

THE SETAI

SOUTH BEACH, MIAMI





THE SETAL

RESORT & RESIDENCES SOUTH BEACH MIAMI, FLORIDA

OFFERING MEMORANDUM

For More Information:

New York Office

555 Fifth Avenue, 5th Floor
New York, NY 10017
Tel +1 212 286 5800
Fax +1 212 286 5555

Chicago Office

One South Dearborn, Suite 700
Chicago, IL 60603
Tel +1 312 252 5800
Fax +1 312 252 5555

Jon Kurnit

Managing Director and Group Head
DTZ Hospitality Group
jkurnit@dtzrockwood.com

Stephen Miller

Managing Director
DTZ Hospitality Group
smiller@dtzrockwood.com

John O'Rourke

Managing Director and Partner
Financial Services Group
jorourke@dtzrockwood.com

Andrew Knauer

Associate
DTZ Hospitality Group
aknauer@dtzrockwood.com

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
INVESTMENT HIGHLIGHTS	7
OPERATIONAL OPPORTUNITIES	13
PROPERTY DESCRIPTION	17
LOCATION OVERVIEW	27
HOTEL MARKET OVERVIEW	35
SOUTH BEACH – NEW HOTEL SUPPLY	41
FINANCIAL HIGHLIGHTS	45
EXHIBITS	62
Exhibit A – Hotel Building Inventory	62
Exhibit B – 2008 Projected Hotel Rental Program Waterfall Calculation	64
Exhibit C – Condominium Association (CAM Charges) – Flow Chart	65
DISCLAIMER	67

TABLE OF CONTENTS



THE SETAI
SOUTH BEACH, MIAMI





THE SETAI
SOUTH BEACH, MIAMI

EXECUTIVE SUMMARY

THE SETAI
SOUTH BEACH, MIAMI



introduction

DTZ Hospitality Group is pleased to offer the condominium interests (“The Setai Interests”) in The Setai Resort & Residences (“The Setai” or “Resort”), an exclusive five-star, Asian-inspired oceanfront resort in the heart of the Art Deco District of South Beach (Miami), Florida. The Setai is set amongst Miami Beach’s stylish nightlife, thriving cultural district and white sandy beaches. This offering represents a unique opportunity to acquire and control The Setai Interests, a trophy asset located on a prized piece of oceanfront property that possesses strong operating potential upon stabilization.

offering overview

The Setai opened in August 2005 and is comprised of a forty-story, ultra-luxury residential tower and an eight-story “meticulously replicated” Art Deco hotel. Internationally acclaimed designers Jean Michael Gathy and Jaya Pratomo Ibrahim creatively combined the architectural history of South Beach with the international Art Deco movement. The “Design Art Deco Fusion” concept has created a truly distinctive and luxurious environment with an underlying Asian aesthetic that is visible throughout the Resort. The Setai consists of 163 luxury residential units in the tower and 88 luxurious condo-hotel units in the hotel building. The condo-hotel units are fully entitled for condominium use and can be sold as condo-hotel units.



A recipient of the *Conde Nast Traveler* - 2007 Gold List, The Setai features five dedicated food and beverage venues, a state-of-the art spa, fully equipped fitness center, three beachfront pools, boardroom, upscale gift shop and a 220-bay parking garage for hotel and residential use.

A unique opportunity exists to acquire and control The Setai Interests which include 100% condominium interest in 77 of the 88 condo-hotel units in the hotel building, 100% of the first floor revenue generating commercial space inclusive of all five food and beverage operations, 100% of the Resort’s revenue generating recreational facilities and related guest concessions and 30% of net revenue generated through the rental of 53 units currently in the hotel room rental program. As part of the sale, the purchaser must acquire the adjacent Abbey Hotel building (18,000 square feet) that currently houses various back-of-house facilities and the administrative offices for The Setai.

Currently in the ramp-up stage, The Setai will continue to improve operationally as the Resort approaches stabilization. Beginning in 2008, room rental program participants will share in a greater proportion of The Setai’s overhead and operating expenses as contractual expense caps expire. Since the calculation will be determined utilizing a per occupied room (POR) metric, participants will now be responsible for their fair share of direct operating expenses. This proper expense sharing combined will significantly increase Net Operating Income (NOI) in 2008 and beyond. The table below highlights the financial performance of The Setai Interests for 2006 to 2008.

THE SETAI INTERESTS			
	2006	2007	2008
Rooms Revenue	\$7,165,833	\$9,990,000	\$12,751,661
F&B Revenue	\$11,540,897	\$13,503,936	\$15,416,394
Total Revenue	\$20,951,350	\$26,307,744	\$31,362,218
Net Operating Income (NOI)	(\$986,194)	\$1,895,233	\$7,137,636

The Setai Facts

COMPONENT	DESCRIPTION
Year Opened	Residential Tower – December 2004 (New Construction) Hotel Building – August 2005 (New Construction)
Address	2001 Collins Avenue, Miami Beach, FL 33139
Design & Architecture	“Art Deco Fusion” – combines the architectural history of South Beach with the Asian Art Deco movement
Management	General Hotel Management (GHM) Contract term expires 2020
Land Area	97,421 sq. ft. (2.236 acres)
Hotel Building	88 total condo-hotel units (Average 600 sq. ft.) <ul style="list-style-type: none"> • 77 condo-hotel units (component of The Setai Interests) • 9 condo-hotel rental program units • 2 condo-hotel special purpose units (recording studio) • First floor dedicated food and beverage space (15,000 sq. ft.)
Residential Tower	163 condominium units (Avg. 900 sq. ft. – 3,500 sq. ft.) – All Sold <ul style="list-style-type: none"> • 44 units participate in hotel room rental program
Tenure	Condominium Interests
Food & Beverage Outlets (First Floor)	The Restaurant – 130 seats The Grill – 44 seats The Lounge – 40 – person capacity including a unique 17-seat bar Pool and Beach Bar – 40 seats Courtyard – 220 – person capacity
Meeting Space	The Library – 925 sq. ft. boardroom
The Spa At Setai	Full-service spa overlooking the pools and beach <ul style="list-style-type: none"> • 4 double treatment suites • State-of-the-art fitness center
Administrative Offices (Abbey Hotel)	Adjacent free standing boutique Abbey Hotel (18,000 sq. ft.) Contains administrative offices, employee cafeteria, lockers and living quarters (no condo-hotel units)

The Setai Facts *Continued*

COMPONENT	DESCRIPTION
Other Facilities	Three Azure Pools and lavish pool deck Terrace – open air walkway – 50 guests Boutique (Gift Shop) Parking Garage – 220 spaces
In-Room Amenities/Services	Pure Irish bed linen Flat screen plasma televisions Bose surround sound DVD/CD system High speed wireless Internet access In-room bathtubs for personal spa treatments Rain showers Mini bar In-room safe Lavazza espresso coffeemaker 24-hour room service

**Items highlighted in bold are components of The Setai Interests.*



EXECUTIVE SUMMARY



THE SETAI
SOUTH BEACH, MIAMI





THE SETAI
SOUTH BEACH, MIAMI

INVESTMENT HIGHLIGHTS

THE SETAI
SOUTH BEACH, MIAMI



Unique Opportunity

The opportunity exists to acquire a premier, five-star oceanfront resort in one of the most desired destinations in the world. Recently opened in 2005, the Resort is competitively positioned within the upscale/luxury segment. Currently in the ramp-up stage, The Setai will continue to improve operationally as the Resort approaches stabilization.

Financial Performance

In 2006, The Setai Interests achieved rooms revenue of \$7.2 million and total revenue of \$21.0 million with an operating loss of \$986,194. Since 2006 was the first full year of operation and the Resort is currently in ramp-up mode, The Setai is expected to significantly improve its operating performance in 2007 and beyond. Total revenues in 2007 are forecasted at \$26.3 million leading to a NOI of \$1.9 million. As the Resort approaches stabilization, NOI in 2009 to 2010 is expected to reach \$10 to \$12 million with a profit margin of approximately 30%.

oceanfront location

An ultra-luxury resort with nearly 100 feet of beach frontage, The Setai is set amongst Miami Beach's world class nightlife, thriving cultural district and pristine sandy beaches. Situated on 2.236 acres of irreplaceable oceanfront property along the South Beach boardwalk, The Setai is an Asian-inspired resort comprised of a 40-story regal residential tower and a meticulously replicated eight-story Art Deco hotel landmark.

The Resort's beachfront location is within easy walking distance of the Miami Beach Convention Center, Lincoln Road

pedestrian mall, the City's performing arts center and Collins Park - a vibrant cultural arts campus inclusive of the Miami Beach Library, Bass Museum of Art and Miami City Ballet. Collins Park, currently under renovation will be the focal point for many of the City's major events including theater performances, art shows as well as food and wine exhibitions.

Superior Facilities

The Setai's award winning, five-star condo-hotel units have been designed to create a tranquil Asian mood featuring in-room baths for personal spa treatments, comfortable daybed seating, "rainfall" showers, elegant teak furniture, granite flooring, fine silk fabrics and Italian Acqua di Parma care products. The Resort offers five high-end food and beverage venues creating a unique Asian experience including an expansive exhibition kitchen. The adjacent Courtyard provides a Zen-like atmosphere among open air space with reflecting pools ideal for catering events and al fresco dining for up to 220 guests. Other facilities include The Spa at Setai comprised of state-of-the-art treatment rooms and a fully equipped fitness center, three distinct oceanside pools, the Terrace - an open air walkway with seating capacity for 60, boardroom, upscale gift shop and a 220-bay parking garage for hotel and residential use.



THE SETAI
SOUTH BEACH, MIAMI



International Reputation

The Setai is internationally renowned as one of the premier destination resorts in the world. Beginning with the Resort's pre-opening sales in 2004, current ownership has invested a significant amount of capital in the worldwide marketing of The Setai. As a result, the Resort has established a global reputation and has solidified a leadership position among South Florida's five-star luxury hotel destinations. Since opening, The Setai has garnered numerous accolades including: *Conde Nast Traveller (UK) – 2007 The Gold List*, *Conde Nast Traveler (US) – 2007 Gold List*, *Conde Nast Traveller (UK) – 2006 The Hot List & The Gold List*, *Conde Nast Traveler (US) – 2006 The Hotel List & Top 50 Resorts in the US*, and *Forbes Magazine – 2006 Best New Hotels*.

Global Travel Destination

Miami Beach is a leading multi-cultural destination attracting nearly 5.5 million overnight visitors per year of which 40% are of international origin. The Greater Miami region continues its transformation into a year-round location by enhancing its cultural offerings and making improvements to its tourism infrastructure.

As a destination, Miami Beach continues to achieve robust occupancy and average daily rates among its upscale and luxury hotels. In 2006, the Miami Beach luxury/resort hotel market reported an occupancy and Average Daily Rate (ADR) of 71.0% and \$293.89, respectively. This resulted in a Revenue Per Available Room (RevPAR) of \$208.54. The market's 2006 performance represents a 42% increase in ADR and a 70% increase in RevPAR since 2002. (Source: Smith Travel Research). These growth trends are anticipated to continue into the future.



General Hotel Management (ghm) – adrian zecha

The Setai is managed by General Hotel Management which was founded by world-renowned hotelier Adrian Zecha. GHM has been involved in every phase of the Resort's development including its Zen-like ambiance which attracts guests from around the globe. Co-Founder of Amanresorts, Adrian Zecha is a hospitality visionary who has embodied The Setai with unparalleled luxury, elegance and exclusivity. GHM operates a collection of five-star luxury resort and premier hotel properties in Malaysia, Indonesia, India, Myanmar and the United States all characterized by individuality and style.



THE SETAI
SOUTH BEACH, MIAMI





THE SETAI
SOUTH BEACH, MIAMI

OPERATIONAL OPPORTUNITIES



Value Enhancement Opportunities

Significant Operating Upside upon Stabilization

Due to the delayed opening, the Resort has yet to reach stabilization. Upon stabilization, the Resort is expected to significantly grow operating performance achieving profit margins of approximately 30%. The 163-unit residential tower and the 88-unit hotel building were expected to open simultaneously in December 2004. However, the developer faced several issues with the City of Miami Beach during the construction phase, which delayed the opening of the Resort until August 2005. As a result, The Setai encountered operational inefficiencies in 2006 and remains in an operational ramp-up stage in 2007. As such, the Resort has several years of sustained occupancy growth before achieving its full financial potential. Although 2006 was the Resort's first full year of operations, The Setai generated strong top line revenues of \$34.2 million with a market leading ADR of \$1,187.66 and a 40.3% occupancy equating to a RevPAR of \$479.08. This RevPAR represents a 60% premium compared to its competitive set.

Coinciding with the continued growth of the South Beach lodging market, the Resort's increased occupancy penetration and the planned stabilization of operating expenses in 2007, The Setai's financial performance is projected to improve substantially. GHM is presently focused on an aggressive room revenue yielding program which will be more opportunistic in the slower seasonal months driving the Resort's occupancy toward the market average of 67% to 70%. This strategy will also lead to increased revenues within the restaurants, spa, and other recreational facilities/concessions. As a result, new ownership will be able to benefit from the significant ramp-up of Resort operations beginning in 2008.

Increased Food & Beverage Revenue

The Setai offers five food and beverage venues including the 130-seat Restaurant, 40-seat Pool & Beach Bar, 44-seat Grill, 220-person Courtyard and 40-person Lounge. GHM has assembled an exceptional culinary team and has recently implemented an aggressive local marketing campaign to increase daily volume. In addition, and similar to current operations at the Shore Club and Delano resorts, GHM is intensely committed on maximizing revenue opportunities through the booking of high-end social and local catering events in the Resort's Courtyard and Terrace. In 2007, total food and beverage revenue is expected to achieve \$13.5 million, representing an increase of nearly 17% compared to 2006.

Future Profit Potential

As a result of these revenue opportunities, The Setai Interests are projected to produce a Net Operating Income (NOI) of \$10 to \$12 million at stabilization in 2009 to 2010.

Hotel-Condo Sales Opportunity

Post acquisition and upon Resort stabilization, the opportunity exists for new ownership to sell the remaining inventory of 77 units as condo-hotel units. Assuming stable market conditions, the sale of these hotel-condo units will allow an investor to monetize a significant portion of its invested capital thus, further enhancing financial returns. The W Hotel and Residences currently under construction is presently pre-selling its condominium guestroom units for \$1,400 to \$2,000 per square foot. A hotel-condo sales analysis for The Setai is provided in Exhibit A and illustrates the potential for the 77 condo-hotel units to generate between \$50 and \$70 million in future sale proceeds.

OPERATIONAL OPPORTUNITIES





THE SETAI
SOUTH BEACH, MIAMI





Overview

The Setai is an intimate oceanfront resort in the heart of South Beach. Set amid tropical gardens and sparkling pools at the edge of the Atlantic Ocean, The Setai introduces the Asian traditions of simplicity and elegance to South Beach. Built on the site of the famed Dempsey Vanderbilt Hotel, The Setai has been completely redeveloped to resemble its original Art Deco splendor. The Resort's new interior has been configured to house 88 condo-hotel units, lobby, Restaurant, Grill, Lounge and Library all wrapping around the Zen-like Courtyard which serves as a social gathering point for meals, cocktails, and special events. The Setai Residences, a 40-story glass condominium tower comprised of 163 residential units is situated directly east of the hotel building. All of the tower units have been sold as individual residences.

A new owner has the opportunity to purchase and control 77 of the 88 condo-hotel units in the hotel building along with 100% of the first floor commercial space, 100% of the Resort's recreational facilities and related concessions and 30% of net revenue generated through the rental of 53 units currently in the hotel room rental program. As part of the acquisition, new ownership will take title to the adjacent boutique Abbey building which currently houses the Setai's administrative offices, employee cafeteria, lockers and living quarters.

Lobby

The Setai incorporates highlights from China's Art Deco period with a grand lobby decorated in Shanghai brick, bronze and rich teak as well as imported stones and exquisite Asian art and artifacts. The lobby also features a timber lattice motif inspired by the Belgium Art Deco era. Each lattice is handmade of Burmese teak by Chinese craftsman. The focal point of the room is the bronze fireplace, composed of individually crafted and embossed panels from Bali and Indonesia that are installed within the Shanghai bricks. The floor is furnished with aged leather panels bordered by tropical hardwood flooring.



PROPERTY DESCRIPTION



THE SETAI
SOUTH BEACH, MIAMI



Units

The Setai offers 163 condominium units in the residential tower and 88 condo-hotel units in the hotel building. Current ownership has sold 100% of the 163 tower condominium units. At the time of opening, 44 condominium unit owners committed their units to The Setai's hotel room rental program. As such, these one and two bedroom suites were designed with the same luxurious décor as the 88 condo-hotel units in the hotel building. Eleven of the 88 units have been sold as condo-hotel units and remain in the hotel room rental program. Two of these units have been sold to Lenny Kravitz and will be utilized as a recording studio by visiting artists. In total, there are 130 units available for hotel use.

The 88 condo-hotel units in the hotel building average 600 square feet while the 44 units in the residential tower feature one, two, three and four bedroom suites varying from 900 to 3,500 square feet all with panoramic ocean views. The Setai offers an infamous 10,000 square foot, four-bedroom suite with spectacular balconies and a private lap pool that is utilized by celebrities from around the globe.

All condo-hotel units incorporate the use of teak, black granite, fine silk and jade as the impeccable design details of each unit. The condo-hotel units feature lavish amenities including pure Irish bed linens, flat screen plasma televisions, Bose surround sound DVD/CD system, high speed wireless Internet access, in-room bathtubs for personal spa treatments, minibar, Lavazza espresso coffeemaker, rain showers and in-room safe.



PROPERTY DESCRIPTION







Hotel Building - Condo-Hotel Unit Inventory

ROOM TYPE	THE SETAI INTERESTS	TOTAL	AVERAGE SIZE (SF)
Studio Suite City View	37	38	582 - 610
Studio Suite Courtyard View	30	37	582 - 610
1 Bedroom Suite City View	2	2	786
1 Bedroom Suite Courtyard View	2	2	786
Junior Suite	5	5	684
Duplex Suite	2	2	1,144
Lenny Kravitz Studio	0	2	582-610
Total	77	88	--

Residential Tower - Hotel Room Rental Program

ROOM TYPE	TOTAL	AVERAGE SIZE (SF)
1 Bedroom Suite (Partial Ocean View)	10	847 - 900
2 Bedroom Suite (Partial Ocean View)	14	1,312
2 Bedroom Suite (Ocean View)	6	1,405
2 Bedroom Suites (Oceanfront)	9	1,407
2 Bedroom Suite with Den (Ocean View)	1	1,746
2 Bedroom Suite with Spa (Ocean View)	1	2,812
2 Bedroom Suite with Entertainment Room (Ocean View)	1	3,552
3 Bedroom Suite (Oceanfront)	1	2,850
Penthouse	1	10,000

PROPERTY DESCRIPTION





Food and Beverage

The Setai's 15,000 square foot main floor is dedicated to several food and beverage venues which are becoming known as intimate, reserved alternatives to the typical high energy South Beach experience. The Restaurant is a 130-seat outlet with an elaborate exhibition kitchen featuring Asian fusion cuisine as well as modern comfort foods. Guests can dine in or al fresco in the Courtyard. The Restaurant serves breakfast, lunch and dinner daily.

The Grill, a 44-seat outlet features spectacular floor-to-ceiling wine cabinets showcasing an extensive selection of champagnes, white and red wines from around the world. The Grill is open for dinner only.

The Lounge has capacity for 40 guests and features a uniquely designed 17-seat bar with floor-to-ceiling beverage displays. The Lounge location ideally links the lobby with The Grill and The Restaurant and has direct access to The Courtyard.

The Pool and Beach Bar is a 90-foot long beachside bistro with seating capacity for 40. This is one of the only dining venues in South Beach with direct beach access. The Pool and Beach Bar serves breakfast and lunch daily and dinner Thursday through Saturday offering grilled Mediterranean-style dishes.



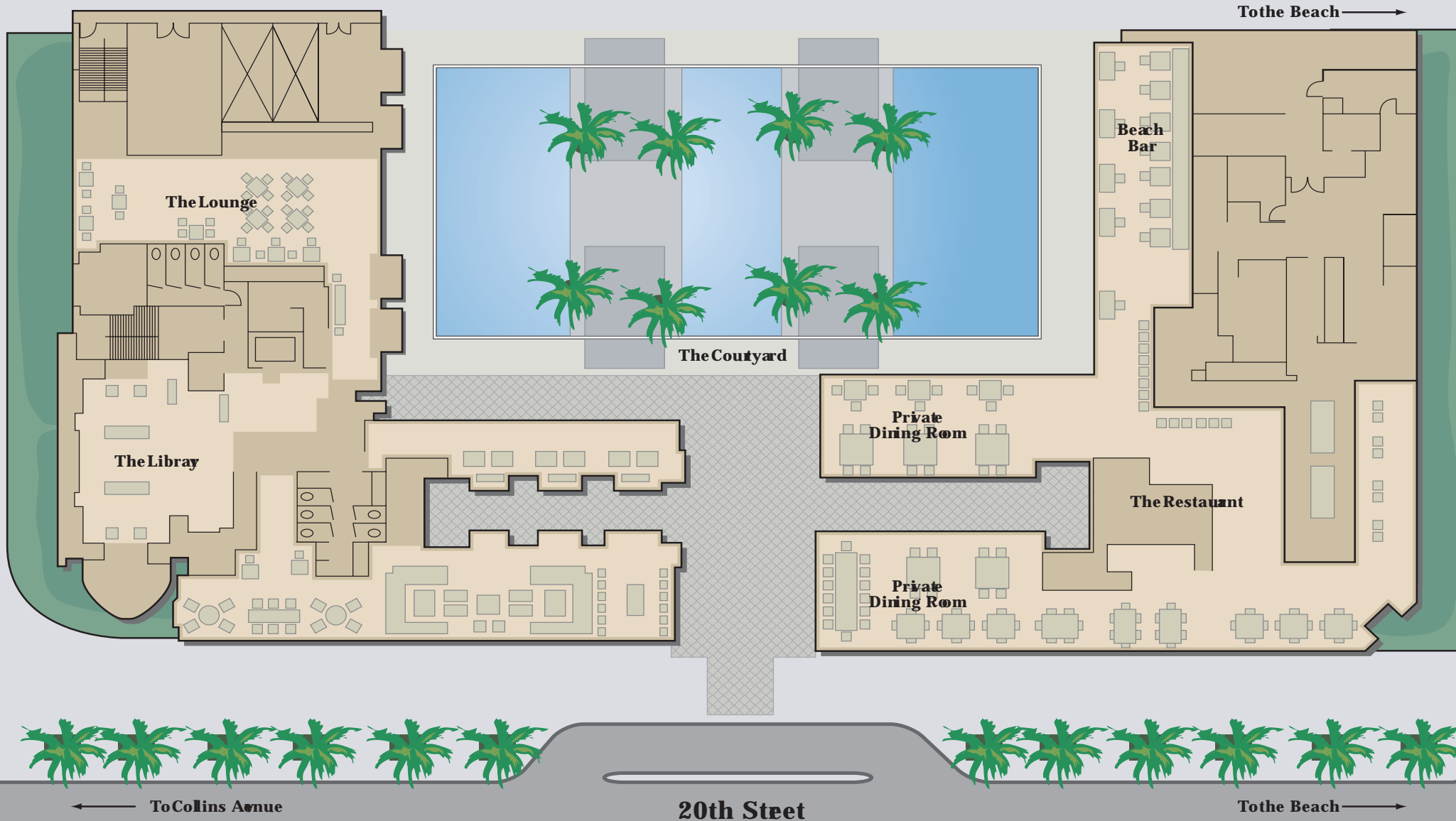
The Spa at The Setai

The Setai features a full-service spa and state-of-the-art fitness center overlooking the three pools and beach. The spa offers four double treatment suites complete with steam baths and showers. Guest treatments include refining facials, reviving body polish, therapeutic massage, aromatherapy, bath soaks and steam baths.



First Floor Plan - Hotel Building

ROOM	DIMENSIONS (IN SQ FT)	CEILING HEIGHT	CAPACITY	SIT DOWN	COCKTAIL RECEPTION	THEATER	CLASSROOM	U-SHAPED	BOARD ROOM
The Library	925	12"	60	35	60	60	40	20	35
The Lounge	1,100	14"	60	40	60	35	30	X	25
The Courtyard Seating 576	13,860	Open Air	220	X	220	X	X	X	X
Private Dining Room	East Corner 216 West Corner 208	Open Air 15"	220 12	X	X	X	X	X	12
The Restaurant	5,220	15"	130	130	X	X	X	X	X
The Terrace	3,387	Open Air	150	60	150	X	X	X	X
The Pool and Beach Bar	Bar - 3,780 Deck - 12,510	Open Air Open Air	220 100	X 40	X 100	X X	X X	X X	12 X
The Pool Deck	5,658	Open Air	300	X	300	X	X	X	X
Specialty Suites	Available Upon Request								





THE SETAI
SOUTH BEACH, MIAMI

LOCATION OVERVIEW

THE SETAI
SOUTH BEACH, MIAMI



Overview

The Setai is ideally positioned among the higher-end South Beach resort hotels on Collins Avenue, directly adjacent to the Shore Club, Delano and Ritz Carlton. This location is within close proximity to Miami International Airport, the Seaport of Miami, and the Miami Central Business District. Regional access to South Beach is excellent via the MacArthur and Venetian Causeways and Interstate 195.

The City of Miami is an international banking and business gateway to the United States. Miami has evolved into an increasingly diversified economy establishing it as a "Gateway to the Americas." Given the City's internationally accessible location, proximity to the emerging Latin American and Caribbean markets, superior transportation and distribution infrastructure, the greater Miami area has emerged as a center for international tourism, banking, foreign trade, entertainment and technology.

Foreign trade and tourism continue to dominate the City's economy. With more than 300 Fortune 500 multinational corporations offering regional and worldwide headquarters in Miami, the City has evolved into one of the world's most integrated economies. Access to Latin America and other foreign markets has led many domestic and international corporations to recognize the advantages of having presence in the region.

Domestic and international tourism continues to be a major driver in the growth of Miami's economy. Overnight visitation to Miami Beach was reported at approximately 5.3 million in 2006, representing an increase of nearly 19%

since 2002 and generating nearly \$14 billion in direct expenditures. South Beach has been called the American Riviera and Art Deco Playground with its sandy white beaches, vibrant nightlife and renowned dining, making it one of Florida's most popular destinations. In addition, South Beach has become a nationally recognized center for film, television and print production.

As a dynamic and international destination, the Miami Beach lodging market has experienced strong growth and continues to achieve robust occupancy and average daily rates among its upscale and luxury hotels. In 2006, the Miami Beach luxury/resort hotel market reported occupancy of 71.0% and an ADR of \$293.89 equating to a RevPAR of \$208.54. This performance represents a 42% increase in ADR and a 70% increase in RevPAR since 2002. These upward trends are expected to continue through the short-term.



THE SETAI
SOUTH BEACH, MIAMI

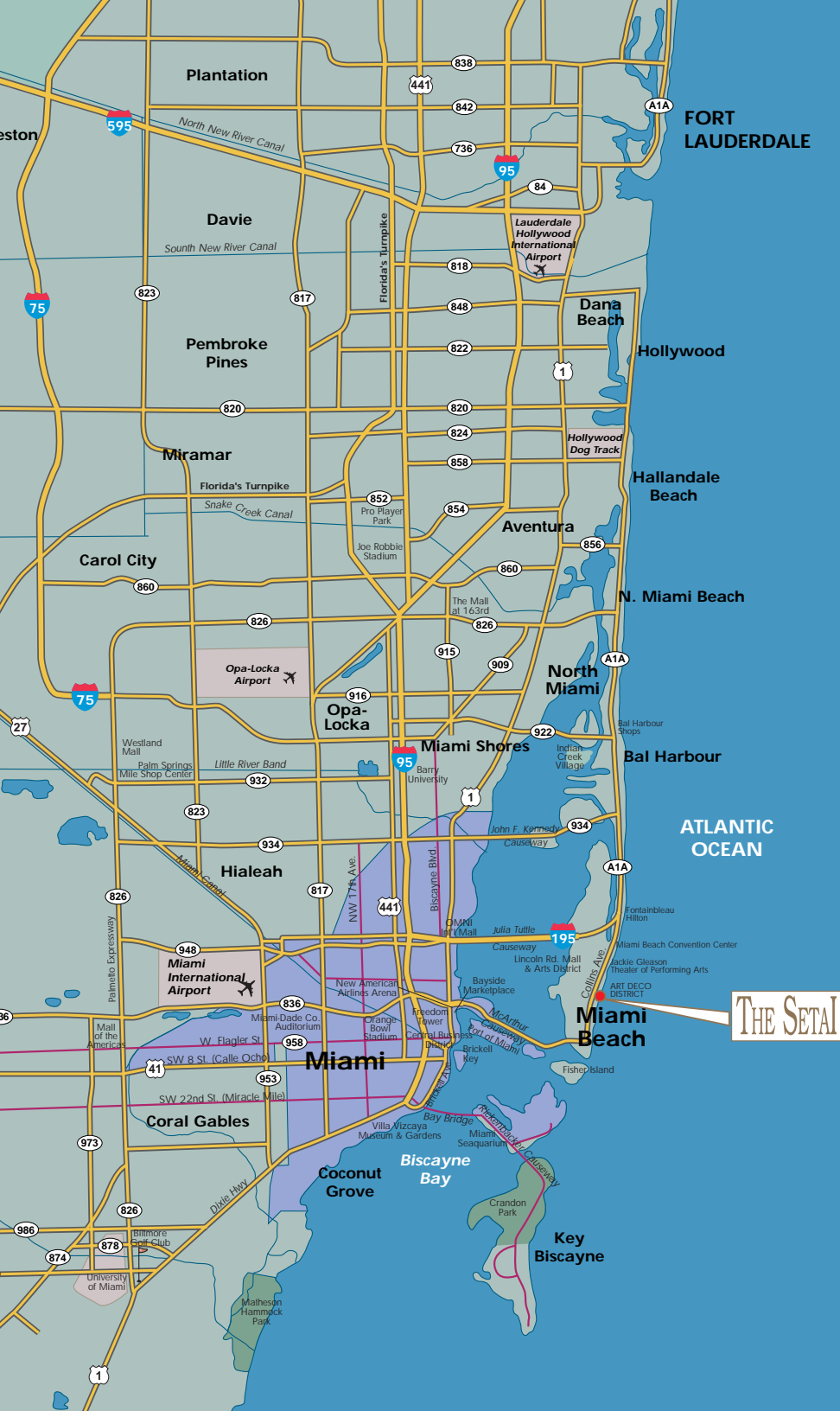


LOCATION OVERVIEW

Atlantic Ocean

Gulf of Mexico





THE SETAI

THE SETAI



Business Environment

Miami is an international banking and business gateway to the United States. Major corporations are attracted by the synergistic opportunities that the City provides with access to and from Latin America, the Caribbean and South American markets. Fourteen Fortune 500 corporations have established their headquarters in Miami including Office Depot, Lennar, Winn-Dixie Stores, Fidelity National Financial, CSX, Hughes Supply and Darden Restaurants. In addition, the area is home to more than 500 multinational companies.

MAJOR MIAMI EMPLOYERS

Company	Number of Employees
Baptist Health Systems of Florida	10,683
University of Miami	9,367
American Airlines	9,000
United Parcel Services	5,000
BellSouth	4,800

Source: The Beacon Council

Tourism

The success of Miami's tourism industry appears to have longevity as new hotels and attractions continue to flourish. According to the Greater Miami Convention and Visitors Bureau overnight visitors to Miami Beach in 2005 were responsible for generating approximately \$14 billion in direct economic impact.

Miami is quickly emerging as the art Mecca of the south Florida with major attractions including the Miami Performing Arts Center, Miami Art Museum, Bass Museum of Art and Miami City Ballet. Playing host to high-profile events is increasingly becoming commonplace in Miami, as the city recently hosted Super Bowl XLI in February 2007, Art Basel (35,000 visitors in 2006), Miami International Film Festival (67,000 visitors in 2006), and the MTV Video Music Awards in 2004 and 2005.

2005 MIAMI BEACH VISITOR PROFILE

Expenditure Statistics

Average Length of Stay	6.14 days
Average Daily Expenditure	\$220.57
Average Expenditure Per Trip	\$1,354.30

Visitor Origin

Domestic Visitors	3,339,000 (63.4%)
International Visitors	1,927,600 (36.6%)

Main Purpose of Visit

Vacation/Pleasure	78%
Business/Convention	10%
Cruise	8%
Visiting Friends / Relatives	2%
Other	2%

Source: Greater Miami Convention & Visitors Bureau

Transportation

Miami International Airport (MIA) is one of the busiest airports in the nation. In 2006, MIA served 32.5 million passengers and handled more than 2 billion tons of cargo. This impressive capacity is due in part to the airport's \$5.2 billion ongoing Capital Improvement Program which included the recent construction of a fourth runway increasing the airport's airfield capacity by 25%.





THE SETAI
SOUTH BEACH, MIAMI

H O T E L M A R K E T O V E R V I E W

THE SETAI
SOUTH BEACH, MIAMI



Lodging Market Overview

Due to The Setai's unique positioning and high price point, the Resort is deemed to have no direct competitors. The Setai indirectly competes with seven hotels located in the South Beach/Miami market. These include The Shore Club Hotel, Delano Hotel, Ritz-Carlton South Beach, Resort Acqualina, The Tides Hotel and Mandarin Oriental Hotel.

THE SETAI COMPETITIVE SET

HOTEL	LOCATION	YEAR OPENED	ROOMS
The Setai	Collins Ave	2005	130
Shore Club Hotel	Collins Ave	1947	307
Delano Hotel	Collins Ave	1995	194
Ritz-Carlton South Beach	Collins Ave.	2004	375
Resort Acqualina	Collins Ave	2006	97
The Tides Hotel	Ocean Drive	1997	43
Mandarin Oriental Hotel	Brickell Key Drive	2000	327
		Total	1,473



SHORE CLUB HOTEL

The 307-room Shore Club is located directly south of The Setai on Collins Avenue. The hotel was last renovated in 2000 and offers seven duplex bungalows and a private oceanfront beach house. The Shore Club has several highly recognized F&B outlets including Nobu, Skybar, and Red Room. The hotel features a fully equipped fitness center, two elevated infinity-edged pools and two deep blue wading pools. Meeting and conference facilities total 10,000 square feet.



DELANO HOTEL

The infamous 194-room Delano Hotel is located in the heart of South Beach just south of The Setai. The Delano features The Blue Door Restaurant, Blue Sea, Rose Bar and Lobby Lounge. The Delano is home to a unique indoor/outdoor lobby and features a landscaped Orchard, Agua Bathhouse and private beach. The hotel has approximately 2,500 square feet of meeting space.



HOTEL MARKET OVERVIEW



RITZ-CARLTON SOUTH BEACH



The 376-room Ritz-Carlton South Beach is located on Collins Avenue, several blocks south of The Setai. The guestrooms are of Art Deco style and include 40 suites and 67 club level rooms. The hotel offers a 16,000 square foot spa, three restaurants, three bars, health club and an elevated outdoor pool. Meeting and conference facilities total 20,000 square feet including a 10,212 square foot ballroom.

RESORT ACQUALINA

This 97-room boutique resort is located in Sunny Isles, 10 miles north of The Setai on Collins Avenue. The hotel is a component of a 51-story ultra-luxury condominium tower with 188 residences. The Resort Acqualina is a Rosewood



managed resort featuring three restaurants, a two-story oceanfront spa, three swimming pools and a private beach club.

MANDARIN ORIENTAL HOTEL

The 327-room Mandarin Oriental Hotel is located on Brickell Key Drive, just south of the Miami Central Business District, 6 miles from The Setai. The hotel features an award winning 15,000 square foot spa with 17 private treatment rooms, a fully equipped fitness center and five food and beverage outlets serving authentic Asian cuisine. Meeting and conference facilities include 15 meeting rooms totaling 15,000 square feet.



THE TIDES HOTEL



The 43-room Tides Hotel is located a half mile south of The Setai along Ocean Drive. The hotel, currently undergoing a major rooms renovation, features 35 deluxe ocean view rooms, 7 junior suites and 3 penthouse suites with outdoor terraces. Facilities include a high end restaurant and bar, poolside bar, fully equipped fitness center and outdoor pool with private cabanas. There are both indoor and outdoor meeting venues for hosting events up to 260 guests.

HOTEL MARKET OVERVIEW

According to Smith Travel Research the defined competitive hotels achieved occupancy of 67.7% and ADR of \$439.92 in 2006. This equates to a RevPAR of \$297.60 and represents a 33% increase since 2004.

As outlined earlier, The Setai, having opened in late 2005 remains in an operational ramp-up stage and has yet to reach its full financial potential. In 2006, its first full year of operation, The Setai generated strong top line revenues of \$34.2 million with a market leading ADR of \$1,187.66, representing a yield of 270% compared to the competitive set. The Resort's occupancy of 40.3% represents a yield of 60%, highlighting the opportunity in occupancy growth for The Setai. Coinciding

with the continued growth of the South Beach lodging market, the Resort's increased occupancy penetration, and the budgeted stabilization of ongoing operating expenses, The Setai's operating performance is poised for significant improvement in 2007 and 2008. GHM is presently focused on an aggressive room revenue yielding program which will be more opportunistic during slower occupancy periods. This strategy will also generate increased revenue within the restaurants, spa, and other recreational departments.

As illustrated in the table below, The Setai has an opportunity to aggressively increase its occupancy penetration in 2007 and 2008, approaching the market average of 68% to 71%.

PERFORMANCE SUMMARY

	Occupancy			ADR			RevPAR		
	2004	2005	2006 ⁽¹⁾	2004	2005	2006	2004	2005	2006 ⁽¹⁾
The Setai	-	26.1%	40.3%	-	\$1,121.85	\$1,187.66	-	\$ 292.50	\$479.08
Competitive Set	65.2%	67.7%	67.7%	\$344.19	\$392.11	\$439.92	\$224.44	\$265.34	\$297.60
Upscale/Luxury Market ⁽²⁾	70.8%	69.7%	71.0%	\$236.83	\$259.08	\$293.89	\$167.78	\$180.65	\$208.54

(1) 2006 is the first full year of operation at The Setai.

(2) The Upscale/Luxury Market is comprised of the following properties: Mandarin Oriental, Bentley Hotel, Marriott Miami Beach, Loews Miami Beach, Hotel Victor, Bentley Beach, Royal Palm Hotel, Ritz-Carlton South Beach, Raleigh Hotel, Sagamore Hotel, Preferred National Hotel, Tides Hotel, Shore Club Hotel, Delano Hotel, Fontainebleau Resort & Tower, Renaissance Eden Roc, and Resort Acqualina.

Source: Smith Travel Research

THE SETAI
SOUTH BEACH, MIAMI



THE SETAI
SOUTH BEACH, MIAMI



new hotel supply

The table below highlights new hotel projects currently under construction in South Beach:

These new supply additions are expected to be readily absorbed due to the continued strength of the greater Miami Beach lodging market and are not anticipated to compete directly with The Setai due to the Resort's ultra-luxury price point.

New Hotel Supply

Project	Location	Type	Units	Completion Date
Canyon Ranch Living (Conversion)	6801 Collins Avenue	Hotel	150	2007
Gansevoort South (Conversion)	2301 Collins Avenue	Hotel	232	2008
W Hotel & Residences (New construction)	2201 Collins Avenue	Condo-Hotel	410*	2009

** All units at the W will be sold as residences with the option to participate in the hotel room rental program. It is estimated that a minimum of 50% will commit to the rental program. According to the sales office, approximately 75% of the units have been pre-sold.*



THE SETAI

SOUTH BEACH, MIAMI





THE SETAI
SOUTH BEACH, MIAMI

FINANCIAL HIGHLIGHTS

THE SETAI
SOUTH BEACH, MIAMI



2006 Performance Summary



As summarized earlier there are 130 condo-hotel units in The Setai's room rental program including 86 in the hotel building and 44 in the residential tower.

The Resort opened in 2006 and is currently ramping up. The Setai will continue to improve operationally as it approaches

stabilization. In 2006, The Setai achieved a first full year occupancy and ADR of 40.3% and \$1,187.66, respectively. This equated to a market leading RevPAR of \$479.08 representing a 60% premium over its immediate competition. The Resort reported total revenues of \$34.2 million, but a net operating loss of \$986,194 in 2006. This operating shortfall is inclusive of both Homeowners Association (HOA) expense reimbursement and room rental program revenue and expense sharing. This operating shortfall was a result of The Setai experiencing a number of operational issues during its first year, including but not limited to, a delayed and staggered opening, off shore management, cumbersome employee hiring and training, shortage of back office/employee space, General Manager turnover and insufficient HOA expense budgeting. These issues have been fully addressed by GHM in 2006 and appear remedied for 2007.

Ownership acquired the small Abbey Hotel building when it was determined the back office space was insufficient. The Abbey is an 18,000 square foot boutique property located one block west of The Setai and has been retrofitted into administrative offices, employee locker rooms, employee cafeteria and small living quarters.

Further impacting the Resort's 2006 performance was the decision by ownership and GHM to cap the hotel operating expenses for the 44 residential tower room rental program participants. Throughout 2006, actual pro rata expenses for these units far exceeded the capped allocations. As a result, ownership was responsible for funding the majority of resort operations.

The initial 44 residential tower room rental agreements were signed in 2004 for a period of three and five years. The majority of the agreements expires in late 2007 and will be up for renewal. Beginning in 2008 the sharing of operating expenses will be configured on both a per occupied room (POR) and pro rata square foot metric thus rectifying the unbalanced sharing of the operating expenses going forward.



2006 performance summary

Rooms Net	116
Rooms Available	42,518
Rooms Occupied	17,151
Occupancy (%)	40.3%
ADR (\$)	\$1,187.66
RevPAR (\$)	\$479.08

	Amount	%	HOA Expense Assessment ⁽¹⁾	Net Hotel Operation	%	Individual Unit Program Splits ⁽⁸⁾	Developer /Owner Net	%
DEPARTMENTAL REVENUES								
Rooms								
<i>Hotel Rooms (86 Units)</i>	\$7,705,852					\$917,965	\$6,787,887	
77 Unsold								
11 Sold								
<i>Condo Tower (44 Rental Program)</i>	\$12,433,070					\$6,417,365	\$6,015,705	
<i>Rooms Other</i>	\$230,566					\$0	\$230,566	
Total Rooms Revenue	\$20,369,488	59.6%	\$0	\$20,369,488	59.6%	\$13,203,655	\$7,165,833	34.2%
Food	\$6,406,169	18.8%	\$0	\$6,406,169	18.8%	\$0	\$6,406,169	30.6%
Beverage	\$4,643,699	13.6%	\$0	\$4,643,699	13.6%	\$0	\$4,643,699	22.2%
F&B Other	\$491,029	1.4%	\$0	\$491,029	1.4%	\$0	\$491,029	2.3%
Telephone	\$73,195	0.2%	\$0	\$73,195	0.2%	\$0	\$73,195	0.3%
Valet Parking	\$150,881	0.4%	\$0	\$150,881	0.4%	\$0	\$150,881	0.7%
Boutique Shop	\$182,619	0.5%	\$0	\$182,619	0.5%	\$0	\$182,619	0.9%
Recreation & Sports	\$129,762	0.4%	\$0	\$129,762	0.4%	\$0	\$129,762	0.6%
Spa	\$1,127,094	3.3%	\$0	\$1,127,094	3.3%	\$0	\$1,127,094	5.4%
Transportation	\$170,458	0.5%	\$0	\$170,458	0.5%	\$0	\$170,458	0.8%
Other (Net)	\$410,611	1.2%	\$0	\$410,611	1.2%	\$0	\$410,611	2.0%
Total Departmental Revenues	\$34,155,005	100.0%	\$0	\$34,155,005	100.0%	\$13,203,655	\$20,951,350	100.0%
DEPARTMENTAL EXPENSES								
Rooms	\$7,004,083	34.4%	\$1,518,928	\$5,485,155	26.9%	\$338,007	\$5,147,149	71.8%
Food & Beverage	\$10,160,408	88.0%	\$0	\$10,160,408	88.0%	\$0	\$10,160,408	88.0%
Telephone	\$256,713	350.7%	\$206,704	\$50,009	68.3%	\$1,550	\$48,459	66.2%
Valet Parking	\$465,160	308.3%	\$305,180	\$159,980	106.0%	\$0	\$159,980	106.0%
Boutique Shop	\$113,645	62.2%	\$0	\$113,645	62.2%	\$0	\$113,645	62.2%
Recreation & Sports	\$981,036	756.0%	\$786,300	\$194,736	150.1%	\$0	\$194,736	0.0%
Spa	\$908,989	80.6%	\$337,005	\$571,984	50.7%	\$0	\$571,984	50.7%
Transportation	\$285,127	167.3%	\$0	\$285,127	167.3%	\$0	\$285,127	167.3%
Total Departmental Expenses	\$20,175,161	59.1%	\$3,154,116	\$17,021,045	49.8%	\$339,557	\$16,681,488	79.6%

2006 PERFORMANCE SUMMARY (Continued)

	Amount	%	HOA Expense Assessment ⁽¹⁾	Net Hotel Operation	%	Individual Unit Program Splits ⁽⁸⁾	Developer /Owner Net	%
GROSS OPERATING INCOME	\$13,979,844	40.9%		\$17,133,960	50.2%	\$12,864,098	\$4,269,862	20.4%
Undistributed Expenses								
Administrative & General								
Hotel/Condo A&G	\$4,304,674	12.6%	\$1,486,348	\$2,818,327	8.3%	\$97,541	\$2,720,786	13.0%
Abbey Expense	\$422,788	1.2%	\$0	\$422,788	1.2%	\$0	\$422,788	2.0%
HR & Training	\$896,092	2.6%	\$316,438	\$579,654	1.7%	\$28,406	\$551,248	2.6%
Total Administrative & General	\$5,623,555	16.5%	\$1,802,786	\$3,820,769	11.2%	\$125,947	\$3,694,822	17.6%
Sales & Marketing	\$2,042,885	6.0%	\$0	\$2,042,885	6.0%	\$99,253	\$1,943,631	9.3%
Property Maintenance	\$2,290,397	6.7%	\$1,455,685	\$834,712	2.4%	\$34,400	\$800,311	3.8%
Utilities	\$746,692	2.2%	\$497,998	\$248,694	0.7%	\$11,223	\$237,471	1.1%
Total Undistributed Expenses	\$10,703,528	31.3%	\$3,756,468	\$6,947,060	20.3%	\$270,824	\$6,676,236	31.9%
GROSS OPERATING PROFIT	\$3,276,316	9.6%		\$10,186,900	29.8%	\$12,593,274	(\$2,406,373)	-11.5%
Fixed Expenses								
Insurance	\$468,246	1.4%	\$0	\$468,246	1.4%	\$0	\$468,246	2.2%
Property Taxes	\$1,105,852	3.2%	\$0	\$1,105,852	3.2%	\$0	\$1,105,852	5.3%
Other ⁽²⁾	\$295,618	0.9%	\$0	\$295,618	0.9%	\$0	\$295,618	1.4%
Base Management Fee ⁽³⁾	\$1,707,750	5.0%	\$0	\$1,707,750	5.0%	\$0	\$1,707,750	8.2%
Incentive Management Fee ⁽⁴⁾	\$327,632	1.0%	\$0	\$327,632	1.0%	\$0	\$327,632	1.6%
FF&E Reserve ⁽⁵⁾	\$853,875	2.5%	\$0	\$853,875	2.5%	\$310,827	\$543,048	2.6%
Total Fixed Expenses	\$4,758,972	13.9%	\$0	\$4,758,972	13.9%	\$310,827	\$4,448,145	21.2%
Rental Payment Participation Fee ⁽⁶⁾	\$0	0.0%	\$0	\$0	0.0%	\$5,868,325	(\$5,868,325)	-28.0%
NET OPERATING INCOME ⁽⁷⁾	(\$1,482,656)	-4.3%	\$6,910,585	\$5,427,928	15.9%	\$6,414,122	(\$986,194)	-4.7%

NOTES:

- (1) These are annual operating expenses that are budgeted and agreed to between GHM and Continental Companies (HOA Management Company). Continental Companies assesses each condo owner (all 251 units) based on the unit's allocated percentage.
- (2) Other Fixed Expenses includes Association Fees paid to Continental Companies (HOA Management Company) for the 77 unsold units.
- (3) Base Management Fee is 5.0% of Total Revenue. For 2006, condominium owners did not pay their allocated Management Fees since the operating expenses exceeded the expense cap reimbursement at \$1.30 per square foot.
- (4) Incentive Management Fee is 10.0% of Gross Operating Profit.
- (5) FF&E Reserve is 2.5% of Total Revenue.
- (6) Rental Payment Participation Fee is revenue generated through the rental of 53 units currently in the hotel room rental program.
- (7) The \$6,414,122 NOI gets paid out to the 53 hotel program participants.
- (8) Expense reimbursements were capped prior to opening by GHM at \$1.30 per square foot. The majority of these agreements expire 10/2007.

THE SETAI
SOUTH BEACH, MIAMI



2007 Financial Forecast

GHM continues to be focused on managing The Setai more effectively and efficiently thereby driving top line revenues and stabilizing overall operating expenses. As such, The Setai's 2007 performance has been forecasted to improve significantly. GHM expects occupancy to increase to 54% as a result of their new revenue yielding program which is focused on market occupancy penetration. Resulting from this 14-point occupancy increase, total revenues in 2007 are forecasted to increase from \$34.2 million in 2006 to \$42.1 million or 23%. NOI to ownership, inclusive of 2007 HOA expense reimbursement and 2007 room rental program revenue and expense sharing, is projected to be approximately \$1.9 million.

The 2007 financial forecast is illustrated on the following page. It is set up in similar format to 2006 with the Resort's gross revenues and expenses outlined in the far left column while net revenues, expenses and profit from hotel operations are outlined in the far right column. Reimbursement expenses for participants in the room rental program remain capped below their pro rata share for 2007.



FINANCIAL HIGHLIGHTS



2007 FINANCIAL FORECAST

Rooms	130	53	77
Rooms Available	47,450	19,345	28,105
Rooms Occupied	25,623	10,446	15,177
Occupancy (%)	54.0%	54.0%	54.0%
ADR (\$)	\$1,006.91	\$1,513.45	\$658.25
RevPAR (\$)	\$543.73	\$817.27	\$355.45

	Amount	%	HOA Expense Assessment ⁽¹⁾	Net Hotel Operation	%	Individual Unit Owner Splits ⁽⁸⁾	Developer /Owner Net	%
DEPARTMENTAL REVENUES								
<i>Rooms</i>								
<i>Hotel Rooms (86 Units)</i>	\$11,100,000							
77 Unsold								
11 Sold								
<i>Condo Tower (44 Rental Program)</i>	\$14,700,000							
Total Rooms Revenue	\$25,800,000	61.3%	\$0	\$25,800,000	61.3%	\$15,810,000	\$9,990,000	38.0%
Food	\$7,900,000	18.8%	\$0	\$7,900,000	18.8%	\$0	\$7,900,000	30.0%
Beverage	\$5,500,000	13.1%	\$0	\$5,500,000	13.1%	\$0	\$5,500,000	20.9%
F&B Other	\$103,936	0.2%	\$0	\$103,936	0.2%	\$0	\$103,936	0.4%
Telephone	\$93,017	0.2%	\$0	\$93,017	0.2%	\$0	\$93,017	0.4%
Valet Parking	\$450,000	1.1%	\$0	\$450,000	1.1%	\$0	\$450,000	1.7%
Boutique Shop	\$250,512	0.6%	\$0	\$250,512	0.6%	\$0	\$250,512	1.0%
Spa	\$1,350,000	3.2%	\$0	\$1,350,000	3.2%	\$0	\$1,350,000	5.1%
Transportation	\$350,000	0.8%	\$0	\$350,000	0.8%	\$0	\$350,000	1.3%
Other (Net)	\$320,279	0.8%	\$0	\$320,279	0.8%	\$0	\$320,279	1.2%
Total Departmental Revenues	\$42,117,744	100.0%	\$0	\$42,117,744	100.0%	\$15,810,000	\$26,307,744	100.0%
DEPARTMENTAL EXPENSES								
Rooms	\$7,583,559	29.4%	\$1,600,500	\$5,983,059	23.2%	\$108,774	\$5,874,285	58.8%
Food & Beverage	\$11,450,759	84.8%	\$0	\$11,450,759	84.8%	\$0	\$11,450,759	84.8%
Telephone	\$262,015	281.7%	\$150,567	\$111,448	119.8%	\$0	\$111,448	119.8%
Valet Parking	\$889,396	197.6%	\$350,250	\$539,146	119.8%	\$0	\$539,146	119.8%
Boutique Shop	\$99,038	39.5%	\$0	\$99,038	39.5%	\$0	\$99,038	39.5%
Recreation & Sports	\$513,652	0.0%	\$513,652	\$0	0.0%	\$0	\$0	0.0%
Spa	\$1,016,617	75.3%	\$208,075	\$808,542	59.9%	\$0	\$808,542	59.9%
Transportation	\$476,696	136.2%	\$0	\$476,696	136.2%	\$0	\$476,696	136.2%
Total Departmental Expenses	\$22,291,732	52.9%	\$2,823,044	\$19,468,688	46.2%	\$108,774	\$19,359,914	73.6%

2007 FINANCIAL FORECAST (Continued)

	Amount	%	HOA Expense Assessment ⁽¹⁾	Net Hotel Operation	%	Individual Unit Program Splits ⁽⁸⁾	Developer /Owner Net	%
GROSS OPERATING INCOME	\$19,826,012	47.1%		\$22,649,056	53.8%	\$15,701,226	\$6,947,830	26.4%
Undistributed Expenses								
Administrative & General								
Hotel/Condo A&G	\$4,426,515	10.5%	\$1,525,500	\$2,901,015	6.9%	\$0	\$2,901,015	11.0%
Abbey Expense	\$511,380	1.2%	\$0	\$511,380	1.2%	\$0	\$511,380	1.9%
HR & Training	\$837,581	2.0%	\$425,250	\$412,331	1.0%	\$0	\$412,331	1.6%
Total Administrative & General	\$5,775,476	13.7%	\$1,950,750	\$3,824,726	9.1%	\$0	\$3,824,726	14.5%
Sales & Marketing	\$2,737,459	6.5%	\$0	\$2,737,459	6.5%	\$0	\$2,737,459	10.4%
Property Maintenance	\$1,781,630	4.2%	\$850,200	\$931,430	2.2%	\$0	\$931,430	3.5%
Utilities	\$763,927	1.8%	\$495,000	\$268,927	0.6%	\$0	\$268,927	1.0%
Total Undistributed Expenses	\$11,058,492	26.3%	\$3,295,950	\$7,762,542	18.4%	\$0	\$7,762,542	29.5%
GROSS OPERATING PROFIT	\$8,767,520	20.8%		\$14,886,514	35.3%	\$15,701,226	(\$814,712)	-3.1%
Fixed Expenses								
Insurance	\$421,247	1.0%	\$0	\$421,247	1.0%	\$0	\$421,247	1.6%
Property Taxes	\$186,000	0.4%	\$0	\$186,000	0.4%	\$0	\$186,000	0.7%
Other ⁽²⁾	\$975,516	2.3%	\$0	\$975,516	2.3%	\$0	\$975,516	3.7%
Base Management Fee ⁽³⁾	\$2,105,887	5.0%	\$0	\$2,105,887	5.0%	\$0	\$2,105,887	8.0%
Incentive Management Fee ⁽⁴⁾	\$876,752	2.1%	\$0	\$876,752	2.1%	\$0	\$876,752	3.3%
FF&E Reserve ⁽⁵⁾	\$1,052,944	2.5%	\$0	\$1,052,944	2.5%	\$362,916	\$690,027	2.6%
Total Fixed Expenses	\$5,618,346	13.3%	\$0	\$5,618,346	13.3%	\$362,916	\$5,255,430	20.0%
Rental Payment Participation Fee ⁽⁶⁾	\$0	0.0%	\$0	\$0	0.0%	\$7,965,375	(\$7,965,375)	-30.3%
NET OPERATING INCOME ⁽⁷⁾	\$3,149,174	7.5%	\$6,118,994	\$9,268,168	22.0%	\$7,372,935	\$1,895,233	7.2%

NOTES:

- (1) These are annual operating expenses that are budgeted and agreed to between GHM and Continental Companies (HOA Management Company). Continental Companies assesses each condo owner (all 251 units) based on the unit's allocated percentage.
- (2) Other Fixed Expenses includes Association Fees paid to Continental Companies (HOA Management Company) for the 77 unsold units.
- (3) Base Management Fee is 5.0% of Total Revenue.
- (4) Incentive Management Fee is 10.0% of Gross Operating Profit. The calculation of the Incentive Management Fee is currently being disputed.
- (5) FF&E Reserve is 2.5% of Total Revenue.
- (6) Rental Payment Participation Fee is revenue generated through the rental of 53 units currently in the hotel room rental program.
- (7) The \$7,372,935 NOI gets paid out to the 53 hotel program participants.
- (8) Expense reimbursements were capped prior to opening by GHM at \$1.30 per square foot. The majority of these agreements expire 10/2007.

2008 Financial Forecast

In 2008, The Setai is expected to continue to gain market share. Occupancy is projected to increase eight percentage points to 62.0% while ADR increases 6% to \$1,067, resulting in a RevPAR of \$662. Total revenues for 2008 are forecasted to increase to \$50.1 million. Beginning in 2008, room rental program participants will share in a greater proportion of The Setai's overhead and operating expenses as contractual expense caps expire. Since the calculation will be determined utilizing a per occupied room (POR) metric, participants will now be responsible for their fair share of direct operating expenses. This proper expense sharing combined with the Resort's continued strong operating performance significantly increases NOI in 2008. Details of the 2008 room rental program

revenue and expense sharing is provided in Exhibit B. This new calculation has been applied to all condominium unit owners who participate in the hotel rental program from 2008 through 2012.

In 2008, NOI is projected to reach approximately \$7.1 million inclusive of HOA expense reimbursement and the revised 2008 room rental program revenue and proper expense sharing. This is a substantial increase over 2007 and represents the Resort's underlying potential under normalized operating conditions.

The 2008 financial forecast is illustrated on the following page and is in similar format to 2006 and 2007.



2008 FINANCIAL FORECAST

Rooms	130	53	77
Rooms Available	47,580	19,398	28,182
Rooms Occupied	29,500	12,027	17,473
Occupancy (%)	62.0%	62.0%	62.0%
ADR (\$)	\$1,067.32	\$1,557.69	\$729.80
RevPAR (\$)	\$661.74	\$965.77	\$452.48

	Amount	%	HOA Expense Reimbursement ⁽¹⁾	Net Hotel Operation	%	Individual Unit Owner Splits ⁽⁸⁾	%	Developer /Owner Net	%
Rooms									
<i>Hotel Rooms (86 Units)</i>	\$14,168,512								
77 Unsold									
11 Sold									
<i>Condo Tower (44 Rental Program)</i>	\$17,317,070								
Total Rooms Revenue	\$31,485,582	62.9%	\$0	\$31,485,582	62.9%	\$18,733,921	100.0%	\$12,751,661	40.7%
Food	\$9,018,816	18.0%	\$0	\$9,018,816	18.0%	\$0	0.0%	\$9,018,816	28.8%
Beverage	\$6,278,922	12.5%	\$0	\$6,278,922	12.5%	\$0	0.0%	\$6,278,922	20.0%
F&B Other	\$118,656	0.2%	\$0	\$118,656	0.2%	\$0	0.0%	\$118,656	0.4%
Telephone	\$105,591	0.2%	\$0	\$105,591	0.2%	\$0	0.0%	\$105,591	0.3%
Valet Parking	\$510,829	1.0%	\$0	\$510,829	1.0%	\$0	0.0%	\$510,829	1.6%
Boutique Shop	\$284,375	0.6%	\$0	\$284,375	0.6%	\$0	0.0%	\$284,375	0.9%
Spa	\$1,532,486	3.1%	\$0	\$1,532,486	3.1%	\$0	0.0%	\$1,532,486	4.9%
Transportation	\$397,311	0.8%	\$0	\$397,311	0.8%	\$0	0.0%	\$397,311	1.3%
Other (Net)	\$363,573	0.7%	\$0	\$363,573	0.7%	\$0	0.0%	\$363,573	1.2%
Total Departmental Revenues	\$50,096,139	100.0%	\$0	\$50,096,139	100.0%	\$18,733,921	100.0%	\$31,362,218	100.0%
Departmental Revenues									
Rooms	\$8,559,767	27.2%	\$1,797,551	\$6,762,216	21.5%	\$3,884,277	20.7%	\$2,877,939	22.6%
Food & Beverage	\$12,924,780	83.8%	\$0	\$12,924,780	83.8%	\$0	0.0%	\$12,924,780	83.8%
Telephone	\$295,743	280.1%	\$168,574	\$127,170	120.4%	\$0	0.0%	\$127,170	120.4%
Valet Parking	\$1,003,885	196.5%	\$391,515	\$612,370	119.9%	\$0	0.0%	\$612,370	119.9%
Boutique Shop	\$111,787	39.3%	\$0	\$111,787	39.3%	\$0	0.0%	\$111,787	39.3%
Recreation & Sports	\$579,773	0.0%	\$579,773	\$0	0.0%	\$0	0.0%	\$0	0.0%
Spa	\$1,147,483	74.9%	\$229,497	\$917,986	59.9%	\$0	0.0%	\$917,986	59.9%
Transportation	\$538,060	135.4%	\$0	\$538,060	135.4%	\$0	0.0%	\$538,060	135.4%
Total Departmental Expenses	\$25,161,279	50.2%	\$3,166,910	\$21,994,369	43.9%	\$3,884,277	20.7%	\$18,110,092	57.7%
GROSS OPERATING INCOME	\$24,934,861	49.8%		\$28,101,770	56.1%	\$14,849,644	79.3%	\$13,252,126	42.3%

FINANCIAL HIGHLIGHTS

2008 FINANCIAL FORECAST (Continued)

	Amount	%	HOA Expense Reimburse- ment ⁽¹⁾	Net Hotel Operation	%	Individual Unit Owner Splits ⁽⁸⁾	%	Developer /Owner Net	%
Undistributed Expenses									
Administrative & General									
Hotel/Condo A&G	\$4,767,786	9.5%	\$1,621,047	\$3,146,739	6.3%	\$2,039,468	10.9%	\$1,107,271	3.5%
Abbey Expense	\$573,911	1.1%	\$0	\$573,911	1.1%	\$0	0.0%	\$573,911	1.8%
HR & Training	\$740,000	1.5%	\$377,400	\$362,600	0.7%	\$196,681	1.0%	\$165,919	0.5%
Total Administrative & General	\$6,081,697	12.1%	\$2,067,777	\$4,013,920	8.0%	\$2,236,149	11.9%	\$1,777,771	5.7%
Sales & Marketing	\$3,085,431	6.2%	\$0	\$3,085,431	6.2%	\$1,305,764	7.0%	\$1,779,667	5.7%
Property Maintenance	\$2,008,102	4.0%	\$963,889	\$1,044,213	2.1%	\$444,291	2.4%	\$599,922	1.9%
Utilities	\$861,034	1.7%	\$559,672	\$301,362	0.6%	\$128,278	0.7%	\$173,084	0.6%
Total Undistributed Expenses	\$12,036,264	24.0%	\$3,591,338	\$8,444,926	16.9%	\$4,114,482	22.0%	\$4,330,444	13.8%
GROSS OPERATING PROFIT	\$12,898,597	25.7%		\$19,656,844	39.2%	\$10,735,162	57.3%	\$8,921,682	28.4%
Fixed Expenses									
Insurance	\$471,399	0.9%	\$0	\$471,399	0.9%	\$0	0.0%	\$471,399	1.5%
Property Taxes	\$208,144	0.4%	\$0	\$208,144	0.4%	\$0	0.0%	\$208,144	0.7%
Other ⁽²⁾	\$1,091,657	2.2%	\$0	\$1,091,657	2.2%	\$0	0.0%	\$1,091,657	3.5%
Base Management Fee ⁽³⁾	\$2,504,807	5.0%	\$0	\$2,504,807	5.0%	\$936,696	5.0%	\$1,568,111	5.0%
Incentive Management Fee ⁽⁴⁾	\$1,289,860	2.6%	\$0	\$1,289,860	2.6%	\$904,911	4.8%	\$384,949	1.2%
FF&E Reserve ⁽⁵⁾	\$1,252,403	2.5%	\$0	\$1,252,403	2.5%	\$749,357	4.0%	\$503,047	1.6%
Total Fixed Expenses	\$6,818,270	13.6%	\$0	\$6,818,270	13.6%	\$2,590,964	13.8%	\$4,227,306	13.5%
Rental Payment Participation Fee ⁽⁶⁾	\$0	0.0%	\$0	\$0	0.0%	\$2,443,259	13.0%	(\$2,443,259)	-7.8%
NET OPERATING INCOME ⁽⁷⁾	\$6,080,327	12.1%	\$6,758,247	\$12,838,574	25.6%	\$5,700,939	30.4%	\$7,137,636	22.8%

NOTES:

(1) These are annual operating expenses that are budgeted and agreed to between GHM and Continental Companies (HOA Management Company).

Continental Companies assesses each condo owner (all 251 units) based on the unit's allocated percentage.

(2) Other Fixed Expenses includes Association Fees paid to Continental Companies (HOA Management Company) for the 77 unsold units.

(3) Base Management Fee is 5.0% of Total Revenue.

(4) Incentive Management Fee is 10.0% of Gross Operating Profit. The calculation of the Incentive Management Fee is currently being disputed.

(5) FF&E Reserve is 2.5% of Total Revenue.

(6) Rental Payment Participation Fee is equal to 30% of net revenue generated through the rental of 53 units currently in the hotel room rental program.

(7) The \$5,700,939 NOI gets paid out to the 53 hotel program participants.

(8) Individual Unit Owner Split is calculated using the "Projected Hotel Room Rental Program Analysis" prepared by GHM Management and presented in Exhibit B.

Five-Year Financial Forecast (2008 – 2012)

The following summary provides an overview of the projected financial performance for The Setai Interests. The South Beach lodging market is one of the strongest markets in the United States and The Setai having been operational for only one year presents significant incremental value enhancement.

The forecast assumes all the components of The Setai Interests including condominium ownership in the remaining 77 condo-hotel units, 100% ownership in the first floor commercial space including the five food and beverage venues, 100% of the recreational facilities and concession revenue and 30% of net revenue derived from the Resort's room rental program.

Rooms Revenue

The Setai achieved occupancy of 40.3% in 2006 (first full year of operation) and is budgeted to increase to 58.4% in 2007. We have assumed occupancy will increase gradually over the projection period stabilizing at 70% in 2010. Rooms expense is expected to stabilize at 19% to 21%.

Food and Beverage

Food and Beverage revenue amounted to \$11.5 million in 2006. The Setai is projected to generate \$13.5 million in 2007. Continued growth in food and beverage revenue is driven by both an increase in occupied rooms as well as the aggressive marketing campaign launched by GHM aimed at increasing local business.

Spa

In 2006, The Spa at Setai achieved \$1.1 million in total revenue. Spa revenue is forecasted to increase to \$1.4 million in 2007 and \$1.5 million in 2008 driven by increased occupied rooms at the Resort and continued market exposure.

Administrative & General

In 2006, Administrative & General expenses for hotel operations were \$3.7 million. In 2007, this expense is forecasted at \$3.8 million or 14.5% of total revenues. This expense category is comprised of typical hotel administrative expenses, fixed expenses related to the Abbey Hotel building and GHM's required employment training. In 2008, after the reimbursement of room rental program expenses and proper expense adjustments, Administrative & General expense is forecasted to decline significantly to \$1.8 million or 5.7% of total revenue.



THE SETAI
SOUTH BEACH, MIAMI





Sales & Marketing

In 2006, the Setai's sales and marketing expense was \$1.9 million. In 2007, sales and marketing expense is expected to increase 14% to \$2.7 million as GHM continues to advertise the Resort and implements their room revenue yielding initiative. In 2008, after the reimbursement of room rental program expenses, sales and marketing expense to owner is forecasted to stabilize at \$1.8 million or 5.7% of total revenues.

Utilities, Repairs and Maintenance

In 2006, utilities, repairs and maintenance were \$1.0 million and \$1.2 million in 2007. In 2008, after the reimbursement of expenses, utilities, repairs and maintenance expense to owner is expected to decline to \$773,000 or 2.5% of total revenue with expenses stabilizing at 2.2%.

Management Fees

The management agreement dated March 20, 2000 states the base management fee is 5.0% of Gross Revenue and the incentive management fee is 10.0% of Gross Operating Profit.

Taxes and Insurance

Taxes and insurance are paid directly by the individual condominium owner and therefore, the expenses illustrated in the operating forecasts correspond to The Setai Interests.



Five-Year Financial Forecast (2008 – 2012)

	2008 Year 1		2009 Year 2		2010 Year 3		2011 Year 4		2012 Year 5	
Number of Rooms		130		130		130		130		130
Available Rooms		47,580		47,450		47,450		47,450		47,450
Occupied Rooms		29,500		31,317		33,215		33,215		33,215
Number of Days Open/Year		365		365		365		365		365
Occupancy		62.0%		66.0%		70.0%		70.0%		70.0%
Average Rate		1,067.32		1,131.36		1,187.93		1,235.45		1,272.51
ADR % Change		--		6.0%		5.0%		4.0%		3.0%
RevPar		661.74		746.70		831.55		864.81		890.76
RevPAR % Change		--		12.8%		11.4%		4.0%		3.0%
<i>Gross Rooms Revenue</i>										
Net Rooms Revenue to Owner	12,751,661	40.7%	14,349,496	41.8%	15,980,120	42.8%	16,619,325	43.0%	17,117,905	43.0%
Food	9,018,816	28.8%	9,689,988	28.2%	10,411,613	27.9%	10,723,961	27.7%	11,045,680	27.7%
Beverage	6,278,922	20.0%	6,746,194	19.7%	7,248,591	19.4%	7,466,049	19.3%	7,690,031	19.3%
F&B Other	118,656	0.4%	127,486	0.4%	136,980	0.4%	141,089	0.4%	145,322	0.4%
Telephone	105,591	0.3%	112,108	0.3%	119,075	0.3%	122,648	0.3%	126,327	0.3%
Valet Parking	510,829	1.6%	542,361	1.6%	576,066	1.5%	593,348	1.5%	611,148	1.5%
Boutique Shop	284,375	0.9%	301,929	0.9%	320,692	0.9%	330,313	0.9%	340,222	0.9%
Spa	1,532,486	4.9%	1,627,083	4.7%	1,728,198	4.6%	1,780,044	4.6%	1,833,445	4.6%
Transportation	397,311	1.3%	421,836	1.2%	448,051	1.2%	461,493	1.2%	475,338	1.2%
Other (Net)	363,573	1.2%	386,015	1.1%	410,004	1.1%	422,304	1.1%	434,973	1.1%
Total Departmental Revenues	31,362,218	100%	34,304,496	100.0%	37,379,391	100.0%	38,660,574	100.0%	39,820,391	100.0%
Rooms	2,877,939	22.6%	3,019,064	21.0%	3,168,569	19.8%	3,263,626	19.6%	3,361,534	19.6%
Food & Beverage	12,924,780	83.8%	13,558,570	81.9%	14,229,993	80.0%	14,656,893	80.0%	15,096,600	80.0%
Telephone	127,170	120.4%	133,406	119.0%	140,012	117.6%	144,212	117.6%	148,539	117.6%
Valet Parking	612,370	119.9%	642,399	118.4%	674,210	117.0%	694,437	117.0%	715,270	117.0%
Boutique Shop	111,787	39.3%	117,269	38.8%	123,076	38.4%	126,768	38.4%	130,571	38.4%
Spa	917,986	59.9%	963,001	59.2%	1,010,690	58.5%	1,041,010	58.5%	1,072,241	58.5%
Transportation	538,060	148.0%	564,444	146.2%	592,396	144.5%	610,168	144.5%	628,473	144.5%
Total Departmental Expenses	18,110,092	57.7%	18,998,152	55.4%	19,938,945	53.3%	20,537,113	53.1%	21,153,227	53.1%
GROSS OPERATING INCOME	13,252,126	42.3%	15,306,344	44.6%	17,440,446	46.7%	18,123,460	46.9%	18,667,164	46.9%

FIVE - YEAR FINANCIAL FORECAST (2008 - 2012) (Continued)

FINANCIAL HIGHLIGHTS

	2008 Year 1		2009 Year 2		2010 Year 3		2011 Year 4		2012 Year 5	
Administrative & General										
Hotel/Condo A&G	1,107,271	3.5%	1,147,515	3.3%	1,189,499	3.2%	1,225,184	3.2%	1,261,939	3.2%
Abbey Expense	573,911	1.8%	594,770	1.7%	616,531	1.6%	635,027	1.6%	654,078	1.6%
HR & Training	165,919	0.5%	171,949	0.5%	178,240	0.5%	183,587	0.5%	189,095	0.5%
Total Administrative & General	1,777,771	5.7%	1,914,235	5.6%	1,984,270	5.3%	2,043,798	5.3%	2,105,112	5.3%
Sales & Marketing	1,779,667	5.7%	1,861,289	5.4%	1,947,497	5.2%	2,005,922	5.2%	2,066,100	5.2%
Property Maintenance	599,922	1.9%	627,437	1.8%	656,497	1.8%	676,192	1.7%	696,478	1.7%
Utilities	173,084	0.6%	181,022	0.5%	189,407	0.5%	195,089	0.5%	200,941	0.5
Total Operating Expenses	4,330,444	13.8%	4,583,983	13.4%	4,777,671	12.8%	4,921,001	12.7%	5,068,631	12.7%
GROSS OPERATING PROFIT	8,921,682	28.4%	10,722,361	31.3%	12,662,775	33.9%	13,202,459	34.1%	13,598,533	34.1%
LICENSES AND FEES										
Base Management Fee ⁽¹⁾	1,568,111	5.0%	1,715,225	5.0%	1,868,970	5.0%	1,933,029	5.0%	1,991,020	5.0%
Incentive Management Fee ⁽²⁾	384,949	1.2%	1,072,236	3.1%	1,266,277	3.4%	1,320,246	3.4%	1,359,853	3.4%
Total Licenses and Fees	1,953,060	6.2%	2,787,461	8.9%	3,135,247	10.0%	3,253,275	10.4%	3,350,873	10.7%
INCOME BEFORE FIXED CHARGES	6,968,623	22.2%	7,934,900	23.1%	9,527,528	25.5%	9,949,185	25.7%	10,247,660	25.7%
FIXED CHARGES										
Taxes	208,144	0.7%	214,389	0.6%	220,820	0.6%	227,445	0.6%	234,268	0.6%
Insurance	471,399	1.5%	485,541	1.4%	500,107	1.3%	515,110	1.3%	530,563	1.3%
Other ⁽³⁾	1,091,657	3.5%	1,124,406	3.3%	1,158,138	3.1%	1,192,883	3.1%	1,228,669	3.1%
Total Fixed Charges	1,771,200	5.6%	1,824,336	5.8%	1,879,066	6.0%	1,935,438	6.2%	1,993,501	6.4%
Rental Payment Participation Fee ⁽⁴⁾	(2,443,259)	-7.8%	(2,671,596)	-7.8%	(2,918,516)	-7.8%	(3,006,072)	-7.8%	(3,096,254)	-7.8%
FF&E Reserve ⁽⁵⁾	503,047	1.6%	541,392	1.6%	582,330	1.6%	600,274	1.6%	618,282	1.6%
Net Operating Income	7,137,636	22.8%	10,065,104	29.3%	11,863,714	31.7%	12,354,983	32.0%	12,725,632	32.0%

NOTES:

(1) Base Management Fee is 5.0% of Total Revenue.

(2) Incentive Management Fee is 10.0% of Gross Operating Profit. The calculation of the Incentive Management Fee is currently being disputed.

(3) Other Fixed Expenses includes Association Fees paid to Continental Companies (HOA Management Company) for the 77 unsold units.

(4) Rental Payment Participation Fee for the hotel rental program participants is a function of the 53 hotel-condo occupied units.

(5) FF&E Reserve is calculated as follows: 2.5% of Gross Rooms Revenue minus 4.0% of Gross Rental Revenue (expense reimbursement from hotel rental program participants).

THE SETAI
SOUTH BEACH, MIAMI





Exhibit A – Hotel Building Condominium Unit Sales Analysis

HOTEL BUILDING - 77 UNITS UNSOLD — CONSERVATIVE CONDOMINIUM SALES ANALYSIS

Unit Type	Number	Avg. Unit Size (SF)	Avg. Sales Price/SF	Avg. Sales Price/Unit	Revenue
Studio Suite	66	600	\$1,000	\$600,000	\$39,600,000
1 Bedroom Suite	4	786	\$1,100	\$864,600	\$3,458,400
Junior Suite	5	684	\$1,300	\$889,200	\$4,446,000
Duplex Suite	2	1,144	\$1,500	\$1,716,000	\$3,432,000
Total/Average	77	629	\$1,051	\$661,512	\$50,936,400



HOTEL BUILDING -77 UNITS UNSOLD — UPDSIDE CONDOMINIUM SALES ANALYSIS

Unit Type	Number	Avg. Unit Size (SF)	Avg. Sales Price/SF	Avg. Sales Price/Unit	Revenue
Studio Suite	66	600	\$1,300	\$780,000	\$51,480,000
1 Bedroom Suite	4	786	\$1,600	\$1,257,600	\$5,030,400
Junior Suite	5	684	\$1,900	\$1,299,600	\$6,498,000
Duplex Suite	2	1,144	\$2,100	\$2,402,400	\$4,804,800
Total/Average	77	629	\$1,400	\$880,691	\$67,813,200



The conservative sales price per square foot for the studio suites is based on the recently sold nine condo-hotel units in the hotel building (see chart below).

The upside sales price per square foot for the various guestroom types is based on recent comparable sales in the market and the pre-sale figures of the W Hotel & Residences (under construction) located just north of the Resort.



HOTEL BUILDING - 9 UNITS SOLD (YTD MARCH 1, 2007)

Unit Type	Unit Number	Unit Size (SF)	Sales Price/SF	Sales Price	Close Date	View
Studio Suite	211	662	\$906	\$600,000	Apr-06	Courtyard
Studio Suite	302	597	NA	NA	NA	Courtyard
Studio Suite	308	647	\$818	\$529,000	Nov-06	City
Studio Suite	311	662	\$906	\$600,000	Jul-05	Courtyard
Studio Suite	401	583	\$1,072	\$625,000	Jul-05	Courtyard
Studio Suite	402	597	\$1,154	\$688,750	Oct-05	Courtyard
Studio Suite	404	597	\$1,154	\$688,750	Jul-05	Courtyard
Studio Suite	411	662	\$816	\$540,000	Oct-05	Courtyard
Studio Suite	511	662	\$906	\$600,000	Jul-05	Courtyard
Average	9	634	\$966	\$612,743		



exhibit B – 2008 Hotel Room Rental Program Analysis

Residential Tower Units in Rental Program	44
Hotel Building Units in Rental Program	9
Total Units in Rental Program	53
Total Available Rooms	19,345
Total Occupied Rooms	11,994
Forecasted Operating Expenses/POR	\$745.00
Tower Unit Revenue (44)	\$17,317,070
Hotel Building Unit Revenue (9)	\$1,416,851

	2008	POR
GROSS RENTAL REVENUE	\$18,733,921	
Operating Expenses		
Base Management Fee ⁽¹⁾	\$936,696	\$78
Credit Card Charges ⁽²⁾	\$655,687	\$55
Travel Agent Commissions ⁽³⁾	\$1,030,366	\$86
Other Operating Expenses ⁽⁴⁾	\$6,312,707	\$526
Total Operating Expenses	\$8,935,456	\$745
FF&E Reserve ⁽⁵⁾	\$749,357	
Gross Operating Profit	\$9,049,109	
Incentive Management Fee ⁽⁶⁾	\$904,911	
Net Rental Revenue	\$8,144,198	
Participation Fee ⁽⁷⁾	\$2,443,259	
Residual Net Revenue to Unit Owner	\$5,700,939	

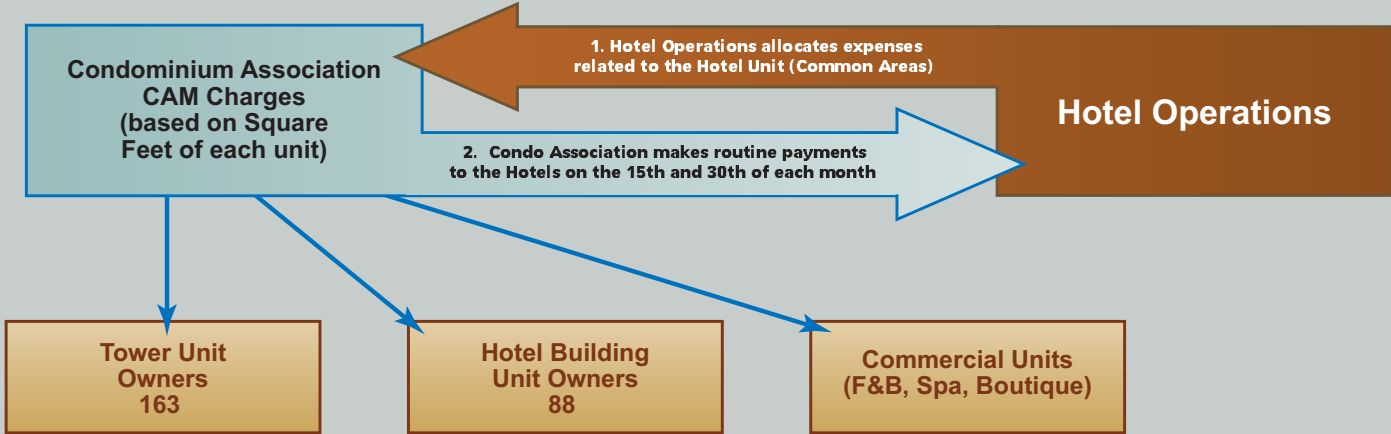
Notes

- (1) "Base Management Fee" equal to 5% of Gross Rental Revenue.
(2) "Credit Card Charges" estimated to be 3.5% of Gross Rental Revenue.
(3) "Travel Agent Commissions" estimated 5% to 6% of Gross Rental Revenue.
(4) "Other Operating Expenses" include pro rata operation expenses as well as the monthly "Hotel Services Fee." The "Other Operating Expenses" can average \$527/occupied room.
(5) "FF&E Reserve equal to 4% of Gross Rental Revenue.
(6) "Incentive Management Fee" equal to 10% of Gross Operating Profit.
(7) "Participation Fee equal to 30% of Net Rental Revenue. A new owner would receive this participation fee as an income stream.



Exhibit C - Condominium Association (CAM Charges) Flow Chart

EXHIBITS



THE SETAI

SOUTH BEACH, MIAMI



Disclaimer

The material contained in this Offering Memorandum is confidential and for the purpose of considering the acquisition of condominium interests within The Setai Resort & Residences ("The Setai" or "Resort") described herein. "The Setai Interests" include 100% condominium interest in 77 of the 88 condo-hotel units in the hotel building, 100% of the first floor revenue generating commercial space inclusive of all five food and beverage operations, 100% of The Setai's revenue generating recreational facilities and related guest concessions and 30% of net revenue generated through the rental of 53 units currently in the hotel room rental program. It is subject to the terms and provision of the Confidentiality Agreement signed by the recipient of this material, and is not to be used for any purpose or made available to any other person without the express written consent of DTZ Hospitality Group ("DTZHG").

This Offering Memorandum was prepared on March 31, 2007, by DTZHG solely for the use of Prospective Purchasers of The Setai Interests. Neither DTZHG or The Setai Group ("Owner") nor any of their respective officers, employees or agents, make any representation or warranty, express or implied, as to the completeness or the accuracy of the material contained in the Offering Memorandum or any of its contents, and no legal commitments or obligations shall arise by reason of this package or any of its contents. Owner reserves the right to remove The Setai Interests from any offer for sale at any time prior to the completion of a binding contract of sale executed by both Owner and a Prospective Purchaser.

Prospective purchasers of The Setai Interests are advised that (i) changes may have occurred in The Setai Interests or property value of The Setai Interests described herein as well as the condition of the property since the time of this Offering Memorandum or the time financial statements therein were pre-

pared and that (ii) all financial projections are provided for general reference purposes only and that they are based on assumptions relating to the general economy, competition, and other factors beyond the control of DTZHG and Owner and, therefore, are subject to material variation. Prospective purchasers of The Setai Interests are advised and encouraged to conduct their own comprehensive review and analysis.

The Offering Memorandum is a solicitation of interest only and is not an offer to sell The Setai Interests. Owner and DTZHG expressly reserve the right, at their sole discretion, to reject any or all expressions of interest or offers to purchase The Setai Interests, and expressly reserve the right, at their sole discretion, to terminate discussions with any entity at any time with or without notice. Owner shall have no legal commitment or obligations to any entity reviewing the Offering Memorandum or making an offer to purchase The Setai Interests unless and until a written agreement satisfactory to Owner has been fully executed, delivered, and approved by the Owner and any conditions to Owner there under have been satisfied or waived.

This Offering Memorandum is confidential. By accepting the Offering Memorandum, you agree (i) that you hold and treat the Offering Memorandum and its contents in the strictest confidence, (ii) that you will not photocopy or duplicate any part of the Offering Memorandum, (iii) that you will not disclose the Offering Memorandum or any of its contents to any other entity without the prior written authorization of DTZHG, and (iv) that you will not use the Offering Memorandum in any fashion or manner detrimental to the interest of Owner or DTZHG.

The terms and conditions stated in this section will relate to all of the sections of the package as if stated independently therein. If, after reviewing this package, you have no further interest in purchasing The Setai Interests at this time, kindly return this brochure to DTZHG at your earliest possible convenience.

DISCLAIMER



THE SETAI
SOUTH BEACH, MIAMI

