

INVESTMENT COMMITTEE MEMORANDUM

(UPDATED FROM SEPTEMBER 14, 2006)

ACQUISITION OF
SUN RESORTS INTERNATIONAL, INC.,
SUN RESORTS MANAGEMENT, INC.

AND

**INVESTMENT INTERESTS IN
MARINA PROPERTIES**

January 5, 2007

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I. EXECUTIVE SUMMARY

Island Global Yachting Ltd. ("IGY") is seeking investment committee approval and ratification of a proposed transaction (the "Transaction") with Sun Resorts International, Inc. ("SRI"), Sun Resorts Management, Inc. ("SRM") and their principal controlling stockholders, John D. Powers ("Powers"), Ronald W. Rhoades ("Rhoades") and Michael S. Olszewski ("Olszewski" and, together with Powers and Rhoades, the "Principals").

SRI seeks to make strategic investments in marina properties that provide stable initial returns with the opportunity to enhance yields through diligent and efficient management and comprehensive operational strategies. SRI, through its investment entities, currently has a portfolio of 11 marinas located in Texas and the Caribbean (the "SRI Asset Portfolio"). All of the properties owned or controlled by SRI or its investment entities are operationally managed by SRM.

On September 15, 2006, Island Global Yachting Facilities Ltd. ("IGY Facilities") and Island Global Yachting Services Ltd. ("IGY Services") executed a Purchase, Sale and Contribution Agreement (the "Purchase Agreement") with the Principals to acquire (1) all of the outstanding capital stock of SRI, a company based in Dallas, Texas that owns direct and indirect controlling interests in the SRI Asset Portfolio, (2) all of the outstanding capital stock of SRM, a company based in Dallas, Texas that provides property and marina management services to the SRI Asset Portfolio and (3) all of the equity interests held directly or indirectly by the Principals in eight marina assets(excluding AYH) controlled by SRI and managed by SRM (the "Principal Equity Interests"). The assets are located in St. Maarten (Simpson Bay Marina), the British Virgin Islands (Virgin Gorda Yacht Harbour and Village Cay Marina), Lake Travis, Texas (Yacht Harbor Marina, Hurst Harbor Marina and Lakeway Marina) and Canyon Lake, Texas (Canyon Lake Marina and Crane's Mill Marina). The closing of the Transaction is subject to, among other things, IGY's completion of its due diligence and the Principals obtaining all required third party consents.

On October 23, 2006, Island Global Yachting Acquisition Ltd. executed a Purchase and Sale Agreement (the "AYH Purchase Agreement") with MOF VI Limited Partnership, a company controlled by SRI and the Principals ("Sun-AYH"), to acquire approximately 2.12 acres of fee simple land and a 128-slip fixed dock marina facility known as American Yacht Harbor in St. Thomas, USVI ("AYH") for a gross purchase price of \$25.5 (net price of \$25,312,500 after a credit of \$187,500), and prior to standard prorations and adjustments (the "AYH Transaction"). The AYH Transaction is subject to, among other things, IGY having completed its due diligence no later than November 30, 2006 (which it has done) and the receipt of local government approval of a CZM application filed by IGY and Sun-AYH for the transfer of the properties. The CZM hearing is expected to take place on Friday, January 12, 2007. IGY entered into the AYH Transaction separately from the Transaction because AYH is 90% owned and basically controlled by the Steere Group, which is one of the largest investors in the SRI partnerships.

After completing its due diligence investigation of the SRI Asset Portfolio and AYH, IGY has determined to purchase the assets of AYH and investment interests in 3 of the 11 marinas comprising the SRI Asset Portfolio. These 3 assets (the "Target Assets") are comprised of one marina property in St. Maarten (Simpson Bay Marina), and two marina properties in the British Virgin Islands (Virgin Gorda Yacht Harbour and Village Cay Marina). IGY has elected not to purchase investment interests in the Texas-based assets, although it would manage such assets upon completion of the Transaction by reason of its acquisition of SRM. Upon completion of its due diligence, IGY's estimated value for the Texas assets was approximately 35% less than the amount projected by the Principals. The Sun Resorts Purchase Agreement permits IGY to "kick out" any asset with which it is not satisfied, but still proceed with the Transaction so long as it intends to acquire the Caribbean assets. IGY notified the Principals of this decision in mid-December 2006.

Transaction Structure

The Purchase Agreement provides for the Transaction to occur in two stages, as follows:

In the first stage (the "First Closing"),

- IGY Services would acquire 100% of the outstanding capital stock of SRM for a purchase price equal to \$3,000,000 (the "SRM Consideration").
- IGY Facilities would acquire 100% of the outstanding capital stock of SRI for a purchase price equal to \$3,000,000 (the "SRI Consideration").
- IGY Facilities would acquire all of the direct and indirect general and limited partner interests in the entities that own the Target Assets (collectively, the "Sun Partnerships") held by the Principals (collectively, the "Principal Interests") for a purchase price that is derived from an agreed upon valuation for the Target Assets (the "Principal Interest Consideration"). These valuations are discussed in more detail in Sections III and specifically listed in Attachment A hereto. The Principal Interest Consideration would be payable 20% in cash and 80% in Class B non-voting shares of IGY ("IGY Shares") valued at \$15 per share.
- Each of the Principals would be employed by IGY Services for a one-year term following the First Stage Closing, subject to continued employment thereafter on an at-will basis.

In the second stage (the "Second Closing"),

- Within 180 days of the First Closing, IGY Facilities would agree to commence a series of tender offers (the "Tender Offers") to acquire the limited partner interests in the Sun Partnerships (the "Third Party Interests") for a purchase price that is based on the same property valuation as used in computing the Principal Interest Consideration (the "Tender Offer Consideration").

- The Tender Offer Consideration would be payable 30% in cash and 70% in Class B non-voting shares of IGY valued at \$15 per share. However, the per share valuation would be increased if IGY completes an equity financing at a higher per share valuation prior to the Second Closing, in which case the limited partners would have the option to receive 100% cash. It is anticipated that IGY Class B non-voting shares would be valued at \$20 per share at the time of the Tender Offers and therefore Attachment A hereto reflects this value for the Third Party Interests calculations.

The First Closing is conditioned upon (1) IGY completing its due diligence investigation of the Target Assets and (2) SRI and the Principals obtaining all third party consents required to effect the First Closing, including from the limited partners in and lenders to each of the Sun Partnerships. If IGY is not satisfied with its due diligence of any asset, or consent is not obtained, then IGY would not acquire any Principal Interests or Third Party Interests in such asset. IGY may terminate the Purchase Agreement and abandon the Transaction if it is unwilling (following due diligence) or unable (due to failure of consents being obtained) to acquire any of SRI's Caribbean assets. As indicated previously, this does not include American Yacht Harbor, which will be purchased separately.

Valuations and Structuring Matters

Set forth below is a table containing the list of Target Assets, locations, agreed upon valuations for the calculation of the Principal Interest Consideration and ownership stakes held by the Sun Partnerships:

Target Assets				
Asset	Location	Valuation	SRI Entity	Controlling Party
Simpson Bay	Sint Maarten	\$ 10,000,000	MOF Simpson Bay, LP	SRI
Virgin Gorda	Virgin Gorda, BVI	\$ 16,000,000	Virgin Gorda YH (MOF III) LP (1)	BVI Investment Club
Village Cay	Tortola, BVI	\$ 13,000,000	Village Cay (MOF III) LP (2)	BVI Investment Club
American Yacht Harbor	St. Thomas, USVI	\$ 25,312,500	MOF VI, [REDACTED]	SRI
Notes				
(1) Owns 25% of Virgin Yacht Harbour Holdings Limited, a BVI company that owns the asset.				
(2) Owns 33.3% of Village Cay Marina Enterprise Limited, a BVI company that owns the asset.				

** Note – American Yacht Harbor would be purchased pursuant to a separate transaction expected to occur just prior to the First Closing, and is included above for information purposes only.

At the First Closing, IGY Facilities would acquire 100% of SRI, which in turn is the sole general partner of Marina Opportunity Fund III, L.P. ("MOF III"). SRI also is the sole general partner of Marina Opportunity Fund II, L.P., but this entity does not own any interests in the Target Assets and thus would be restructured out of SRI prior to the First

Closing. Additionally, any asset not part of the Transaction (including the Texas assets) would be restructured such that neither SRI nor any of its subsidiaries would be the general partner of such asset following the First Closing. The structure for the acquisition of Principal Interests is described below and Attachment J contains a chart illustrating the ownership interests to be acquired by IGY pursuant to the Transaction.

Marina Opportunity Fund III, L.P. (“MOF III”)

MOF III is an upper tier Texas limited partnership that owns limited partner interests in the entities that own Simpson Bay Marina, Virgin Gorda Yacht Harbour and Village Cay Marina. These limited partner interests include “capital” and “profits” (or promoted) interests in each of the underlying partnerships (characterized as “Class A” and “Class B” limited partner interests, respectively). SRI is the sole general partner of and owns a 0.5% economic interest in MOF III.

MOF III raised money from the Principals, their friends, family and other investors. The capital partners of MOF III received “Class A” limited partner interests and are entitled to receive 100% of distributions until their capital has been returned. Thereafter, the Class A limited partners receive 39.18% of the profits. The “Class B” limited partners of MOF III represent the “promoted” interests and are entitled to receive 60.82% of the profits distributed by the MOF III, after return of capital to the Class A limited partners. IGY Facilities would acquire 5.42% of the Class A interests in MOF III held by Powers, Rhoades and Olzewski (1.860%, 3.394%, and 0.163% respectively). IGY Facilities would also acquire 77.61% of the Class B interests in MOF III held by each of Powers, Rhoades and Olzewski (25.87% each).

Simpson Bay Marina, St. Maarten

IGY would acquire the Principal Interests based on an asset valuation of \$10 million, which is equal to the amount contemplated by the Purchase Agreement. Simpson Bay Marina is 100% owned by MOF Simpson Bay, LP, which is a Texas limited partnership (“MOF Simpson Bay”). SRI is the sole general partner of and owns a 0.5% economic interest in MOF Simpson Bay. MOF Simpson Bay is structured like MOF III, such that the capital partners received “Class A” limited partner interests and MOF III received all of the “Class B” limited partner interests as a promoted interest. In addition to the interests acquired through MOF III (as described above), IGY Facilities would acquire a 1.51% “Class A” limited partner interest in MOF Simpson Bay held by Olzewski.

Virgin Gorda Yacht Harbour, British Virgin Islands

IGY would acquire the Principal Interests based on an asset valuation of \$16 million, which is equal to the amount contemplated by the Purchase Agreement. Virgin Gorda Yacht Harbor is 100% owned by Virgin Yacht Harbour Holdings Limited, a BVI company (“VG Property Owner”). VG Property Owner is owned 75% by Sage Yacht Harbour Enterprises Limited (sometimes referred to as the “BVI Investment Club”), a BVI entity that is a

“belonger” for local ownership purposes and which is unaffiliated with SRI or the Principals, and 25% by Virgin Gorda YH (MOF III), LP, a Texas limited partnership (“MOF Virgin Gorda”). Sun MOF III GP, LLC, a Texas limited liability company, is the direct general partner of MOF Virgin Gorda, and it is owned 100% by MOF III, which is controlled by SRI (as noted above). SRI therefore indirectly controls the 25% minority interest in VG Property Owner that is owned by the Sun Partnerships. MOF Virgin Gorda is structured like MOF III, such that the capital partners received “Class A” limited partner interests and MOF III received all of the “Class B” limited partner interests as a promoted interest. MOF III owns an 18.42% Class A interest in MOF Virgin Gorda. IGY Facilities would acquire the Principal Interests in Virgin Gorda through its acquisition of the interests in MOF III described above.

Village Cay Marina, British Virgin Islands

IGY would acquire the Principal Interests based on an asset valuation of \$13 million, which is \$1 million less than the amount contemplated by the Purchase Agreement. This price reduction was negotiated with SRI following IGY’s completion of its due diligence. Village Cay is 100% owned by Village Cay Marina Enterprise Limited, a BVI company (“VC Property Owner”). VC Property Owner is owned 66.7% by Sage Investment Club and 33.3% by Village Cay (MOF III), LP, a Texas limited partnership (“MOF Village Cay”). Sun MOF III GP, LLC, a Texas limited liability company, is the direct general partner of MOF Village Cay, and it is owned 100% by MOF III, which is controlled by SRI (as noted above). SRI therefore indirectly controls the 33.3% minority interest in VC Property Owner that is owned by the Sun Partnerships. MOF Village Cay is structured like MOF III, such that the capital partners received “Class A” limited partner interests and MOF III received all of the “Class B” limited partner interests as a promoted interest. MOF III owns an 8.43% Class A interest in MOF Village Cay. IGY Facilities would acquire the Principal Interests in Village Cay through its acquisition of the interests in MOF III described above.

Attachment A contains a summary analysis of the consideration and other amounts payable by IGY at the First Closing and the Second Closing (using various assumptions for amounts tendered).

Attachments B-H contain property descriptions, pro forma projections and annotations for each of Simpson Bay, Virgin Gorda, Village Cay and American Yacht Harbor, respectively.

Attachment I contains a summary rollup of Simpson Bay, Virgin Gorda, Village Cay and American Yacht Harbor.

Attachment J contains the executive summary from each property condition report prepared by ATM in connection with IGY’s due diligence investigation.

II. DESCRIPTION OF SRI AND ITS OPERATIONS

SRI Overview

SRI is a marina investment company founded in 1996 that makes strategic investments in quality marina properties throughout the world that satisfy a particular market niche. The primary investment strategy is to make investments that provide stable initial returns with the opportunity to enhance yields through diligent and efficient management and comprehensive operational strategies. SRI, through its investment entities, currently has a portfolio of 11 marinas located in Texas and the Caribbean. These marinas have over 3,000 boat slips that include wet slips, dry slips, covered slips, and uncovered slips. SRI marinas can accommodate boats ranging from small ten foot boats to mega yachts over 200 feet in length.

Key Personnel

IGY has agreed to purchase SRI and its affiliated companies from its founders and key principals. The three Principals are Johnny Powers, Ron Rhoades and Michael Olszewski.

John D. Powers, JD

Managing Director

Mr. Powers currently serves as Managing Director of SRI and President of SRM. Johnny Powers was also one of three founding members of Harvard Property Trust Inc., which was a Texas-based private real estate investment trust. From 1996 through 1998, Harvard acquired over \$200,000,000 of suburban office buildings located in Texas and Minnesota.

Mr. Powers has been responsible for over \$300,000,000 of acquisitions for Harvard Property Trust, SRI and related entities. Mr. Powers and his partners have also been responsible for raising over \$100,000,000 of equity capital for Harvard Property Trust, SRI and related entities. Mr. Powers has developed and maintained outstanding relationships with numerous accredited individual investors, who have invested in various ventures in which he is a principal. Mr. Powers also has strong relationships with institutional equity investors and lenders.

Mr. Powers received his Juris Doctor in 1992 from the University of Texas. Prior to attending law school, he graduated magna cum laude from Southern Methodist University obtaining a Bachelor of Business Administration degree in Real Estate and Urban Land Economics and Finance. Mr. Powers has also completed 30 hours towards his Masters of Business Administration degree from Southern Methodist University.

Mr. Powers is a member of the Texas State Bar Association, National Marine Manufacturers Association, Marina Operators Association of America, and the International Marine

Institute. Mr. Powers is also a member of the Young Entrepreneur's Organization and the Bent Tree Bible Church. He is also a graduate of the Transformational Leadership Program.

Ron W. Rhoades, CPA

Managing Director

Ron Rhoades is a managing director and was one of the founders of SRI. He currently is primarily responsible for all financial and operational activities for the Companies and its subsidiaries, providing strategic financial and structural analysis for the Companies as they grow. Since the formation of SRI, he has been responsible for placing over \$50,000,000 in loans for acquisitions and refinancings. He has also developed an investment structure for the various acquisitions that utilizes preferred and common equity at the individual entity level and investor lines of credit at parent company level.

Previously, Mr. Rhoades was one of the founders of Harvard Property Trust, a private Real Estate Investment Trust formed in 1996 where he served as CFO/COO and on the Board of Directors. He directed all the financial activities for the Company and its sponsored investments and had primary responsibility for the placement of \$125,000,000 in loans, including bank debt, syndicated lines of credit, and securitized loans. Additionally he had primary responsibility for the placement of \$55,000,000 in private and institutional equity into the Company. From 1987 until joining Harvard Property Trust, L.P., he operated his own independent accounting and financial consulting firm. This firm specialized in providing CFO functions for various companies including the numerous Harvard Property Trust, L.P. sponsored investments and Linx Data Terminals, Inc. (LINX) a company engaged in various facets of the computer industry.

Prior to this, he served as Vice President Operations of three restaurant companies where he was responsible for initial opening and all day-to-day operations of multiple restaurants in three states. Prior to this time, Mr. Rhoades was a loan officer for Continental Mortgage Investors (CMI), a mortgage REIT, where he was one of the leading loan producers for CMI for the Southwestern region.

Mr. Rhoades has a master's degree from the University of Texas where he graduated with honors; Mr. Rhoades was in the top 10 of his graduating class. He is a Certified Public Accountant and currently holds a Texas Insurance License and a Texas Real Estate License. He previously held both a Certified Financial Planner license and a Registered Investment Advisor license. He is married to Connie and has two children, Bill and Stephanie.

Michael S. Olszewski, CMC

Managing Director

Mr. Olszewski currently serves as one of the Managing Directors of SRI and President & Chief Operating Officer of SRM. He currently is responsible for the overall leadership of the company, including overseeing marina operations; research, development and quality assurance; marketing, sales and member services; and administrative activities performed by SRM. He also participates in the strategic planning regarding the growth of the company and

expanding its base of operations through the exploration of new ventures and acquisitions for investment by SRI.

Prior to joining SRI in January, 2005, Mr. Olszewski spent twenty-four years in the practice of management consulting for Price Waterhouse, PricewaterhouseCoopers, and IBM Business Consulting. He was a partner at Price Waterhouse for over sixteen years practicing business process improvement and information technology consulting in a wide variety of industries including government travel and leisure, transportation, consumer products, and energy. He served as Managing Partner of the firm's North America Energy practice for over 6 years and has been responsible for leading substantial growth in a number of practices over the course of his career. He has participated in numerous business and technology improvement implementation projects resulting in substantial efficiencies for large complex organizations. Prior to joining Price Waterhouse, Mr. Olszewski held Assistant City Manager and Community Development specialist positions in St. Louis County, Missouri. Mr. Olszewski retired from IBM Business Consulting Services in December 2004 in order to contribute his substantial business management expertise to Sun Resorts International's growth.

Mr. Olszewski received his bachelor and masters' degrees in Business and Public Administration from the University of Missouri; and, holds past accreditations from the Institute of Management Consulting (Certified Management Consultant - CMC) and the Association for Systems Management.

He is a member of St. Cecilia Catholic Community in Houston, where he is active as a member of the parish's Stewardship Committee, as well as various other parish and community activities along with his wife. He and his wife Cindy currently reside in Houston with their two daughters, Pamela and Katherine. He is a long time recreational and charter boater and has taken a variety of U.S. Power Squadron, U.S. Coast Guard Auxiliary, and American Sailing Association training courses.

Financial Results and Asset Evaluation

SRI conducts its operations primarily through SRM, which functions as the entity that performs all day-to-day operations for the SRI Asset Portfolio. SRI acts as the general partner of some of the asset-level partnerships, and in other cases owns a controlling interest in the "Marina Opportunity Funds" ("MOF Entities"). The MOF Entities own limited partner interests and general partner interests in the asset-level partnerships. There are three primary MOF Entities – MOF I, MOF II and MOF III.

The MOF Entities raised equity from friends and partners. These funds sponsor partnerships that own property and pay a promoted interest to the Principals in the form of Class B partner interests (typically 60-70% after a 12% return). The MOF Entities typically would contribute 10%-20% of the equity toward an asset and the substantial investors would put up the balance. Typical promote structures are provided in the property partnerships

(30% after a 10% return). The MOF Entities receive a promoted interest in addition to their direct investment interest in the asset-level partnership.

The SRI Asset Portfolio is located primarily in the northeast Caribbean and Lake Travis, Texas. The two concentrated areas allows for economies of management. Personnel in the two major areas are charged to the properties, and travel by home office personnel to the properties are allocated to the properties.

The Principals own SRI, SRM and equity interests approximating \$6 million in all of the MOF Entities. Without American Yacht Harbor, as contemplated by the Transaction, the equity interests held by the Principals in the Target Assets would be approximately \$1.05m.

In 2005, SRM generated approximately \$100,000 after bonuses of about \$350,000. SRM is a "C" corporation in which the Principals try to keep \$100,000 working capital and pay out the balance in bonuses. However, it does more than management – about \$600,000 in revenues in 2005 consisted of acquisition fees and refinance fees. SRM pays the salary and bonuses of the Principals and also functions as profit vehicle from the fees it generates in new acquisitions.

The Principals do not control the two British Virgin Island entities – Virgin Gorda and Village Cay. These are controlled by Sage Investment Club (a BVI Investment Company), and SRI and the MOF Entities hold a collective 25% and 33.3% minority interest, respectively, in these entities. For various reasons, these properties must remain majority owned by BVI nationals.

MOF I controls American Yacht Harbor, which is controlled by the Steere Group. IGY Facilities has entered into the AYH Purchase Agreement to acquire this asset directly for a net purchase price of \$25,312,500, excluding prorations. The gross purchase price is \$25,500,000, but the Principals have agreed to repay IGY Facilities \$187,500 at the closing (i.e., this price reduction is paid for by the general partner only).

MOF III has the minority interests in the BVI properties, the controlling interest in Simpson Bay located in St Maarten, and the Canyon Lake and VIP properties on Lake Travis. IGY has determined not to acquire VIP or Canyon Lake due to limited cash flow potential.

SRM is the primary operating entity for the SRI Asset Portfolio that handles all day-to-day operations of the enterprise. While the operation is profitable, the Principals must generate acquisition and refinance fees to generate meaningful profits and bonuses. Subtracting each Principal's salaries of \$300,000 per year (the same amount payable by IGY in the Transaction) from 2006 budget, historical results of operations for 2003, 2004 and 2005, and budgeted results for 2006 are as follows:

	Actual/Budget*	Actual	Actual	Actual
	2006	2005	2004	2003
Revenue				
Mgt Fees	\$ 756,573	\$693,688	\$528,850	\$522,132
Asset Mgt Fees	\$ 137,861	\$113,903	\$96,106	\$81,396
Admin Fees	\$ 220,000	\$240,000	\$240,000	\$230,580
Accounting		\$24,000	\$78,250	\$52,750
Acquisition Fees	\$ 91,250	\$497,055	\$50,000	
Construction Mgt Fees				
Finance Fees	\$ 63,750	\$107,000		\$30,000
Other	\$ 9,821	\$188,319		
Set up Fees		\$25,000		
Interest Income		\$2,340		\$1,485
Total Revenue	\$ 1,279,255	\$1,891,305	\$993,206	\$918,343
Operating Expenses				
Payroll	\$ 628,033		\$ 815,052	\$ 664,943
Operating Expenses	\$ 234,242	\$ 1,793,505	\$ 321,223	\$ 180,319
Depreciation	\$ 14,808		\$ 14,802	\$ 14,802
Federal Taxes	\$ 11,000		\$ 194	\$ 10,763
Total Operating Expenses	\$ 888,083	\$ 1,793,505	\$ 1,151,271	\$ 870,827
Net Income	\$ 391,172	\$ 97,800	\$ (158,065)	\$ 47,516
* Actual January through June and Budget July through December.				
Principal salaries of \$900,000 have been deducted from 2006 payroll.				

III. SUMMARY TRANSACTION TERMS

- Acquirers: Island Global Yachting Facilities Ltd. ("IGY Facilities") and Island Global Yachting Services Ltd. ("IGY Services")
- Sellers: John D. Powers, Jr. ("Powers"), Ronald W. Rhoades ("Rhoades") and Michael S. Olszewski ("Olszewski")
- Transaction: Acquisition of:
- (1) All of the issued and outstanding capital stock of Sun Resorts International, Inc. ("SRI"), a Texas corporation;
 - (2) All of the issued and outstanding capital stock of Sun Resorts Management, Inc. ("SRM"), a Texas corporation;
 - (3) All of the general partner interests in the partnerships (the "Sun Partnerships") that own the targeted assets (the "Target Assets");
 - (4) All of the limited partner interests in the Sun Partnerships that own the Target Assets which are owned by the Principals (together with the general partner interests in number (3), the "Principal Interests"); and
 - (5) Subject to acceptance of the terms offered by IGY pursuant to tender offers, the limited partner interests in the Sun Partnerships that owns the Target Assets which are owned by third parties (the "Third Party Interests").
- Staged Closings: The Transaction would be closed in two stages. In the first stage, (1) IGY Facilities would acquire SRI, (2) IGY Services would acquire SRM and (3) IGY Facilities would acquire the Principal Interests (the "First Closing"). In the second stage, IGY Facilities would seek to acquire the Third Party Interests (the "Second Closing"). IGY Facilities would be obligated to commence the second stage within 180 days following the first stage closing.
- Consideration: SRI and SRM would be acquired for an aggregate cash payment of \$6.0 million. This cash payment would be decreased by the net current liabilities on the SRI and SRM balance sheet at the closing date, or increased by the net current assets of each company as of such date. It is contemplated that both companies would be transferred with zero net working capital. For tax allocation purposes, the parties have

agreed to allocate the purchase price \$3.0 million to SRI (the "SRI Consideration") and \$3.0 million to SRM (the "SRM Consideration"). The Principals would be responsible for delivering all of the outstanding capital stock of each of SRI and SRM that is held by third party shareholders.

The sale of SRM and SRI would each be on a "net zero" balance sheet basis. Prior to the First Closing, the Principals would prepare a Working Capital Statement showing net working capital of zero. An amount equal to any net negative working capital balance would be paid to IGY Services at the First Closing from the proceeds deposited into the escrow account described below, and the balance would be paid to the Principals in equal one-third portions. The Working Capital Statement would be subject to further adjustment at or prior to March 31, 2007 to correct for any deficiencies not known at the First Closing. Any adjustments in IGY's favor would be subject to an indemnity claim and funded from the Seller Indemnity Escrow (as described below).

The consideration for the Principal Interests would be determined by the net equity interests derived from the valuation for each property that IGY elects to acquire following due diligence. The valuation for each of the Target Assets has been agreed as follows:

<u>Property</u>	<u>Valuation</u>	<u>Property Debt at Dec. 31, 2006</u>
Simpson Bay	10,000,000	(3,355,447)
Village Cay	13,000,000	(6,418,336)
Virgin Gorda	<u>16,000,000</u>	<u>(9,235,000)</u>
Totals	\$ 39,000,000	(19,644,797)
Net Equity	\$ 19,991,217	

For example purposes only: Assuming IGY acquires all of the Target Assets, the total net equity value in the assets is \$19,991,217 based upon estimated property-level debt through December 31, 2006 (i.e., including scheduled payments made in the beginning of December) and waterfall provisions in each of the partnership agreements. At the First Closing, the total consideration in respect to the Principal Interests (the "Principal Interest Consideration") would be approximately \$1,051,508, of which approximately \$210,302 would be paid in cash (20%) and the balance in IGY Class B non-voting shares ("IGY Shares"), or approximately 56,080 shares at \$15/share. Using the same assumptions, the total consideration payable at the Second Closing in respect to the Third Party Interests with 100% tendering (the "Tender")

Offer Consideration) would be approximately \$9,475,989, of which approximately \$2,842,797 would be paid in cash (30%) and the balance in IGY Shares, or approximately 331,660 shares at \$20 share (vs \$15) as it is anticipated the IGY stock would be at a higher value prior to the Tender Offers.

Prior to the First Closing, the Principals would also prepare a closing statement for each of the underlying partnerships relating to the Principal Interests to be acquired by IGY Facilities. These closing statements would show all current assets (including cash, collectible A/R not more than 90 days past due, prepaid expenses and useable inventory) ("Credits") and current liabilities (including A/P, accrued expenses and prorated bonuses and known contingent liabilities). In addition to current liabilities, the closing statements would show the remaining unexpended portion of budgeted 2006 capital expenditures, and any principal debt incurred after signing (together with the current liabilities, "Debits"). If Credits exceed Debits at the First Closing, as agreed by IGY, then SRI or the Sun Partnership will be permitted to distribute excess cash to the limited partners. Each closing statement would be subject to further adjustment and correction on or prior to March 31, 2007, and any discrepancy in favor of IGY would be subject to an indemnity claim and funded from the Seller Indemnity Escrow and Tender Escrow (as defined below).

The amounts distributable in respect to the Principal Interests were estimated based upon the property valuations and placed on a schedule attached to the Purchase Agreement at execution in September. If there have been any permitted distributions to equity holders or scheduled or unscheduled principal payments on outstanding debt between signing and the First Closing (in each case, as approved by IGY), then amounts distributable to the Principals would be adjusted based on the waterfall distribution provisions of each applicable organization document.

Escrow: IGY and each of the Principals has deposited certain items into an escrow account until the conditions to closing have been satisfied.

The Principals have entered into binding agreements with the minority shareholders of SRI and SRM to redeem the shares held by them at the First Closing. The Principals have deposited the following into escrow:

- (i) stock certificates for all SRM shares;
- (ii) redemption agreements signed by the minority shareholders of SRM, to be effective at the First Closing;

- (iii) stock certificates for all SRI shares; and
- (iv) a redemption agreement from the one minority shareholder of SRI, to be effective at the First Closing.

IGY Services has deposited \$3.0 million in the escrow account. All interest earned on these funds are for IGY's account.

The date upon which the items above are deposited with the escrow agent is referred to as the "Escrow Deposit Date".

Representations and Warranties of Principals: Each Principal would severally and not jointly make certain representations as to the shares of SRM and SRI and Principal Interests (the "Equity Interests") held by him:

- (a) Unencumbered and lien-free ownership of the Equity Interests; and
- (b) Full legal right, power and authority to enter into the Purchase Agreement and perform the obligations.

The Principals would collectively make the following representations and warranties, on a joint and several basis, as to each of SRI, SRM and each partnership and real property asset underlying the Principal Interests to be acquired by IGY:

- (a) Organization, good standing and qualification to do business in each applicable jurisdiction;
- (b) Record ownership of the Equity Interests and the absence of any options, rights or other agreements to acquire the interests in any of the subject companies;
- (c) List of all subsidiaries and valid issuance of securities held in any subsidiary;
- (d) True, accurate and complete copies of financial statements for each company for 2003, 2004, 2005 and the six-month period ended June 30, 2006;
- (e) True, accurate and complete list of all outstanding debt for each company;
- (f) True, accurate and complete list of all accrued fees payable to each company;
- (g) No material changes to the business or liabilities since the date of the June 30 financial statements;
- (h) Filing of tax returns, timely payment of taxes and absence of audits;
- (i) Lien-free title to personal property;
- (j) List of any owned and leased properties (in addition to marinas);
- (k) No knowledge of material maintenance or repairs not fully budgeted for any company;
- (l) Delivery of all materials in their possession to enable IGY to conduct its due diligence.

- (m) Accounts receivable in the ordinary course;
- (n) Lack of material inventory or supplies;
- (o) True and correct list of insurance policies and absence of cancellation or intent not to renew such policies;
- (p) Possession of permits and licenses;
- (q) Material contracts and commitments;
- (r) No changes in policies of customers or suppliers;
- (s) Labor, Benefits and Employment Agreements;
- (t) No conflicts or breach of statutes or documents;
- (u) Compliance with laws;
- (v) Litigation;
- (w) Intellectual property;
- (x) Bank accounts
- (y) Compliance with environmental laws and no known violations, to sellers' knowledge;
- (z) No improper payments or bribes; and
- (aa) Investment intent with respect to IGY shares

All representations as they relate to Village Cay and Virgin Gorda, neither of which are controlled by the Principals, are made with knowledge of sellers (in respect to their investment interests and in their capacity as a manager of the property).

Representations and Warranties of IGY:

IGY has made the following customary representations and warranties:

- (a) Organization, good standing and qualification of buyer entities;
- (b) Due authority to enter into Purchase Agreement and transactions;
- (c) Valid and binding agreement;
- (d) No conflicts or breach of statute or contract; and
- (e) Purchase of Principals Interests for investment

Other IGY representations are made in the Subscription Agreement as to the shares being issued in respect to the Principal Interest Consideration.

Covenants:

The Principals agree to cause SRI, SRM and the partnerships that they control (i.e., excluding Village Cay and Virgin Gorda) to comply with certain covenants customary for transactions of this type between the date of execution of the Purchase Agreement and the First Closing, as follows:

- (a) Providing buyers with access to information;
- (b) Conduct its business in the normal course;
- (c) Preserve its business relationships, including retain SRM as property manager on substantially the same terms;
- (d) Maintenance of all insurance policies;

(e) Absence of certain transactions or events without IGY's consent (not to be unreasonably withheld), including amendments to organic documents, issuances of equity, incurrence of debt, payment of salary increases or bonuses not contained within budget, changes to senior management, capital expenditures outside of budget, payments of distributions to shareholders (IGY may withhold consent if it believes that it would result in negative working capital at the First Closing), and taking any material action or waiving any rights or abandoning claims with respect to the litigation against Reuben Hoppenstein, Ohavta LLC and their affiliates regarding the potential acquisition of Isle de Sol.

No Shopping: The Principals agree not to solicit, negotiate, entertain or accept any proposal with respect to the sale of any SRM, SRI or the partnerships. This broad no-shop provision will not be breached if employees below the general manager level for a property entertain a solicitation and the Principals immediately take corrective action and advise IGY. Also, the no-shop does not apply to the two properties which the Principals do not control – Village Cay and Virgin Gorda – except that the Principals cannot vote in favor of such alternative transaction. In all cases, no person within the companies may entertain a transaction that involves a sale of the “enterprise” as a whole – SRI, SRM and/or all of the Target Assets.

The document provides for a standard “fiduciary out” in favor of the Principals. However, if the Principals do receive a competing offer, they are required to consider the totality of the offer (price, terms and financeability) AND to allow IGY to match those terms by adjusting the provisions of the Purchase Agreement. IGY would be permitted to exclude a property if an alternative proposal is accepted for that single property, and is not obligated to match any alternative terms that the Principals deem to be superior.

Consents: The Principals agree to use commercially reasonable efforts to obtain all required third party consents to transfer the shares of SRI and SRM and the Principal Interests. IGY has the right to approve (and has already reviewed) all written materials to be submitted to third parties. Additionally, IGY has supplied a “backgrounder” for inclusion with the consent that generally describes its business and enables the limited partner to make an informed decision about the IGY shares that would be issued in the Transaction.

New Businesses or Assets: The Principals have agreed to give IGY the opportunity to review, during a minimum 60-day period, any new asset or business that is acquired by them prior to the First Closing. This includes some assets

recently acquired but not yet evaluated by IGY – including an option to develop some property in Freeport, Texas and a marina called Endeavor in Texas. IGY has elected not to pursue any additional assets.

Conditions
Precedent:

The obligations of IGY Services and IGY Facilities to deposit funds with the escrow agent are subject to certain conditions, including without limitation:

- (a) Accuracy of representations and warranties;
- (b) Performance of all covenants and agreements by the Principals;
- (c) Absence of litigation that could impair consummation of the Transaction;
- (d) Receipt of all consents;
- (e) SRM's deposit of redemption agreements from minority shareholders and all stock certificates;
- (f) No material adverse change to the companies or assets, except as disclosed in the financial statements or in the schedules to the Purchase Agreement, or resulting from general economic conditions; and
- (g) Each Principal having executed an employment agreement to be effective at the Seller Closing.

The obligations of IGY Services and IGY Facilities to consummate the First Closing are subject to certain standard conditions, including without limitation:

- (a) Bring-down certifications of the accuracy of all representations and warranties and the same matters referred to above;
- (b) Execution of the Subscription Agreements related to the IGY shares; and
- (c) Execution by IGY Facilities and MOF VI Limited Partnership of a purchase and sale agreement for American Yacht Harbor marina, or completion of that transaction.

The obligations of the Principals to consummate the Transaction are subject to standard conditions including, without limitation:

- (a) Release of guarantees posted by the Principals or their affiliates (other than companies being acquired by IGY) for any debt related to the properties that are being acquired by IGY;
- (b) No event or condition having occurred that is not specifically disclosed in the Confidential Disclosure Statement, dated August 1, 2006, prepared by IGY and delivered to the Principals, which such event or condition has or could reasonably be expected to have a material adverse effect on IGY and its subsidiaries;
- (c) Execution by IGY Facilities of appropriate assignment and assumption documentation; and

(d) IGY's delivery of a legal opinion from its Maples & Calder counsel.

**Excluded
Properties:**

Between signing and the First Closing, IGY may exclude a marina facility from the Purchase Agreement if:

- (a) it is dissatisfied with the results of its due diligence for any reason;
- (b) the Principals fail to obtain any required consents; or
- (c) the Principals elect to accept an alternatively superior offer for such facility (in accordance with the no-shop provision).

If any of Simpson Bay, Village Cay or Virgin Gorda (each, a "Required Facility") are excluded from the deal pursuant to the above, then IGY may terminate the Purchase Agreement and abandon the Transaction.

If an asset is excluded following due diligence, IGY and the Principals have agreed to split equally all due diligence costs up to \$50,000 per asset. Otherwise, IGY would pay for all diligence costs.

**Termination of
Agreement:**

The Purchase Agreement may be terminated at any time prior to the First Closing (a) by mutual agreement of the parties, (b) by either party if (i) a material breach of a representation occurs and remains uncured for 10 days following written notice, (ii) the other party takes any action prohibited by the Purchase Agreement and it could result in a material adverse effect on the Principals, SRI, SRM or the partnerships and such action remains uncured for 10 days following written notice, (iii) the other party fails to furnish materials required by the agreement, or (iv) if any required third party consents cannot be obtained, but Principals' right is to not close on the asset, while IGY has right to terminate the agreement if it relates to a Required Facility (otherwise, it can exclude the property from the Transaction as described above), (d) by either party after the 10th business day following signing, or the 20th business day if extended by the Principals, if the materials have not been deposited into the escrow account, (e) by either party if the First Closing has not occurred by December 31, 2006, as such date may be extended for IGY to evaluate any new assets or businesses for a 60-day period; the Principals may extend this date to February 28, 2007 if consents are not yet obtained (provided it is not then in breach of the agreement) or (f) by IGY if the Principals accept a superior alternative offer to buy SRI and SRM or all of the assets.

If the Principals accept a superior proposal to sell either (i) SRM and SRI and/or (ii) the Target Assets in one or a series of related transactions with any third party with whom they have discussions beginning after May 3, 2006, and such transaction is signed or completed within 6 months after the Purchase Agreement is

terminated, then the Principals will pay IGY a break-up fee of \$1.0 million.

Indemnities by the Principals: Principals agree to jointly and severally indemnify IGY Facilities, IGY Services and their affiliates ("Buyer Indemnified Parties") for any loss, liability, claim, damage or expense (including costs of investigation and defense and reasonable attorneys' fees), whether or not involving a third party claim, arising directly or indirectly from the following:

- (1) Breach of any representation or warranty, or failure to perform any covenant or agreement, contained in the Purchase Agreement;
- (2) Any unauthorized statement by the Principals regarding IGY in the solicitation of limited partner consents;
- (3) Any inaccuracy in any closing working capital statement;
- (4) Any liability or the failure to perform any obligation (whether known or unknown) accruing, occurring, arising or related to the period on or prior to the First Closing, EXCEPT if (a) waived by Buyer Indemnified Parties in writing, or (b) if the event, occurrence or obligation giving rise to such liability is specifically marked by the Principals on the Schedules to the Purchase Agreement as being exempt from indemnification (*nothing is on the schedule*);
- (5) Any conduct, action or inaction of any Principal, SRI, SRM or any partnership or any affiliate thereof occurring, arising or related to the period on or prior to the First Closing (whether known or unknown as of such date) or any circumstances related to the operation, management or ownership of any partnership or marina facility occurring, arising or related to the period on or prior to the First Closing, EXCEPT for the same carve-outs as in clause (4) above.

The Principals will not have an indemnification obligation for losses arising from an environmental condition unless such losses arise from a breach of the Principals' representations and warranties. Additionally, the Principals will not have an indemnification obligation for losses that arise after the First Closing and relate to the continuance of any practice that was in effect prior to the First Closing.

The Principals are individually (not jointly) liable for breaches of representations as to title to their Equity Interests being conveyed or authority to enter into the Agreement.

The various limitations on these indemnity obligations are as follows:

- (1) Basket – Losses are not payable until they exceed \$100,000 in aggregate, after which recovery is from the first dollar of loss. The

basket does not apply to losses resulting from (a) fraud, (b) a material breach of a post-closing covenant and (c) an inaccuracy in the closing working capital statements.

(2) Caps – Losses suffered or incurred by Buyer Indemnified Parties are available for indemnification by the Principals on a joint and several basis (except for the representations for which they are individually liable, as noted above). The aggregate losses for which any Principal may be liable is limited to the following caps:

SRM + SRI: 50% of the net proceeds (after deduction for payments to minority shareholders) received by such Principal from his share of the \$6 million gross purchase price allocable to these companies LESS \$83,333

Partnership Interests: 100% of the net proceeds (including cash and IGY Shares) received by any Principal from his sale of the GP and LP (including Class B) interests in the partnership that owns the property in question PLUS one-third of the balance in the Seller Indemnity Escrow (see below)

(3) Seller Indemnity Escrow – Of the amounts payable to the Principals at the First Closing, \$500,000 will be deposited into an escrow account (the “Seller Indemnity Escrow”). This will be the first source of recovery for indemnity claims, except to the extent that a Principal elects to pay some of the claim with IGY shares (as per below). Any remaining funds available on the date that is **12 months** following the First Closing will be released to the Principals; however, this amount will not be released until the date that is **18 months** following the First Closing if the Tender Escrow (defined below) does not amount to at least \$500,000.

(4) Limited Partner Contributions to Indemnity – Upon completion of the tender offers, each Principal’s cap for any property in question will be reduced by a prorated share of the amounts actually funded into escrow upon closing of the tender offers. It is anticipated that 10% of the proceeds payable in the tender offers would be deposited into the escrow account (the “Tender Escrow”). Any remaining funds available on the date that is **21 months** following the First Closing will be released to the limited partners. This will be the sole source of recovery from the tendering limited partners.

(5) Indemnity Payments – For any claims related to the Principal Interests (i.e., in respect to the Target Assets or Sun Partnerships), a

Principal may elect to pay up to 80% of the claim in the form of IGY Shares (or the same percentage of equity representing the Principal Interest Consideration paid at the First Closing). The value of the shares shall be the issuance price of \$15/sh.

(6) Survival Periods – An indemnity claim must be served on the Principals or the tendering limited partners within the time frames provided below.

General Claims – Liability of Principals: 12 months from the First Closing; however, this will be extended to 18 months if the Tender Escrow does not equal at least \$500,000, and in such case the aggregate liability of the Principals during such 6-month period will not exceed \$500,000.

General Claims – Liability of Tendering LPs: 21 months from the First Closing.

Exclusions from Time Periods – Extended Liability of Sun Principals:

- (a) securities law claims relating to sale of partnership interests or stock in SRI and SRM prior to the First Closing – indemnity period is applicable statute of limitations (“SOL”), or 6 years if no SOL;
- (b) title to shares owned by any Seller – applicable statute of limitations, or 6 yrs if no SOL;
- (c) existence of any undisclosed subsidiaries or investments, or undisclosed ownership – applicable statute of limitations, or 6 yrs if no SOL;
- (d) adjustments in the working capital statement – 12 months or 18 months, depending on whether the Tender Escrow is greater than \$500,000.
- (e) taxes for pre-closing period – applicable statute of limitations
- (f) breach of post-closing covenants – 6 months after the effective conclusion of the covenant period, or the applicable statute of limitations

- (g) unknown claims relating to pre-closing periods – 2 yrs from First Closing
- (h) undisclosed liabilities relating to pre-closing periods (i.e., fraud) – applicable statute of limitations, or 6 yrs if no SOL

Losses from any indemnifiable claims relating to a specific marina facility or property owner will be recoverable pro rata from amounts contributed to the Tender Escrow in respect of such facility or property owner.

**IGY's
Indemnity
Obligations:**

IGY Services and IGY Facilities agree to jointly and severally indemnify the Principals for any loss, liability, claim, damage or expense (including costs of investigation and defense and reasonable attorneys' fees), whether or not involving a third party claim, arising directly or indirectly from the following:

- (1) Breach of any representation or warranty, or failure to perform any covenant or agreement, contained in the Purchase Agreement;
- (2) Any material misstatement or omission in the written information regarding IGY that it provides for inclusion in the consent forms;
- (3) Any action or omissions by IGY or its affiliates in connection with the tender offers;
- (4) Any liability or the failure to perform any obligation (whether known or unknown) accruing, occurring, arising or related to the period after the First Closing, EXCEPT to the extent (a) arising from any continuation of any unlawful or wrongful business practice in effect prior to the First Closing and not specifically listed as being wrongful or unlawful in any disclosure schedule, or (b) arising or occurring pursuant to any directive or omission of a Principal given or made after the First Closing;
- (5) Any conduct, action or inaction of IGY Facilities, IGY Services or any acquired company occurring, arising or related to the 6-year period after the First Closing (whether known or unknown as of such date) or any circumstances related to the operation, management or ownership of any partnership or marina facility occurring, arising or related to the 6-year period after the First Closing, EXCEPT for the same carve-outs as in clause (4) above; and
- (6) Any sale of a property underlying the Principal Interests acquired at the First Closing within the 3-year period following the First Closing. The maximum liability will be equal to simple interest at 5% per year on the amount of federal and state income taxes required to be paid by the Principals in respect of income recognized as a result of the sale of the

property in question. The time period is from the date on which the income tax return is filed for the year of the breach through the date that a return would be filed if such sale had taken place after the 3rd anniversary date of the First Closing. This is a common blackout period granted to a seller who receives equity interests as consideration due to the potential income that may be recognized by the seller as not being rolled into equity.

Post-Closing Covenants: Among other standard covenants, IGY Facilities agrees to commence the tender offers within 180 days following the First Closing.

IGY Facilities agrees to reimburse the Principals for certain expenses related to the claims made against Reuben Hoppenstein as follows:

- (a) Litigation expenses incurred through signing (approximately \$75k) plus amounts incurred through the First Closing that are pre-approved by IGY Facilities;
- (b) \$100,000 deposit posted by the Principals for the asset acquisition, but only if IGY Facilities actually purchases the property or such deposit is returned to IGY in connection with a settlement;
- (c) Approximately \$32,000 of third party expenses incurred for the IDS acquisition, but only if IGY Facilities purchases the property or it is returned in settlement or resolution of the litigation; and
- (d) Approximately \$66,000 of loan expenses, but only if IGY Facilities finances an acquisition of IDS with the same lender or it is returned in settlement or resolution of the litigation.

Governing Law: New York law will be applied and the venue for settlement of any disputes will be New York.

IGY Subscription Agreement: At the First Closing, IGY will enter into a subscription with each Principal in respect to the IGY Shares issued to such Principal as part of the Principal Interest Consideration. The form of this agreement will be attached as an exhibit to the Purchase Agreement and contain the standard terms applicable to IGY share subscriptions, including, but not limited to, the following:

- (a) True and accurate disclosure contained in the Confidential Disclosure Statement specifically prepared for and delivered to the Principals prior to signing;
- (b) An agreement to provide the same reports that are provided to other shareholders of IGY (i.e., Island Global Yachting [REDACTED], Island Global Yachting II [REDACTED], and Island Global Yachting III [REDACTED]);
- (c) An agreement to conduct the marina business exclusively through IGY;
- (d) No transfers of IGY shares without prior consent; and

(e) Drag-along rights in favor of IGY if 75% or more of the Class A voting shares are proposed to be sold.

Employment of Principals: Each Principal will enter into a one-year employment agreement with IGY Services at the First Closing. After one year, employment will be on an at-will basis. The agreement will provide for a salary of \$300,000 per year, a discretionary bonus (if any) determined by the Board of Directors of IGY, and the ability to participate in IGY's option plan as determined in the sole discretion of the Board of Directors of IGY. The agreements will contain standard severance provisions if the Principals are terminated other than "for cause" prior to the one-year term. Additionally, IGY may (but is not obligated to) repurchase the IGY shares issued in the Transaction, and each Principal may (but is not obligated to) put his shares to IGY, in each case at \$15/sh under the following limited circumstances:

- (a) IGY may, repurchase 100% of the shares if a Principal is terminated for cause during the initial one-year term;
- (b) A Principal may put 100% of his shares prior to the 2nd year anniversary, and 50% of his shares thereafter and prior to the 3rd year anniversary, if he is terminated other than "for cause" or quits "for good reason"; and
- (c) IGY may repurchase 100% of a Principal's shares prior to the 2nd year anniversary, and 50% of his shares thereafter and prior to the 3rd year anniversary, if such Principal quits other than "for good reason".

Each Principal will be subject to a two-year no-raid and a one-year non-compete (except Michael Olszewski, who will not have a non-compete).

IV. INTEGRATION PLAN

Prior to the First Closing, IGY will develop a comprehensive plan to integrate SRI and SRM within the IGY family of companies and appoint an individual to oversee the smooth transition following the First Closing. Currently, SRI primarily functions as a holding company for its controlling interests in the Target Assets and other assets within the SRI Asset Portfolio. Any assets not acquired pursuant to the Transaction would be restructured prior to the First Closing and not included within the assets controlled by SRI following the First Closing. Substantially all of the operations are conducted through SRM, which initially will be an independent subsidiary of IGY Services.

Following the First Closing, IGY Services will employ each of the Principals. The Principals have negotiated and will execute one-year employment agreements with IGY Services at the First Closing, the terms of which are generally described in the previous section. Other employees will enter into standard confidentiality / no-raid agreements with IGY Services, similar to the agreements executed with other employees of IGY, and remain as employees of its subsidiary, SRM. **[To be confirmed upon further review by IGY operations group]**

It is currently anticipated that SRI will continue to lease the office located in Dallas, Texas. The employees located in Dallas, including Powers and Rhoades, will continue to work out of that office. This lease expires in January 2007. Sun is in discussions to renew and is keeping IGY operations advised of their progress. Employees who currently are staffed at the marinas will continue to function in that role on behalf of SRM. **[To be confirmed upon further review by IGY operations group]**

It is expected that SRM initially will be a separate subsidiary that will continue to generate its management fees and fund its expenses (including payroll). As necessary, IGY Services will fund budgeted amounts that are not covered by the fees. Any potential amounts to be funded can not be quantified at this time as IGY operations has not determined if all of the revenues and expenses will still be allocated to SRM or if a portion will be allocated to IGY.

V. VALUATION ANALYSIS

As described elsewhere in this Memorandum, IGY (through IGY Facilities or IGY Services) would purchase:

- (1) 100% of the stock of SRI;
- (2) 100% of the stock of SRM;
- (3) 100% of the general partner interests held by the Principals (directly or indirectly) in the Sun Partnerships that own the Target Assets; and
- (4) 100% of the limited partner interests held by the Principals (directly or indirectly) in the Sun Partnerships that own the Target Assets.

IGY has separately contracted to purchase American Yacht Harbor (St. Thomas) for a gross price of \$25.5m (net pp of \$25,312,500 after the credit of \$187,500 payable at closing by the General Partner of the Seller).

SRI and SRM

The purchase price for the acquisition of SRI and SRM is \$6 million in cash, of which \$3 million will be allocated to SRM and the balance to SRI.

If a traditional valuation analysis were applied, the SRM purchase price of \$3m would be equivalent to a 7.7x multiple of net operating income budgeted for 2006, after subtracting \$900,000 in salaries payable to the Principals. We also excluded all fees from the 2006 budget, except for management fees for operating the marinas. However, we do not believe that a traditional valuation is appropriate in analyzing the Transaction.

SRM's value is inextricably tied to the equity interests in the Target Assets. Therefore, the value of SRM is enhanced by the fact that one can acquire the equity in the assets while also acquiring a management business that, historically, does not require material funding above the cash flow it generates from operations and fees. While SRM's management contracts are terminable on short notice, this is controlled entirely by the general partner of each of the Target Assets which, in each case, are controlled by the Principals.

In addition, we believe there exists significant value inherent in the litigation claim filed against Reuben Hoppenstein with respect to the failed acquisition of Isle de Sol in St. Maarten (described in detail below). This property nearly was acquired by IGY in 2005 and represents a strategic location for the mega-yachts. IGY, through its management subsidiary (CMMC), has managed this property with some success – actual 2005 results show an approximate 100% increase in the bottom line over 2004 results. If included within the IGY portfolio at the price negotiated by the Principals in early 2005, we believe there exists the potential for even more upside.

Hopenstein/Isle de Sol Litigation: In April 2006, SRI commenced an action against Reuben Hopenstein and Ohavta LLC in state court in Dallas, Texas. In May 2006, that action was removed to and is currently pending in federal court in Dallas. SRI made a claim for specific enforcement of a binding agreement to acquire the property at a purchase price that would approximate an effective 9-10% capitalization rate based on 2005 NOI. Counsel to IGY has advised that SRI would have a fair chance of proving its claim. To date, the defendants have attempted to dismiss the case on the basis that proper venue was in New York, not Texas, and that the complaint fails to state a claim because SRI failed to complete certain conditions to closing within the time frames prescribed by the purchase contract. The motion to dismiss was fully briefed by September 1, 2006 and it is expected that it will take between 60-90 days for the Court to rule on the motion. Counsel to IGY does not believe the Court will dismiss the claim on the merits and believes there is a reasonable probability that the case will remain in the Dallas courts for further proceedings.

Strategic Considerations

IGY is looking to expand its portfolio at a rapid pace, and this enterprise transaction offers an opportunity to acquire 4 operating marinas in the Caribbean (including AYH). IGY has established a strong presence throughout the Caribbean through various development sites, but currently only owns one operating marina in Cabo San Lucas. The addition of these three operating marinas in the Caribbean would solidify IGY's market dominance in the region.

Under the Transaction, IGY would acquire investment interests in 3 Caribbean assets that will immediately enhance its market position in the BVI and St. Maarten. The acquisition of Simpson Bay would increase IGY's presence in St. Maarten and potentially add pressure to a settlement of the Hopenstein litigation. The BVI properties present interesting development opportunities and immediately establish IGY as a strong presence in the Virgin Islands. Finally, American Yacht Harbor, the acquisition of which is loosely linked to the Transaction, would supplement IGY's presence in St. Thomas and offer an opportunity for overflow from Yacht Haven Grande.

The acquisition of the Target Assets, SRI and SRM also enables IGY to supplement its acquisition and operational functions. The Principals and their employees have established a strong track record of acquiring profitable marinas and generating positive returns for their investors. The Transaction offers the opportunity for IGY to supplement its acquisition platform with experienced investors in marina properties. In lieu of hiring talent through recruiting efforts, IGY can immediately supplement its acquisition team with experienced investors with a proven investing strategy. Furthermore, the Principals and their employees have focused on an acquisition strategy that is similar to IGY's strategy.

As a final consideration, the Transaction would remove a potential competitor to IGY. During negotiations, the Principals and their affiliates have often been involved in evaluating the same deals that IGY is exposed to through its network. This combination of the two

companies may reduce the significant price pressures that exist in the market for the properties that IGY seeks to acquire (albeit, not in a material way) and, more importantly, enable IGY to supplement its existing resources and portfolio with a well-established platform of assets and management business.

We believe the preceding strategic considerations present a compelling justification for the purchase price to be paid for the SRI/SRM component of the Transaction.

Financial Roll Up Property Assets

IGY undertook a comprehensive financial review of the properties. Attachment I to this Memorandum contains a financial roll up analysis of the property assets.

As indicated previously there will be a First Closing to acquire the general partner and limited partner interests of the Principals and a Second Closing approximately 180 days later for the remaining limited partners to tender their shares. The final ownership percentage of some limited partners, in particular MOF III, will vary depending upon whether they have received a return of their original investment and/ or preferred returns. For purposes of simplicity, the pro forma has been prepared under the assumption that there will be only one closing.

Returns for these four assets are based on a 10-year hold, three 3% expense growth, an 8.5% exit cap rate and varying revenue growth rate assumptions (See specific property pro formas for details). For purposes of this analysis, we have assumed that the existing debt remains in place at current rates and terms throughout the pro forma hold period with the exception of American Yacht Harbor ("AYH"); this acquisition is being initially financed through the use of the Banco Popular revolving credit facility, however we have assumed debt of \$9m in the pro forma.

For the assets in the British Virgin Islands (Village Cay and Virgin Gorda Yacht Harbour), where IGY would be acquiring non-controlling minority interests, we have set forth capital budgets that recognize the significant deferred maintenance issues highlighted by ATM and have underwritten base case scenarios assuming dock and pier replacement within the first five years.

In the case of Village Cay, we have assumed limited hotel renovation and upgrades but no reconfiguration of the slips though there may be opportunities to improve the slip mix. Virgin Gorda Yacht Harbour is currently undertaking a redevelopment program of some magnitude and, in an attempt to capture the potential increase in operating revenues, we have factored in a slightly higher revenue growth assumption on the existing asset base in the second round of underwriting.

Both AYH and Simpson Bay Yacht Club are anticipated to be wholly owned and controlled by IGY and have some potential for repositioning or redevelopment. In both cases,

further evaluation and cost estimation is warranted regarding the possible opportunities and constraints. For both assets, however, we have assumed that IGY would continue to manage these assets as-is and would repair and replace docks, piers, and other upland structures within their current configurations based upon their condition and estimated remaining life.

In calculating returns and profitability to IGY we have included IGY's proportionate share of net cash flow (corresponding to projected ownership percentage at the end of any tender period, if applicable), acquisition fees, estimated due diligence costs, and management fees. The underlying assumptions and rates of return for the individual assets are discussed in greater detail in the Property Reviews and Financial Projections set forth in Attachments B through H.

As set forth on Attachment I, on a portfolio basis, the four properties are projected to generate a combined internal rate of return of 12.2% after including the acquisition fees of approximately \$438,333 and annual management fees of \$572,458.

VI. RISKS

Please see the asset summaries attached hereto for any applicable risks related to the individual property assets.

VII. CONCLUSION

SRI and its affiliates have embarked on a marina roll-up strategy that is similar to IGY's strategy. The Principals are experienced acquirers and operators of marina assets, and offer an operational platform that can be easily integrated within IGY's corporate structure. Although the price for SRM and SRI does not lend itself to a traditional valuation analysis, there are compelling strategic considerations that justify the price, including (a) the ability to acquire controlling and equity interests in a portfolio of marina properties, (b) the opportunity to supplement IGY's existing acquisition and operational platforms with a team that is familiar with marina acquisitions and operations and (c) the removal of a potential competitor to the IGY business plan.