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October 19, 2012

VIA E-MAIL: rhonda.castillo@portoftheamericas.pr.gov

Rhonda M. Castillo Gammill, Esq., P.E.
Executive Director
Authority for the Port of the Americas
PO Box 195534
San Juan, Puerto Rico 00919-5534

Dear Ms. Castillo:

By e-mail dated September 27, 2012, you requested an updated status of the matters we are involved on behalf of the Authority for the Port of the Americas (the "APTA"). In response to your request, below is a summary of the status of such matters, as of September 28, 2012.

Facts Relevant to All Matters

On May 5, 2005, the United States Army Corps of Engineers (the "USACE") issued to the APTA permit number SAJ-2002-06525 (IP-JER) (the "Permit"), authorizing the construction of facilities associated with the Port of the Americas in Ponce, Puerto Rico ("the Project"). Special Condition 11 of the Permit required the implementation of certain requirements including, among others, conducting certain archaeological studies at the Value Added Industrial Area ("VAIA"), study at the Ponce Playa Historical District, and the designation and submittal of a buffer zone adjacent to the Ponce Playa Historical District for USACE's and the State Historic Preservation Office's ("SHPO") approval, prior to commencing any construction work at the VAIA.

On August 18, 2008, APTA – through its Executive Director, Ramon Torres - issued a Notice to Proceed with certain construction works within the VAIA. On March 21, 2011, APTA initiated archaeological studies within the VAIA and, on April 14, made certain findings of potential archaeological value at a certain location within the VAIA. APTA reported the findings to SHPO.

On May 18, 2011, the USACE and SHPO performed an inspection in the area of the Project. As a result of the inspection, the USACE notified APTA of its non-compliance with several requirements in the Permit, including, specifically, Special Condition No. 11. On May 20, USACE issued an Order for Initial Corrective Measures associated with the findings of potential archaeological value reported by APTA. Later, on June 7, 2011, the USACE issued a stop-work order for any work related to the Permit.

As set forth by the USACE in its June 7, 2011 letter, the non-compliance with requirements in the Permit could result in criminal and civil sanctions for APTA, which have not been totally quantified.

a. Potential Claim by the APTA against Contractors

Amid this scenario, and to secure the viability of a judicial claim against the parties potentially responsible for the damages that APTA could suffer as a result of this situation, on April 13, 2012, APTA sent demand letters for an amount of not less than \$30,000,000.00 to the following entities and individuals that were involved in the planning, design, and/or construction activities related to the Project's work within the VAIA: Del Valle Group, S.P.; CMA Architects and Engineers; Iglesias-Vázquez & Associates; Axel Bonilla Cortés & Associates; ECZ Group, Inc.; Carlos López Atienza; Nelson A. Hidalgo Consulting Engineers; MR Drilling Corp.; Suelos, Inc.; CSA Group, Inc. and CSA Architects and Engineers, LLP.

As of today, APTA has received answers to the demand letter from Del Valle Group, S.P.; CSA Group; MR Drilling Corp.; and ECZ Group, Inc. All of them have denied any liability for the potential claim. Pursuant to APTA's request, CSA met with APTA representatives on September 20, 2012 and agreed to evaluate the issue further to ascertain whether a negotiated solution to this claim is possible. It is too early to tell whether these conversations are likely to be fruitful.

b. Potential Claim against APTA by Del Valle Group, S.P.

Further to the issue discussed above, the USACE's decision to stop-the-work within the VAIA obviously impacted the work of the contractor working within VAIA at that time, Del Valle Group, S.P. (hereinafter "DVG"). DVG has claimed that such governmental order constitutes a "Delay Event" under the Contract, which if established, would give rise to an extension of time and a contract price adjustment. Pursuant to the best information available to us, as of July 18, 2012,

DVG's claim for extended overhead and equipment stand-by costs arising from the USACE's stop-work order "Delay Event" had reached \$2,823,784.54, which costs continue to accrue. Additionally, DVG has claimed an additional amount of \$2,883,681.91 (some of which would have been included as part of the original contract price) for the work remaining to complete the Project.

As of this date, the parties continue discussions regarding these claims.

c. USACE's Enforcement Action against APTA

As part of USACE's enforcement efforts resulting from the May 18, 2011 inspection and the June 7, 2011 stop-work order for the Project discussed above, APTA entered into settlement negotiations with USACE aimed at minimizing or avoiding criminal and civil sanctions and obtaining the necessary approvals to complete the Project. As part of APTA's negotiations with USACE, the parties reached a preliminary agreement on the terms and conditions of the settlement to be entered into a consent decree which will be filed in the U.S. District Court for the District of Puerto Rico. The terms and conditions of the agreement were incorporated into a draft Consent Decree (the "Draft CD") that was negotiated between USACE and APTA and has received approval from APTA's Board of Directors.

In the Draft Consent Decree, APTA agrees to pay a civil penalty and deposit certain moneys in an escrow fund to pay for certain mitigation and preservation plans to be implemented. In addition, the USACE agrees, in part, to: (i) close any enforcement action against the APTA for the aforementioned alleged violations; (ii) continue the process to modify the Permit in accordance with the terms and conditions of the Consent Decree and, (iii) exclude from the modified permit certain compliance requirements of the compensatory mitigation plan activities.

While the language incorporated into the Draft Consent Decree has been fully agreed upon and executed by USACE and the APTA, the Consent Decree is yet to be executed by the U.S. Department of Justice. The Draft Consent Decree will be presented to the U.S. Department of Justice for approval and filing before the U.S. District Court for the District of Puerto Rico. After the Draft Consent Decree is lodged, the U.S. District Court will notify the filing and provide the general public with a thirty (30) day comment period. Once the comment period is complete and the comments (if any) are evaluated, the appointed U.S. District Court Judge will sign the Consent Decree. The effective date for the Consent Decree will be the date in which the U.S. District Court Judge signs the document.

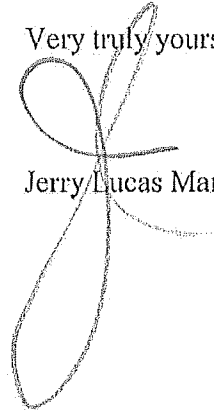
O'NEILL & BORGES LLC

Authority for the Port of the Americas
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We hope the above summary is sufficient for your current purposes. Should you require any additional information, please do not hesitate to contact us.

Very truly yours,

Jerry Lucas Marrero

A handwritten signature in black ink, appearing to read "Jerry Lucas Marrero". The signature is stylized with large loops and a long, sweeping tail that curves back towards the left.

c: Carla García Benítez, Esq.

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September 17, 2012

Mrs. Rhonda Castillo-Gammil, Esq., P.E.
Executive Director
Port of the Americas Authority
PO Box 362350
San Juan, Puerto Rico 00936-2350

Dear attorney Castillo-Gammil:

As per your request, a report follows regarding matters involving the interests of the Port of the Americas Authority, as to which we have been engaged and have devoted attention through our contract with the Puerto Rico Land Administration, as of June 30, 2012.

I. PENDING LITIGATION.

(i) *Administración de Terrenos v. WMS Corporation, KEF 2005-0653, San Juan Superior Court*

This is a condemnation proceeding initiated on December 29, 2005, involving two tracts of land known as Esperanza and Quintas in the Municipality of Ponce. The combined condemned land has an approximate area of 610 cuerdas.

For just compensation purposes, the appraiser for the condemning authority estimates the values of the land as follows:

- a. Esperanza (total acquisition of 549.97 cuerdas) - \$2,613,000.00
- b. Quintas (partial acquisition of 59.15 cuerdas) - \$370,000.00

These amounts (a and b, above) were deposited as the estimated just compensation for the condemned real property.

The appraiser for the condemnee contests the just compensation and appraises the condemned land as follows:

- a. Esperanza (total acquisition of 553.00 cuerdas) - \$10,000,000.00
- b. Quintas (partial acquisition of 59.15 cuerdas) - \$2,960,000.00

Trial has been scheduled to commence on February 20, 2013. In the meantime, the case is in the discovery stage and the potential exposure is limited to the difference between the amounts deposited for estimated just compensation and the estimated value alleged by the condemnee's appraiser.

We are aggressively contesting the values alleged by the condemnees and litigating the case vigorously. At issue is the partial abandonment of an area of approximately 62 cuerdas, which will be resolved after the parties submit a motion following a meeting between the parties' land surveyors.

(ii) ***Administración de Terrenos v. FMC, KEF 2007-0198, San Juan Superior Court***

This is a condemnation proceeding initiated on April 12, 2007, involving real estate located in the Municipality of Ponce.

For just compensation purposes, the appraiser for the condemning authority estimates the value of the condemned property in the amount of \$2,000,000.00. The aforementioned amount was deposited as the estimated just compensation for the condemned property.

The appraiser for the condemnee contests the just compensation and appraises the condemned land in the amount of \$5,447,200.00.

The case is in the discovery stage and the potential exposure is limited to the difference between the amount deposited for estimated just compensation and the estimated value alleged by the condemnee's appraiser.

We are aggressively contesting the values alleged by the condemnees and litigating the case vigorously. Trial is scheduled to commence on October 8 and 9, 2012. The Court has reserved the date of October 8, 2012, for a settlement conference, should it become necessary.

(iii) ***Administración de Terrenos v. Ponce Bayland, KEF 2006-0601, San Juan Superior Court***

This is a condemnation proceeding initiated on October 27, 2006, involving real estate located in the Municipality of Ponce.

For just compensation purposes, the appraiser for the condemning authority estimates the value of the condemned property in the amount of \$2,300,000.00. The aforementioned amount was deposited as the estimated just compensation for the condemned property.

The appraiser for the condemnee contests the just compensation and appraises the condemned land in the amount of \$9,000,000.00.

The case is in the discovery stage and the potential exposure is limited to the difference between the amount deposited for estimated just compensation and the estimated value alleged by the condemnee's appraiser.

We are aggressively contesting the values alleged by the condemnees and litigating the case vigorously. A status conference is scheduled to be held on October 24, 2012.

II. OTHER MATTERS

(a) Given that our services are rendered to the benefit of the Authority, through our contract with the Puerto Rico Land Administration, we are not in a position to provide information as to whether any monies are owed by the Authority for services rendered and expenses incurred and billed by us related to the above discussed matters.

(b) Unasserted Claims and Assessments

Please be advised that there are no pending or threatened litigation, claims and assessments or unasserted possible claims, probable of assertion, with respect to which we have been engaged but as to which we have not devoted substantive attention.

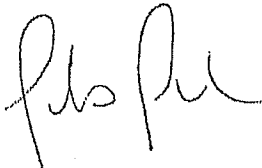
(c) Furthermore, we confirm that it is our professional understanding that, in the course of performing legal services, with respect to a matter recognized to involve an unasserted possible claim or assessment that may require financial statement disclosure, whenever we have formed a professional opinion that the Agency should disclose or consider disclosing such possible claim or assessment, as a matter of professional responsibility we will so advise and consult concerning the question of such disclosure and the applicable requirements of Statement of Financial Accounting Standard No. 5.

(d) This response is limited by, and is in accordance with, the American Bar Association's statement of policy regarding lawyer's responses to auditor's requests for information. The information provided herein is as of the date of this letter.

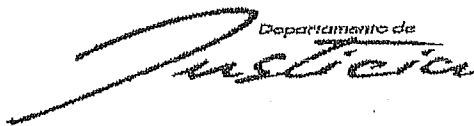
(e) All factual information provided is based on a review of historical public or private documents, including deeds, contracts, maps, blueprints and photographs, obtained from public sources, none of which has been evaluated as to correctness or accuracy. This letter may in no manner be interpreted as assuring or warranting the correctness or accuracy of said documents. We, furthermore, disclaim any undertaking to advise you of changes that may be brought to our attention after this date.

If you need any additional information, feel free to contact the undersigned.

Yours truly,



Carlos E. Cardona-Fernández



ESTADO LIBRE ASOCIADO DE PUERTO RICO

GUILLERMO A. SOMOZA COLOMBANI
SECRETARIO

LCDO. GODOHALDO PEREZ TORRES
Director - División Contributivo,

September 17, 2012

BDO Puerto Rico
PO BOX 363436
San Juan, PR 00936-3436

Re: Port of the Americas Authority

Dear Sirs:

By letter dated August 24, 2012 Mrs. Rhonda M. Castillo Gammil, Executive Director of the Port of the Americas Authority has requested us to furnish you with certain information in connection with our legal consultation or representation of the Port of the Americas Authority as at June 30, 2012, to the effective date of this response.

Pending or Threatened Litigation, Claims and Assessments (excluding unasserted claims and assessments)

We call your attention to the fact that the Department of Justice of the Government of Puerto Rico has during the past year represented the Port of the Americas Authority only in connection with the litigation and legal representation concerning the case Estado Libre Asociado vs. Percon Development, Inc., KEF1990-0134 (ELA vs. Percon) and has not been engaged for any other purpose. The case ELA vs. Percon is about a legal taking of land in the municipality of Ponce, for the development of the Port of the Americas. To the date of this response the case has a final judgment or decision by the San Juan First Instance Court of Puerto Rico, which can be resume as that the Government of the Puerto Rico has to pay \$13, 553, 500.00, plus interest, for the just compensation of the land. Initially, the government stated and paid \$15,084,000.00 for the just compensation as the value of the land. To this date the case is pending a decision by the Appellative Court of Puerto Rico, with the approval of the Port of Americas Authority. The likelihood of an unfavorable outcome for the Port of Americas Authority can be described as 50%/50%, and in that scenario the range of potential loss is of \$13, 553, 500.00, plus interest since the year 2005 to the date of the final compensation.

Unasserted Claims and Assessments

It is our understanding that, by making the request set forth in its letter to us; the Port of the Americas Authority does not intend to waive the protection afforded by the attorney-client privilege with respect to communications between the Port of the Americas Authority and the

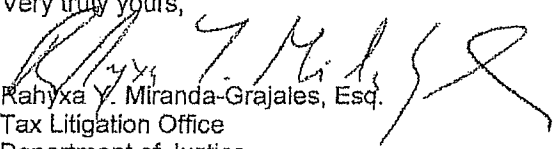
Department of Justice. Moreover, this response should not be construed in any way to constitute a waiver of the attorney work product doctrine with respect to any matter described herein.

Please be advised that it would be inappropriate for us to respond to a general inquiry related to the existence of unasserted possible claims or assessments involving the Port of the Americas Authority pursuant to clauses (b) (contractually assumed obligations) and (c) (unasserted possible claims or assessments). We can only furnish information concerning those unasserted possible claims or assessments upon which the Port of the Americas Authority has specifically requested, in writing, that we comment. Nor can we comment upon the adequacy of the Port of the Americas Authority listing, if any, of unasserted possible claims or assessments or its assertions concerning the advice, if any, about the need to disclose unasserted possible claims or assessments.

As of June 30, 2012 and to the date of this response, the Port of the Americas Authority was not indebted to us for any services or expenses regarding our legal representation.

This response is limited by, and in accordance with, the ABA Statement of Policy Regarding Lawyers' Responses to Auditors' Requests for Information (December 1975); without limiting the generality of the foregoing, the limitations set forth in such Statement on the scope and use of this response (Paragraphs 2 and 7) are specifically incorporated herein by reference, and any description herein of any "loss contingencies" is qualified in its entirety by Paragraph 5 of the Statement and the accompanying Commentary (which is an integral part of the Statement). Consistent with the last sentence of Paragraph 6 of the ABA Statement of Policy and pursuant to the Port of Americas Authority request, this will confirm as correct the Port of Americas Authority understanding as set forth in its audit inquiry letter to us that whenever, in the course of performing legal services for the Port of Americas Authority with respect to a matter recognized to involve an unasserted possible claim or assessment that may call for financial statement disclosure, we have formed a professional conclusion that the Port of Americas Authority must disclose or consider disclosure concerning such possible claim or assessment, we, as a matter of professional responsibility to the Port of Americas Authority, will so advise the Port of Americas Authority and will consult with them concerning the question of such disclosure and the applicable requirements of Statement of Financial Accounting Standards No. 5 as interpreted by Paragraph 5 of the ABA Statement and the accompanying Commentary.

Very truly yours,



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