

February 7, 2011

To: All Stockholders of Pegasus Hotels of Jamaica Limited ("the Pegasus")

From: The Take-Over Bid Advisory Sub-Committee of the Board of Directors of the Pegasus (the Take-Over Bid Advisory Sub-Committee)

Re: Offer to Purchase remaining 48,300,589 issued shares of the Pegasus (the Offer)

Dear Stockholders:

You would have already received the following documents in relation to the Offer made by Quivin Holdings Limited:-

1. The Take-Over Bid Circular dated 28 December 2010;
2. The Directors' Circular dated 14 January 2011;
3. The Notice convening an Extraordinary General Meeting to be held on Thursday, 24 February 2011 and a form of proxy attached; and
4. The Memorandum from the majority shareholders, Quivin Holdings Limited, re a proposed Amendment to Article 80 to be considered at the above general meeting.

Please refer to the section headed "**Pending Restatement and Reissue of Audited Financial Statements as at 31 March 2010**" on page 9 of the Directors' Circular. Reference is made in that section to the fact that subsequent to the publication of the audited financial statements as at and for the year ended 31 March 2010 (set out in Appendix 1 of the Directors' Circular), the Pegasus finalized and agreed an assessment from the Tax Payer Audit and Assessment (TAAD). This assessment was raised in August 2010 by the TAAD for income tax on certain gratuity payments and allowances for the years 2005 to August 2009 which the Pegasus omitted to deduct and remit on behalf of its employees.

At the time of the circulation of the Take-Over Bid Circular and the Directors' Circular on January 20 2011, the restated accounts were not yet approved by the Board and were therefore not included in the Directors' Circular. You may have noted, however, that the Quarterly Financial Statement filed with the Jamaica Stock Exchange for the period ended 30 September 2010 disclosed this assessment and that accordingly, the fact of the assessment and the amounts were reported to stockholders and to the public via its posting on the JSE website.

In keeping with the Take-Over Advisory Sub-Committee's commitment to restate and reissue the audited financial statement for year ended 31 March 2010 and to circulate the same to stockholders, enclosed please find:

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1. The restated audited financials for year ended 31 March 2010 which is dated 31 January 2011 and approved by the Board of Pegasus and,
2. PricewaterhouseCoopers' consent dated 3 February 2011 to their Independent Auditor's Report being published.

Specifically as regards the impact of the TAAD assessment, the retained earnings stated in the previous audited financial statements for year ended 31 March 2010 was \$7.08 million whereas the restated audited financial statements for year ended 31 March 2010 discloses that the retained earnings was negatively impacted by \$37.39 million, resulting in a restated accumulated deficit position of \$30.302 million. Please refer to page 2 of the restated balance sheet of the enclosed restated audited financial statements for year ended 31 March 2010.

Please note that:

1. **The impact of the TAAD assessment on the audited financial statements of the Pegasus for year ended 31 March 2010 does not change the recommendation made to stockholders by the Take-Over Advisory Sub-Committee at pages 12 to 13 of the Directors' Circular not to accept the Offer Price.**
2. **Deloitte Touche Tomatsu, Management Consultants have confirmed to the Pegasus that the restated Audited Financial Statements as at year ended 31 March 2011 do not impact their Fairness Opinion dated as at 28 December 2010.**
3. **The restated Audited Financial Statements for Year Ended and as at 31 March 2010 and PricewaterhouseCoopers' consent dated 3 February 2011 are available for inspection together with the Documents Available for Inspection listed on pages 13 to 14 of the Directors' Circular and are posted on the Pegasus's website www.jamaicapegasus.com.**

ALL DOCUMENTS with which have been served concerning the Offer are IMPORTANT. YOU ARE THEREFORE URGED to carefully read them and if you are in doubt how to act, to consult your stockholder, bank manager, attorney-at-law, accountant or other professional advisor.

Yours sincerely,

Rev. Denzil Barnes, M.A.(Theology), BSc. (Econ), ACIB
Chairman, Take-Over Bid Advisory Sub-Committee