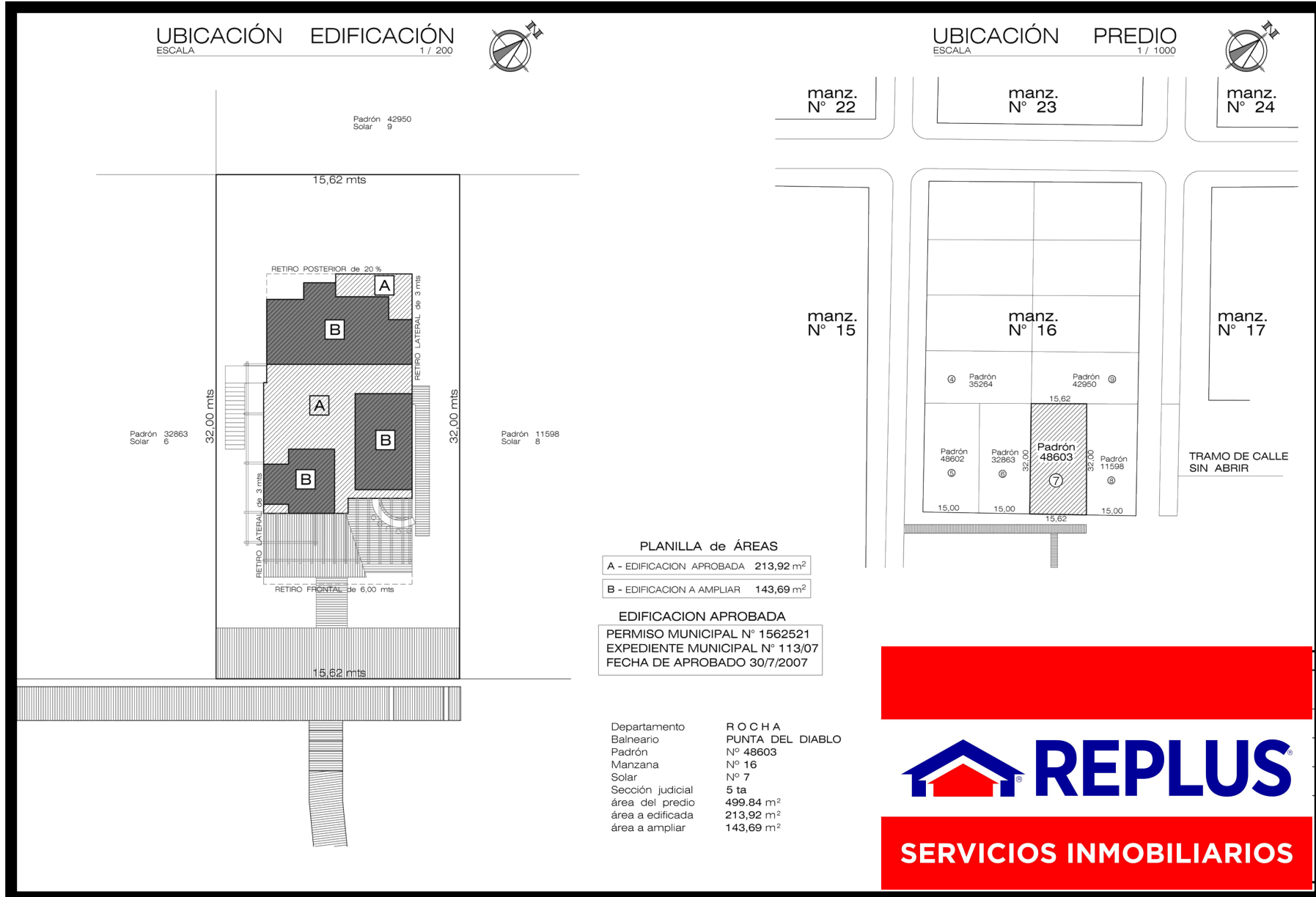
EDT HOSTEL (PLANTA BAJA)



EDT HOSTEL (PLANTA ALTA)

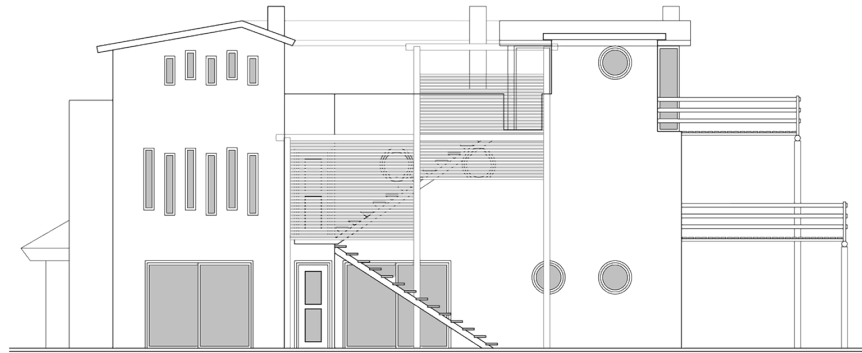


EDT PLAYA SUITES (UBICACIÓN)



SERVICIOS INMOBILIARIOS

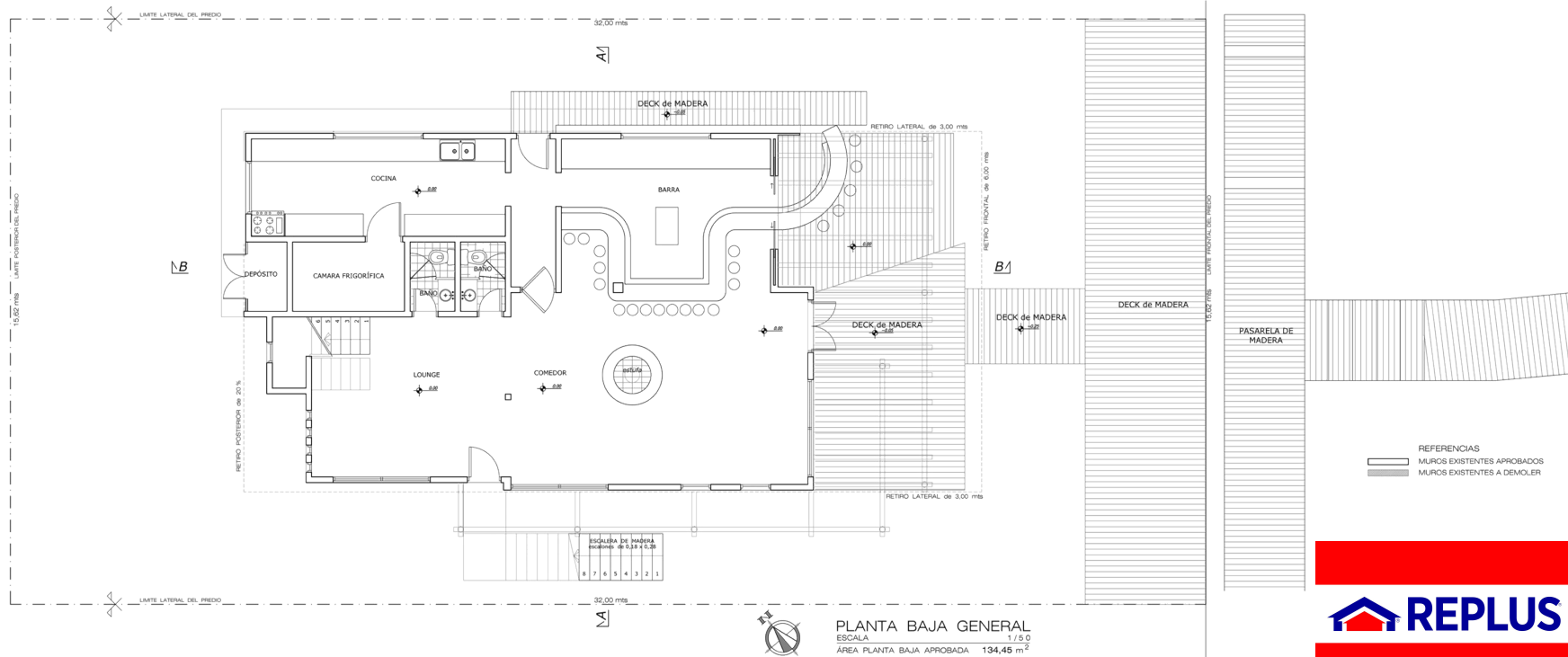
EDT PLAYA SUITES (PLANTA BAJA)



FACHADA SUR OESTE
ESCALA 1/5.0



FACHADA SUR ESTE
ESCALA 1/5.0



REFERENCIAS
MURCS EXISTENTES APROBADOS
MURCS EXISTENTES A DEMOLER



PLANTA BAJA GENERAL
ESCALA 1/5.0
AREA PLANTA BAJA APROBADA 134,45 m²



EDT PLAYA SUITES (PLANTA ALTA)



APPENDIX B

-5 YEAR P&L (YEARLY)

-5 YEAR P&L (MONTHLY)

-5 YEAR PRO FORMA WITH INSIGHT ON IMPROVEMENT



EL DIABLO TRANQUILO
HOSTEL & BAR

SALES BOOK



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5 YEAR P&L (YEARLY)

P&L Statements past five years

Displaying Fiscal year April-March

	4.823	19.345	21.070	29.930	30.012					
BEDS AVAILABLE	4.823	19.345	21.070	29.930	30.012					
BEDS OCCUPIED	3.885	9.149	9.947	12.775	13.251					
OCCUPANCY %	80,6%	47,3%	47,2%	42,7%	44,2%					
AVERAGE ROOM RATE	\$20,25	\$21,63	\$27,46	\$35,17	\$34,79					
REVPAR	\$16,31	\$10,23	\$12,96	\$15,01	\$15,36					
	Year	Year	Year	Year	Year					
	2007-'08	2008-'09	2009-'10	2010-'11	2011-'12					
REVENUE										
Beds	\$ 78.658	43,0%	\$ 197.922	48,0%	\$ 273.106	61,2%	\$ 449.355	83,9%	\$ 460.944	78,0%
Food & Beverage	\$ 97.241	53,2%	\$ 199.152	48,3%	\$ 164.700	36,9%	\$ 61.936	11,6%	\$ 112.801	19,1%
Other Income	\$ 7.024	3,8%	\$ 15.221	3,7%	\$ 8.667	1,9%	\$ 24.360	4,5%	\$ 17.414	2,9%
Total Operating Revenue	\$ 182.923	100,0%	\$ 412.295	100,0%	\$ 446.473	100,0%	\$ 535.651	100,0%	\$ 591.160	100,0%
DEPARTMENTAL EXPENSE										
Beds	\$ 14.416	18,3%	\$ 45.802	23,1%	\$ 70.108	25,7%	\$ 138.079	30,7%	\$ 126.524	27,4%
Consumables	\$ 4.453	30,9%	\$ 22.162	48,4%	\$ 22.381	31,9%	\$ 32.114	23,3%	\$ 28.644	22,6%
Labor	\$ 6.716	46,6%	\$ 18.793	41,0%	\$ 44.332	63,2%	\$ 70.401	51,0%	\$ 75.902	60,0%
Other	\$ 3.247	22,5%	\$ 4.847	10,6%	\$ 3.395	4,8%	\$ 35.564	25,8%	\$ 21.978	17,4%
Food & Beverage	\$ 85.116	87,5%	\$ 167.125	83,9%	\$ 162.189	98,5%	\$ 20.450	33,0%	\$ 133.565	118,4%
Consumables	\$ 53.626	63,0%	\$ 115.658	69,2%	\$ 95.763	59,0%	\$ 12.021	58,8%	\$ 75.886	56,8%
Labor	\$ 10.746	12,6%	\$ 45.122	27,0%	\$ 48.836	30,1%	\$ 7.305	35,7%	\$ 46.674	34,9%
Other	\$ 20.744	24,4%	\$ 6.345	3,8%	\$ 17.590	10,8%	\$ 1.124	5,5%	\$ 11.005	8,2%
Other Income	\$ 4.460	63,5%	\$ 10.678	70,2%	\$ 4.087	47,2%	\$ 10.150	41,7%	\$ 9.749	56,0%
Total Operating Expenses	\$ 103.992	56,9%	\$ 223.605	54,2%	\$ 236.384	52,9%	\$ 168.679	31,5%	\$ 269.838	45,6%
GROSS OPERATING INCOME	\$ 78.931	43,1%	\$ 188.690	45,8%	\$ 210.089	47,1%	\$ 366.972	68,5%	\$ 321.322	54,4%
UNDISTRIBUTED EXPENSE										
Administrative & General	\$ -	0,0%	\$ 5.000	1,2%	\$ 6.750	1,5%	\$ 14.500	2,7%	\$ 18.465	3,1%
Fixed Property Costs	\$ 4.200	2,3%	\$ 4.840	1,2%	\$ 5.160	1,2%	\$ 5.800	1,1%	\$ 6.350	1,1%
Sales & Marketing	\$ 2.250	1,2%	\$ 3.000	0,7%	\$ 1.800	0,4%	\$ 1.600	0,3%	\$ 2.897	0,5%
Repairs and Maintenance	\$ 8.000	4,4%	\$ 20.000	4,9%	\$ 9.800	2,2%	\$ 36.000	6,7%	\$ 19.691	3,3%
Utilities	\$ 11.603	6,3%	\$ 23.654	5,7%	\$ 30.400	6,8%	\$ 33.160	6,2%	\$ 46.363	7,8%
Total Undistributed Expenses	\$ 26.053	14,2%	\$ 56.494	13,7%	\$ 53.910	12,1%	\$ 91.060	17,0%	\$ 93.766	15,9%
NET OPERATING INCOME	\$ 52.878	28,9%	\$ 132.196	32,1%	\$ 144.179	32,3%	\$ 275.912	51,5%	\$ 227.556	38,5%
Capital Investments	\$ 744.000		\$ 17.500		\$ 256.000		\$ 19.000		\$ 19.500	

5 YEAR PRO FORMA

WITH INSIGHT OF IMPROVEMENT

Statement of Incremental Projections

	30.012	31.772	30.012	31.812	30.012	34.152	31.392	35.722	30.012	34.152	30.012	34.152
	13.251	14.677	13.251	14.781	13.251	16.770	13.803	17.541	13.251	16.770	13.251	16.770
	44,2%	46,2%	44,2%	46,5%	44,2%	49,1%	44,0%	49,1%	44,2%	49,1%	44,2%	49,1%
	\$34,79	\$31,41	\$36,52	\$36,87	\$40,27	\$42,94	\$43,64	\$46,34	\$51,31	\$54,71	\$57,91	\$61,76
	\$15,36	\$14,51	\$16,13	\$17,13	\$17,78	\$21,09	\$19,19	\$22,75	\$22,65	\$26,87	\$25,57	\$30,32
	Year		Year		Year		Year		Year		Year	
	Base: '11-'12		2012-'13		2013-'14		2014-'15		2015-'16		2016-'17	
ROOMS AVAILABLE	30.012	31.772	30.012	31.812	30.012	34.152	31.392	35.722	30.012	34.152	30.012	34.152
ROOMS OCCUPIED	13.251	14.677	13.251	14.781	13.251	16.770	13.803	17.541	13.251	16.770	13.251	16.770
OCCUPANCY %	44,2%	46,2%	44,2%	46,5%	44,2%	49,1%	44,0%	49,1%	44,2%	49,1%	44,2%	49,1%
AVERAGE ROOM RATE	\$34,79	\$31,41	\$36,52	\$36,87	\$40,27	\$42,94	\$43,64	\$46,34	\$51,31	\$54,71	\$57,91	\$61,76
REVPAR	\$15,36	\$14,51	\$16,13	\$17,13	\$17,78	\$21,09	\$19,19	\$22,75	\$22,65	\$26,87	\$25,57	\$30,32
REVENUE												
Rooms	\$ 460.944	78,0%	\$ 483.992	81,9%	\$ 533.601	85,8%	\$ 602.302	87,4%	\$ 679.848	87,0%	\$ 767.379	86,5%
With Utilization of Staff Housing & Addition of Quality Accommodations	\$ -	0,0%	\$ 544.979	66,8%	\$ 600.839	59,0%	\$ 678.197	59,0%	\$ 765.515	59,0%	\$ 864.075	59,0%
Food & Beverage	\$ 112.801	19,1%	\$ 118.441	20,0%	\$ 130.581	21,0%	\$ 147.394	21,4%	\$ 166.370	21,3%	\$ 187.791	21,2%
Restaurant Open to the Public		0,0%	\$ 270.818	33,2%	\$ 298.577	29,3%	\$ 337.019	29,3%	\$ 380.410	29,3%	\$ 429.388	29,3%
Other Income	\$ 17.414	2,9%	\$ 19.382	3,1%	\$ 24.895	3,6%	\$ 31.976	4,1%	\$ 41.072	4,6%	\$ 52.755	5,2%
As Is Total Operating Revenue	\$ 591.160	100,0%	\$ 621.814	100,0%	\$ 689.077	100,0%	\$ 781.672	100,0%	\$ 887.291	100,0%	\$ 1.007.925	100,0%
Operating Revenue with Improvements	\$ -	0,0%	\$ 815.797	100,0%	\$ 1.018.716	100,0%	\$ 1.149.876	100,0%	\$ 1.297.922	100,0%	\$ 1.465.029	100,0%
DEPARTMENTAL EXPENSE												
	Base Year		World Cup Travel		Olympic Games Travel							
Rooms	\$ 126.524	27,4%	\$ 139.176	28,8%	\$ 153.094	28,7%	\$ 168.403	28,0%	\$ 185.244	27,2%	\$ 203.768	26,6%
Food & Beverage	\$ 133.565	107,8%	\$ 100.675	85,0%	\$ 110.994	85,0%	\$ 125.284	85,0%	\$ 141.415	85,0%	\$ 159.622	85,0%
Other Income	\$ 9.749	56,0%	\$ 9.691	50,0%	\$ 12.447	50,0%	\$ 15.988	50,0%	\$ 20.536	50,0%	\$ 26.378	0,0%
Total Operating Expenses	\$ 269.838	43,6%	\$ 249.542	40,1%	\$ 276.535	40,1%	\$ 309.676	39,6%	\$ 347.195	39,1%	\$ 389.768	38,7%
Total Costs with Improvements	\$ -	0,0%	\$ 392.458	100,0%	\$ 447.474	100,0%	\$ 501.384	100,0%	\$ 562.223	100,0%	\$ 630.983	100,0%
GROSS OPERATING INCOME	\$ 321.322	56,4%	\$ 372.272	59,9%	\$ 412.541	59,9%	\$ 471.996	60,4%	\$ 540.096	60,9%	\$ 618.157	61,3%
GOI With Improvements	\$ -	0,0%	\$ 423.339	51,9%	\$ 571.242	56,1%	\$ 648.491	56,4%	\$ 735.699	56,7%	\$ 834.046	56,9%
UNDISTRIBUTED EXPENSE												
Administrative & General	\$ 18.465	3,1%	\$ 20.312	3,3%	\$ 22.343	3,6%	\$ 24.577	4,0%	\$ 27.035	4,3%	\$ 29.738	4,8%
Fixed Property Costs	\$ 6.350	1,1%	\$ 6.985	1,1%	\$ 7.684	1,1%	\$ 8.452	1,1%	\$ 9.297	1,0%	\$ 10.227	1,0%
Sales & Marketing	\$ 2.897	0,5%	\$ 3.187	0,5%	\$ 3.505	0,6%	\$ 3.856	0,6%	\$ 4.241	0,7%	\$ 4.666	0,8%
Repairs and Maintenance	\$ 19.691	3,3%	\$ 21.660	3,5%	\$ 23.826	3,8%	\$ 26.209	4,2%	\$ 28.830	4,6%	\$ 31.713	5,1%
Utilities	\$ 46.363	7,8%	\$ 50.999	8,2%	\$ 56.099	9,0%	\$ 61.709	9,9%	\$ 67.880	10,9%	\$ 74.668	12,0%
Total Undistributed Expenses	\$ 93.766	15,9%	\$ 103.143	16,6%	\$ 113.457	18,2%	\$ 124.803	20,1%	\$ 137.283	22,1%	\$ 151.011	24,3%
Total Und. Expenses with Improvements	\$ -	0,0%	\$ 110.304	13,5%	\$ 121.334	11,9%	\$ 133.468	11,6%	\$ 146.814	11,3%	\$ 161.496	11,0%
NET OPERATING INCOME	\$ 227.556	38,5%	\$ 269.130	43,3%	\$ 299.085	43,4%	\$ 347.193	44,4%	\$ 402.813	45,4%	\$ 467.146	46,3%
NOI with Improvements			\$ 313.035	38,4%	\$ 449.908	44,2%	\$ 515.024	44,8%	\$ 588.884	45,4%	\$ 672.551	45,9%
Necessary Capital Investments	-		\$ 24.000		\$ 135.000		\$ -		\$ -		\$ -	

Assumptions: Uruguay will receive a 5% boost to tourism due to Brazil's hosting of the major world sports events, one third of the 15% usually estimated for Brazil
 Staff quarters consist of 28 dorms and 6 private rooms to rent at a 20% discount from hostel rates during only our 45 peak days
 New construction would add 40 dorms and 6 private rooms, also at 20% discount for just 45 days.
 Kitchen costs held steady at 85% of revenue for guests only and 80% open to public